

Cleveland-Cuyahoga County Port Authority

**Basic Financial Statements
December 31, 2013 and 2012**



Dave Yost • Auditor of State

Board of Directors
Cleveland-Cuyahoga County Port Authority
1100 West 9th Street, Suite 300
Cleveland, OH 44113

We have reviewed the *Independent Auditor's Report* of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cleveland-Cuyahoga County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 2, 2014

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Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2013

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Independent Auditor's Report

To the Board of Directors of
Cleveland-Cuyahoga County Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors of
Cleveland-Cuyahoga County Port Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of December 31, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 25 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental schedules on pages 71 and 72 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors of
Cleveland-Cuyahoga County Port Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cini & Panichi, Inc.

Cleveland, Ohio
June 16, 2014

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

General

As management of the Cleveland-Cuyahoga Port Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2013. Please read this information in conjunction with the Authority's basic financial statements and footnotes beginning on pages 28 and 34 respectively.

The Authority is an independent political subdivision of the State of Ohio. It has two main business lines: 1) a maritime operation which manages the international docks on the east side of the Cuyahoga River and a bulk cargo facility on the west side of the river and; 2) the development finance operation, which manages financing programs involving the issuance of revenue bonds and notes (assets and liabilities associated with the Authority's financing programs are shown in the Statement of Fiduciary Net Position).

Overview

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, the Statement of Cash Flows, the Statement of Fiduciary Net Position, and the accompanying notes to the financial statements. These statements report information about the Authority as a whole and about its activities. The Authority is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to private-sector business. The statements are presented using economic resources management focus and the accrual basis of accounting.

The Statement of Net Position presents the Authority's financial position and reports the resources owned by the Authority (assets), future period consumption (deferred outflows), obligations owed by the Authority (liabilities), future period acquisition (deferred inflows) and Authority net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows). The Statement of Revenues, Expenses, and Changes in Net Position present a summary of how the Authority's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Authority's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing, and financing activities. The Statement of Fiduciary Net Position provides information on the assets and liabilities associated with the Authority's issued debt where third parties are the primary obligors for the repayment of the debt. The Authority has no obligation to repay the debt beyond the specific third party revenue sources pledged under the debt agreements, with the exception of debt issued through the Common Bond Fund, which includes a system of cash reserves partially funded by Authority contributions. A detailed explanation of the system of cash reserves can be found in Note 19. The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Port Activities refers herein to the Authority's core operations, maritime and development finance, including the cost of the administration of the Authority's operating groups (primarily Maritime and Development Finance as well as administration costs, including the fees generated by such groups).

North Coast Harbor ("NCH") refers herein to activities involving the maintenance and repair of the NCH common areas and activities involving special events and capital repairs for the benefit of NCH. Funding for maintenance and repair are paid entirely by the NCH Common Area Maintenance ("CAM") agreement participants: the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center, and the Cleveland Browns. Funding for special events and capital repairs are paid, as directed by the City of Cleveland, entirely from funds generated from City-owned parking lots as per a Cooperative Agreement between the City of Cleveland and the Authority. Assets, including cash and accounts receivable are shown as restricted assets on the Authority's Statement of Net Position. NCH assets are offset by corresponding liabilities on the Authority's Statement of Net Position. Income and expenses from NCH activities are netted on the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2012 as the activity does not reflect operating results of the Authority.

In 2012, the Authority and the City of Cleveland entered into agreements which ended the Authority's involvement in the administration of the CAM and terminated the Cooperative Agreement. All account balances relating to NCH were remitted to the City of Cleveland in 2013 and no NCH account balances remain on the Authority's Statement of Net Position at December 31, 2013 (see Note 6).

Statement of Fiduciary Net Position refers herein to the activities undertaken by the Authority's development finance function and shows the corresponding assets and liabilities associated with all of the financed projects for which bonds and notes issued by the Authority are still outstanding. The Authority is involved in these projects in order to assist private industry and government in the creation and retention of jobs, primarily within northeastern Ohio.

While financing can be provided under a variety of different structures, the Authority has two main programs under which it issues revenue bonds and notes:

The Authority's Common Bond Fund Program ("Bond Fund") transactions involve construction or other projects financed through the Authority's Fixed Rate Financing Program. A detailed description of the Bond Fund Program can be found in the notes to the basic financial statements. Two projects financed through the Authority's Bond Fund Program, Essroc (1997A) and Port Capital Improvements (1999A), relate to the Authority's maritime activities and are reflected on the Authority's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

Stand Alone projects involve the financing of similar projects outside of the Bond Fund, whereby the related revenue bonds and notes are not secured by the system of reserves established under the Bond Fund Program. Instead, the bonds and notes are secured by the property financed and are payable solely from the payments received by the trustee from the borrowers or other sources designated in the related agreements.

The Authority has no obligations for repayment of the bonds and notes beyond the specific third party revenue sources pledged under the debt agreements; therefore, the debt and any corresponding assets are not recorded on the Authority's Statement of Net Position, but are shown on the Authority's Statement of Fiduciary Net Position.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

It is important to note the following regarding the Authority's development finance projects:

1. For all Bond Fund financing transactions, the lender may look only to the borrower's lease or loan payments (or other stated sources of revenue) for debt service unless a default arises, in which case the reserve system established by the Authority and borrowers in the Bond Fund will make the debt service payments to the extent sufficient funds are available. The Bond Fund Program was established in 1997 with a \$2,000,000 contribution from the Authority's operating funds and was matched with a \$2,000,000 grant from the State of Ohio. In January of 2010, the Authority entered into a Memorandum of Understanding ("MOU") with the Ohio Manufacturers' Association ("OMA") and other entities which resulted in an additional \$2.5 million contribution to the Bond Fund Program's system of reserves. This \$6,700,000 in restricted funds, which includes approximately \$200,000 in associated interest earnings, is reflected on the Authority's Statement of Net Position. Interest earned on the \$4.1 million State of Ohio and Authority contributions are reflected on the Authority's Statement of Net Position and the earnings on these funds are also recognized as income from investments on the Authority's Statement of Revenues, Expenses, and Changes in Net Position. Interest earned on the OMA contribution is remitted to the OMA semi-annually, in accordance with the MOU. Any utilization of the reserve funds discussed above would result in a reduction to the Authority's net position.
2. For all Stand Alone debt transactions, the lender may look only to the borrower's lease payments and certain other specified revenue sources, along with borrower cash reserves, to provide funds for debt service payments. The Authority has no obligation to repay this debt, with the exception of the Authority's Cleveland Bulk Terminal facility, which was financed through a non-Bond Fund bond issuance in 1997, 2001, and 2007 and where the Authority is obligated to repay the debt.

Additional information regarding No-Commitment Debt can be found in Note 19.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Condensed Statement of Net Position Information

The tables below provide a summary of the Authority's financial position and operations for 2013, 2012, and 2011, respectively.

Comparison of 2013 vs. 2012 Results:

	2013	2012	Change	
			Amount	Percent
Assets and deferred outflows of resources:				
Current assets	\$ 16,003,096	\$ 14,982,558	\$ 1,020,538	6.8%
Capital assets – net	46,723,628	45,611,483	1,112,145	2.4%
Restricted and other assets	8,400,333	12,170,626*	(3,770,293)	(31.0%)
Deferred outflow of resources	<u>565,259</u>	<u>807,435</u>	<u>(242,176)</u>	<u>(30.0%)</u>
Total assets and deferred outflows of resources	<u>71,692,316</u>	<u>73,572,102</u>	<u>(1,879,786)</u>	<u>(2.6%)</u>
Liabilities and deferred inflows of resources:				
Current liabilities	1,752,615	1,699,188*	53,427	3.1%
Current liabilities payable from restricted assets	579,328	4,452,386	(3,873,058)	(87.0%)
Other liabilities – including amounts relating to restricted assets	9,016,778	9,845,313	(828,535)	(8.4%)
Deferred inflow of resources	<u>3,665,259</u>	<u>3,907,435*</u>	<u>(242,176)</u>	<u>(6.2%)</u>
Total liabilities and deferred outflows of resources	<u>15,013,980</u>	<u>19,904,322</u>	<u>(4,890,342)</u>	<u>(24.6%)</u>
Net position:				
Net investment in capital assets	37,545,564	35,858,955	1,686,609	4.7%
Restricted for other purposes	7,372,291	7,045,455*	326,836	4.6%
Unrestricted	<u>11,760,481</u>	<u>10,763,370</u>	<u>997,111</u>	<u>9.3%</u>
Total net position	<u>\$ 56,678,336</u>	<u>\$ 53,667,780*</u>	<u>\$ 3,010,556</u>	<u>5.6%</u>

*As restated

In March of 2012, the Governmental Accounting Standards Board issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" ("GASB 65") which prescribed, as required by GASB 63, the specific accounts or transactions which were to be reclassified as deferred outflows or deferred inflows or alternatively as outflows (expenses) or inflows (revenues). GASB 65 was effective for financial statement periods beginning after December 15, 2012 and retrospective application for all periods presented was expected (see Note 25).

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

The Authority implemented GASB 65 in 2013. Several line items were reclassified to comply with GASB 65. Those balances included \$3.1 million in deferred property tax revenue and \$458,488 in unamortized debt issuance, loan and lease costs. Comparative financial and supplemental data contained within this report has been updated to reflect this retrospective adjustment.

Deferred property tax revenue was reclassified on the Statement of Net Position from current liabilities to deferred inflow of resources. This reclassification had no effect on the Authority's net position.

Unamortized debt issuance, loan, and lease costs were deemed by GASB 65 to be expenses of the current period. This restatement decreased the Authority's 2013 opening net position by \$458,488. The table below illustrates the effect of this restatement.

<u>Classification</u>	<u>Prior to 2011</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Professional service fees	\$ -	\$ 98,217	\$ 87,441	\$ 185,658
Interest expense	<u>337,029</u>	<u>(33,591)</u>	<u>(30,608)</u>	<u>272,830</u>
Additional expense per restatement	\$ <u>337,029</u>	\$ <u>64,626</u>	\$ <u>56,833</u>	\$ <u>458,488</u>
Effect on Net Position	\$ <u>(337,029)</u>	\$ <u>(64,626)</u>	\$ <u>(56,833)</u>	\$ <u>(\$458,488)</u>

Current Assets: Current assets increased by approximately \$1.0 million from December 31, 2012 to December 31, 2013. The largest increase in this classification was a \$1.6 million increase in the Authority's unrestricted cash and investment balance which is attributable to positive cash flow from operations and noncapital financing activities. Prepaid expenses also increased by \$50,000 as the Authority prepaid \$24,000 in employee healthcare premiums, \$16,000 in property insurance and \$10,000 in membership dues. The increase in prepaid expenses resulted from the timing of payments and a slightly higher annual insurance premium.

The above increases were offset by a \$252,000 decrease in accounts receivable, as payments of \$282,700 were received for several one-time fees that were outstanding on December 31, 2012. The decrease in accounts receivable resulting from these one-time payments was offset by increased tenant rental fees receivable of approximately \$30,700. These one-time fee payments included \$163,500 from the State of Ohio for a class action settlement, \$89,000 from the City of Cleveland for parking revenues collected on the Authority's behalf, and \$30,200 that was due from the Authority's insurer for reimbursement from a wind damage claim. The increased rental fees included \$18,400 in additional tenant rental fees which were based on a proportional share of increased operating costs as defined in various lease agreements.

Additional decreases in current assets included a decrease of \$186,200 in the cost in excess of billings which was paid in 2013, by the Ohio Department of Transportation ("ODOT") for the Euclid Facility Project, for which the Authority was the developer (see Note 23). Grants receivable also decreased by \$95,700 as amounts outstanding at December 31, 2012 for remediation at the Cleveland Lakefront Nature Preserve and reimbursement for storm damage were paid (see Note 18). Other decreases include \$8,700 in interest receivable. Finally, a decrease of \$62,500 was realized on the current portion of a note due from Chancellor University as the note was deemed uncollectable in July of 2013 (see Note 12).

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Capital Assets: The Authority's investment in capital assets as of December 31, 2013 increased by \$1.1 million when compared to 2012 (net of accumulated depreciation). Capital assets before accumulated depreciation increased approximately \$2.4 million from \$62.3 million at December 31, 2012 to \$64.7 million at December 31, 2013.

Land and land improvements increased by \$929,700 (\$63,200 of which was construction in progress at December 31, 2012) as the Authority remediated a 5-acre parcel of land at the Cleveland Lakefront Nature Preserve ("CLNP") (see Note 18). The CLNP, which is opened to the public, is managed by the Authority.

The additions to buildings, infrastructures and leasehold improvements was driven by the renovation of the Port's new office headquarters at 1100 West 9th Street, which the Authority purchased in 2011 (see Note 14). Improvements to the interior of the building totaled \$736,000, and included construction of the 3rd floor infrastructure, as well as improvements to the elevator and fire, access, and other mechanical systems. Improvements were also made to the exterior of the building which totaled \$344,500, \$25,400 of which was construction in progress at December 31, 2012, and included exterior brickwork, sidewalks and steps, lighting, fencing and landscaping. Other additions included \$155,200 to dredge the Authority's international docks to their authorized depths. Also, \$51,600 was invested with third party funds at CLNP to construct a public overlook plaza and install a boardwalk. There were also \$5,500 in various other port improvements.

Equipment increased by \$423,000, as \$285,800 was expended for furniture, phones, flooring, and other technology to outfit the Authority's new administrative offices. Other equipment investments included \$89,000 for a rooftop sign at the Authority's offices and \$47,800 for administrative and utility vehicles.

These additions were offset by a \$115,500 reduction to equipment previously carried on the Authority's balance sheet, due to the disposal of obsolete furniture, fixtures and equipment. An additional reduction included a \$57,700 disposal of assets purchased pursuant to a lease buy-out agreement which were subsequently replaced.

A summary of the activity in the Authority's capital assets during the year ended December 31, 2013, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	\$ 18,735,094	\$ 929,665	\$ -	\$ 19,664,759
Buildings, infrastructures, and leasehold improvements	41,930,927	1,292,916	(57,659)	43,166,184
Equipment	1,534,829	422,588	(115,458)	1,841,959
Construction in progress	88,670	-	(88,670)	-
	62,289,520	2,645,169	(261,787)	64,672,902
Less accumulated depreciation	(16,678,037)	(1,380,029)	108,792	(17,949,274)
Capital assets – net	\$ 45,611,483	\$ 1,265,140	\$ (152,995)	\$ 46,723,628

Restricted and Other Assets: Restricted and other assets decreased by approximately \$3.8 million from December 31, 2012 to December 31, 2013.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

The main reason for the decrease in this classification was a \$3.6 million reduction in restricted grants and accounts receivable, due to decreased project activity on the bulkhead, riverwalk, and Cleveland Public Power projects ("CPP"), all of which are related to the Flats East Bank Project (see Note 24). The bulkhead project was completed in June of 2013. The riverwalk project slowed during the second half of 2013 and is expected to recommence in 2014. The CPP project slowed in 2013 but will recommence and be completed as the second phase of the Flats East Bank Development is completed. These grants and receivables are offset by corresponding liabilities payable from restricted assets on the Authority's Statement of Net Position.

Other decreases in this classification include a \$100,000 reduction in the long-term portion of a note receivable, due from Chancellor University, which was deemed uncollectable in 2013 (see Note 12) and a \$31,700 scheduled decrease in operating lease receivables.

Additionally, restricted cash and investments decreased by approximately \$64,000. The change in this classification was primarily due to the net effect of the return of \$781,300 in NCH funds which were held by the Authority at December 31, 2012 and an increase of \$509,900 in a retainage escrow account held for the benefit of the contractor of the Euclid Garage Project as mutually agreed upon. Other increases include an additional \$111,700 in the monies held in the Common Bond Fund which will be available for use by the Authority when the Common Bond Fund Primary Reserve fund is replenished and a \$100,000 scheduled increase in Bond Fund Auxiliary Reserve fund.

Deferred Outflow of Resources: Deferred outflow of resources decreased by \$242,200 as a result of the interest rate swap the Authority has in place for the Cleveland Bulk Terminal ("CBT") bonds.

Current Liabilities: Current liabilities increased by approximately \$53,500 from December of 2012 to December of 2013. Accrued salaries and benefits increased by \$43,000 due to the timing of pay dates and related accruals. Additionally, the current portion of bonds and loans increased by \$30,000 year over year as the result of schedule principal payment increases. Unearned income also increased by \$24,000 as more tenants prepaid their 2014 rent.

These increases were offset by a reduction in accounts payable of \$43,500. The reduction of \$43,500 is composed of a decrease of \$112,500 in vendor payables primarily due to the timing of vendor invoices and an increase in property tax payable of \$69,000 on the Authority's property located at 1100 West 9th Street. The Authority was notified on June 14th of 2013 by the Cuyahoga County Board of Revisions that a 2011 valuation increase sought by the Cleveland Metropolitan School District ("CMSD") had been approved. The value of the property for real estate tax purposes was increased from \$1.9 million to \$3.1 million.

Current Liabilities Payable from Restricted Assets: Current liabilities payable from restricted assets decreased by approximately \$3.9 million from December 31, 2012 to December 31, 2013. As discussed above in Restricted and Other assets, the main reason for the decrease in this classification was the \$3.6 million reduction in restricted grants and accounts receivable, due to decreased project activity on the bulkhead, riverwalk and CPP projects related to the Flats East Bank Project (see Note 24). These liabilities are offset by corresponding assets in the Authority's Statement of Net Position. Additional decreases include a reduction of \$781,300 payable to the City of Cleveland at December 31, 2012 for balances related to NCH, which were paid in 2013. Finally, accrued interest payable decreased by \$11,700 due to decreased interest rates on the Authority's CBT debt.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

These decreases were offset by an increase in retainage payable of \$510,000. Retainage payable is offset by a corresponding asset on the Authority's Statement of Net Position.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately \$828,500. The main reason for the decrease came from a \$604,500 scheduled reduction in the non-current portion of the Authority's long-term debt obligations. Additionally, a reduction of \$130,000 was seen in unearned income as a result of the continued straight-line accounting for the Authority's operating leases. A decrease of \$94,000 also occurred as a result of a decrease in accrued rent for the Authority's prior office lease, which expired January 31, 2014.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2013 is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year
Cleveland Bulk Terminal	\$ 4,680,000	\$ -	\$ (160,000)	\$ 4,520,000
Port Improvements 1999A	2,341,306	947	(310,000)	2,032,253
Essroc 1997A	<u>2,731,222</u>	<u>4,589</u>	<u>(110,000)</u>	<u>2,625,811</u>
Total	<u>\$ 9,752,528</u>	<u>\$ 5,536</u>	<u>\$ (580,000)</u>	<u>\$ 9,178,064</u>

Additional information on the Authority's long-term debt can be found in the notes to the Authority's financial statements.

Deferred Inflow of Resources: A decrease of \$242,000 occurred in the derivative instrument related to the CBT interest rate swap.

Net Position: Net Position serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$56.7 million at the close of the most recent fiscal year.

The largest portion of the Authority's net position (approximately 66%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Comparison of 2012 vs. 2011 Results:

	2012	2011	Change	
			Amount	Percent
Assets and deferred outflows of resources:				
Current assets	\$ 14,982,558	\$ 14,920,886	\$ 61,672	0.4%
Capital assets – net	45,611,483	42,203,690	3,407,793	8.1%
Restricted and other assets	12,170,626*	8,545,703*	3,624,923	42.4%
Deferred outflow of resources	<u>807,435</u>	<u>924,401</u>	<u>(116,966)</u>	<u>(12.7%)</u>
Total assets and deferred outflows of resources	<u>73,572,102</u>	<u>66,594,680</u>	<u>6,977,422</u>	<u>10.5%</u>
Liabilities and deferred inflows of resources:				
Current liabilities	1,699,188*	1,716,008*	(16,820)	(1.0%)
Current liabilities payable from restricted assets	4,452,386	846,190	3,606,196	426.2%
Other liabilities – including amounts relating to restricted assets	9,845,313	10,631,685	(786,372)	(7.4%)
Deferred inflow of resources	<u>3,907,435*</u>	<u>4,024,401*</u>	<u>(116,966)</u>	<u>(2.9%)</u>
Total liabilities and deferred outflows of resources	<u>19,904,322</u>	<u>17,218,284</u>	<u>2,686,038</u>	<u>15.6%</u>
Net position:				
Net investment in capital assets	35,858,955	31,543,353	4,315,602	13.7%
Restricted for other purposes	7,045,455*	6,814,543*	230,912	3.4%
Unrestricted	<u>10,763,370</u>	<u>11,018,500</u>	<u>(255,130)</u>	<u>(2.3%)</u>
Total net position	\$ <u>53,667,780*</u>	\$ <u>49,376,396*</u>	\$ <u>4,291,384</u>	<u>8.7%</u>

* As restated

Current Assets: Current assets increased by approximately \$61,700 from December 31, 2011 to December 31, 2012. The largest increase in this classification was \$409,000 in accounts receivable, consisting of \$163,500 due from the State of Ohio for a class action settlement pursued by the Ohio Attorney General on behalf of the Authority against Wachovia Bank, N.A. in connection with a municipal bonds derivatives antitrust investigation. Other increases related to \$89,000 due from the City of Cleveland for parking revenues collected on the Authority's behalf, \$35,700 due from a local contractor for dredge disposal fees, \$30,200 due from our insurer for reimbursement from a wind damage claim, and approximately \$90,600 in rental payments due from maritime tenants. All of these amounts have since been received. Other increases included \$186,200 in cost in excess of billings for the Ohio Department of Transportation ("ODOT") Euclid Facility Project for which the Authority is the developer (see Note 23). Additionally, notes and interest receivable increased by \$16,000 due to timing of principal and interest payments.

These increases were offset by a decrease in unrestricted cash and investments of \$282,300 utilized in increased organizational activities and \$173,800 in loans receivable related to the Ohio Department of Development ("ODOD") Logistics Loan (see Note 11) that was paid. Grants receivable decreased by a total of \$67,900 and prepaid expenses decreased by \$25,500.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Capital Assets: The Authority's investment in capital assets as of December 31, 2012 increased by \$3.4 million when compared to 2011 (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately \$3.5 million from December 31, 2011 to December 31, 2012. The major component of the increase was an investment of \$4.4 million for additional rail track on the Authority's international docks, \$490,000 of which was construction in progress at December 31, 2011. The Authority also invested \$404,000 constructing two debris harvester vessels designed to remove floating debris from the Cleveland Harbor and Cuyahoga River navigation channel. Additionally, \$252,500 in security enhancements were made, \$238,200 of which was construction in progress at December 31, 2011. Other investments throughout the year included \$200,800 to replace the roof on Warehouse 24, \$88,400 for a partial roof replacement to Warehouse A due to damage caused by Hurricane Sandy, \$65,400 for a new roof at 1100 West 9th Street, \$57,900 in new warehouse doors and port fencing, \$44,300 in dredging Authority docks to their authorized depths, and \$83,900 in various other improvements (system upgrades, equipment, etc.).

These additions were offset by a \$1.4 million reduction to leasehold improvements previously carried on the Authority's balance sheet, due to the return of Docks 28B and 30 to the City of Cleveland (see Note 15). Additional reductions included \$55,300 in disposals, a portion of which were caused by wind damage and later replaced. A summary of the activity in the Authority's capital assets during the year ended December 31, 2012, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	\$ 18,735,094	\$ -	\$ -	\$ 18,735,094
Buildings, infrastructures, and leasehold improvements	38,485,762	4,869,337	(1,424,172)	41,930,927
Equipment	845,564	704,923	(15,658)	1,534,829
Construction in progress	<u>734,618</u>	<u>88,669</u>	<u>(734,617)</u>	<u>88,670</u>
	58,801,038	5,662,929	(2,174,447)	62,289,520
Less accumulated depreciation	<u>(16,597,348)</u>	<u>(1,280,538)</u>	<u>1,199,849</u>	<u>(16,678,037)</u>
Capital assets – net	\$ <u>42,203,690</u>	\$ <u>4,382,391</u>	\$ <u>(974,598)</u>	\$ <u>45,611,483</u>

Restricted and Other Assets: Restricted and other assets increased \$3.6 million from December 31, 2011 to December 31, 2012. Restricted grants receivable increased by \$2.5 million due to the riverwalk and bulkhead grants and \$1.1 million due to the Cleveland Public Power ("CPP") funds related to the Flats East Bank Project (see Note 24). These receivables are offset by current liabilities payable from restricted assets.

Restricted cash and investments increased by approximately \$119,000, mainly due to the Authority's Bond Program Auxiliary Reserve increasing by \$100,000.

The increases discussed above were offset by scheduled decreases totaling approximately \$101,000 in operating lease receivables, principal due from Chancellor University and other restricted assets.

Deferred Outflow of Resources: Deferred outflow of resources decreased by \$117,000 as a result of the swap the Authority has in place for the Cleveland Bulk Terminal ("CBT") bonds.

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Current Liabilities: Current liabilities decreased by approximately \$17,000 from December of 2011 to December of 2012. This change was comprised of a \$363,000 decrease in the Ohio Department of Development logistics loan obtained for the rail project that was forgiven in November of 2012 (see Note 11). The decrease was offset by an increase of \$268,000 in accounts payable due to several new initiatives and projects undertaken by the Authority in 2012, such as the ODOT project, sediment management activities and improvements at the Cleveland Lakefront Nature Preserve. Additionally, deferred income increased by \$38,000 as fewer tenants prepaid their 2013 rent. Current portion of bonds and loans increased by \$30,000 year over year as principal payment schedules increased and accrued wages and benefits increased by \$10,000 largely due to timing.

Current Liabilities Payable from Restricted Assets: Current liabilities payable from restricted assets in 2012 increased by \$3.6 million. \$2.5 million of this increase is attributed to the acceptance and expenditures of the riverwalk and bulkhead grants and the CPP funds of \$1.1 million related to the Flats East Bank Project (see Note 24). These payables are offset by a corresponding restricted grant receivable.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately \$786,000. The reason for the decrease came from a \$574,000 scheduled reduction in the non-current portion of the Authority's long-term debt obligations. Additionally, a reduction of \$212,000 was seen in deferred income and accrued rent as a result of the straight-line accounting for the Authority's operating and office leases.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2012 is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year
Cleveland Bulk Terminal	\$ 4,835,000	\$ -	\$ (155,000)	\$ 4,680,000
Port Improvements 1999A	2,635,241	1,065	(295,000)	2,341,306
Essroc 1997A	2,826,474	4,748	(100,000)	2,731,222
ODOD Logistics Loan	<u>363,622</u>	<u>2,661,878</u>	<u>(3,025,500)</u>	<u>-</u>
Total	\$ <u>10,660,337</u>	\$ <u>2,667,691</u>	\$ <u>(3,575,500)</u>	\$ <u>9,752,528</u>

Additional information on the Authority's long-term debt can be found in the notes to the Authority's financial statements.

Deferred Inflow of Resources: A decrease of \$117,000 occurred in the derivative instrument related to the CBT interest rate swap.

Net Position: Net Position serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$53.7 million at the close of the most recent fiscal year.

The largest portion of the Authority's net position (approximately 67%) represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructures, leasehold improvements, and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Statement of Revenues, Expenses, and Changes in Net Position Information

The Authority's operations increased its net position by \$3.0 million in 2013. Key elements of these changes are summarized below:

	2013	2012	Change	
			Amount	%
Operating revenues:				
Wharfage, dockage, and storage	\$ 1,453,180	\$ 1,285,511	\$ 167,669	13.0%
Property lease and rentals	2,037,696	2,011,992	25,704	1.3%
Financing fee income	1,967,861	662,752	1,305,109	196.9%
Foreign trade zone fees	80,000	74,333	5,667	7.6%
Dredge disposal fees	58,100	144,949	(86,849)	(59.9%)
Parking revenues	306,577	380,315	(73,738)	(19.4%)
Contract revenue	7,573,801	476,199	7,097,602	1,490.5%
Other	114,707	74,175	40,532	54.6%
Total operating revenues	<u>13,591,922</u>	<u>5,110,226</u>	<u>8,481,696</u>	<u>166.0%</u>
Operating expenses:				
Salaries and benefits	2,385,827	2,272,132	113,695	5.0%
Professional services	890,765	1,011,049*	(120,284)	(11.9%)
Sustainable infrastructure services	530,388	397,374	133,014	33.5%
Contractual services	7,038,471	442,945	6,595,526	1,489.0%
Facilities lease and maintenance	786,305	913,085	(126,780)	(13.9%)
Marketing and communications	332,430	215,508	116,922	54.3%
Depreciation expense	1,380,029	1,280,538	99,491	7.8%
Office expense	436,923	368,576	68,347	18.5%
Other expense	187,658	154,496	33,162	21.5%
Total operating expenses	<u>13,968,796</u>	<u>7,055,703</u>	<u>6,913,093</u>	<u>98.0%</u>
Operating loss	<u>(376,874)</u>	<u>(1,945,477)</u>	<u>1,568,603</u>	<u>80.6%</u>
Nonoperating revenues (expenses):				
Flats East Bank Project grant revenue	1,583,174	4,989,452	(3,406,278)	(68.3%)
Flats East Bank Project grant expenses	(1,583,174)	(4,989,452)	3,406,278	68.3%
Property tax receipts	3,043,682	3,037,379	6,303	0.2%
Income from investments	258,057	298,340	(40,283)	(13.5%)
Interest expense	(596,754)	(638,685)*	41,931	(6.6%)
Loss on disposal of fixed assets	(62,405)	(216,796)	154,391	(71.2%)
Gain on insurance recovery	-	33,032	(33,032)	(100.0%)
Loss on note receivable	(162,500)	-	(162,500)	100.0%
Other revenue (expense)	(67,379)	173,081	(240,460)	(138.9%)
Total nonoperating revenues - net	<u>2,412,701</u>	<u>2,686,351</u>	<u>(273,650)</u>	<u>(10.2%)</u>
Change in net position before capital grants	2,035,827	740,874	1,294,953	174.8%
Capital grants	<u>974,729</u>	<u>3,550,510</u>	<u>(2,575,781)</u>	<u>(72.5%)</u>
Change in net position	3,010,556	4,291,384*	(1,280,828)	(29.8%)
Net position – beginning of year, restated	<u>53,667,780</u>	<u>49,376,396*</u>	<u>4,291,384</u>	<u>8.7%</u>
Net position – end of year	\$ <u>56,678,336</u>	\$ <u>53,667,780*</u>	\$ <u>3,010,556</u>	<u>5.6%</u>

*As restated

Cleveland-Cuyahoga County Port Authority

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For the Year Ended December 31, 2013

Operating Revenues: Collectively, total operating revenues increased 166% or \$8.5 million, to \$13.6 million in 2013, from \$5.1 million in 2012. The largest component of this increase was \$7.1 million in contract revenue, related to the development and sale of the Euclid Garage Facility Project to ODOT. The Authority utilized a design-build delivery method for this project, which accelerated the construction and subsequent completion of the facility. Total revenues, excluding contract revenue, increased by 29.9% or \$1.4 million to \$6.0 million, compared to \$4.6 million in 2012.

Wharfage, Dockage, and Storage: These revenues are generated from Authority cargo operations and collectively increased 13% from \$1,286,000 in 2012 to \$1,453,000 in 2013. Overall tonnage handled by our primary break-bulk terminal operator increased by 50,000 tons or 14% to 405,000 tons. This tonnage increase resulted in a \$100,000 increase in wharfage and dockage revenues attributable to our primary break-bulk operator. Throughput at the Cleveland Bulk Terminal facility, leased by a private company, increased by 9% for a total of approximately 3.1 million in billable tons of iron ore and limestone. This increased wharfage revenues at the CBT facility by \$55,000 as compared to the previous year. Other smaller revenue sources, such as security fees and storage increased by \$12,000 in 2013 mainly due to increased throughput.

Property Lease and Rentals: Property lease and rentals increased by approximately \$25,700 or 1% in 2013, primarily due to \$36,300 in increased terminal usage fees as a result of increased throughput at our primary break-bulk terminal. The Authority also received an additional \$7,500 net increase in rental revenue from the 1100 West 9th Street office building, as operating costs were passed along to tenants. Additional increases were attributable to operating agreement adjustments and increases in submerged land leases totaling \$7,400. These increases in maritime property rentals were offset by a decrease of \$25,500 as various short-term use agreements expired in 2012 and did not reoccur in 2013.

Financing Fee Income: Financing Fee Income increased by \$1.3 million in 2013, to approximately \$1,968,000. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on Stand Alone, Bond Fund and New Market Tax Credit projects based on the risk profile and structure at the time the bonds are issued; (2) bond service fees, which are ongoing annual fees charges on certain projects with principal outstanding; and (3) application and acceptance fees which are non-refundable monies received by the Authority prior to the issuance of bonds or notes.

In 2013, closing fees increased by \$1,100,950 to \$1,134,700 as the Authority assisted in issuing bonds for five transactions versus one in the previous year. The Authority collected approximately \$387,700 in closing fees and a \$747,000 distribution fee, for its share of New Market Tax Credit fees, through its Cooperative Agreement with the Northeast Ohio Development Fund LLC. No New Market Tax Credit distribution fees were received in 2012.

The Authority received \$190,500 in application and acceptance fees in 2013 from nine projects, three of which closed in 2013, and six which are expected to close in 2014. The increase in activity during 2013 resulted in an additional \$180,500 in acceptance fees as compared to 2012.

The Authority also collected \$642,600 in bond service fees related to existing projects, which was a \$24,000 increase from 2012.

Foreign Trade Zone Income: Foreign Trade Zone fees remained stable at \$80,000 in 2013, compared to \$74,300 in 2012. The increase was the result of the full year impact of one new participant in 2012.

Cleveland-Cuyahoga County Port Authority

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For the Year Ended December 31, 2013

Dredge Disposal Fees: In 2008, the Authority began to enter into dredge disposal agreements with organizations that have a need to store privately dredged material in dike disposal Site 12, which is controlled by the Authority and is on the north side of Burke Lakefront Airport. In 2013, 4,500 cubic yards were privately dredged and stored compared to 21,000 cubic yards in 2012 which resulted in decreased disposal fees of \$87,000.

Parking Revenues: Parking revenue decreased by \$73,700 compared to 2012. The Authority's parking revenues relate only to revenues that can be utilized by the Authority and are not associated with the CAM or the City of Cleveland Agreements concerning NCH.

The primary reason for the decrease was the return of Erieside Parking Lot, which the Authority previously leased and managed, to the City of Cleveland in October of 2012. The Authority recorded approximately \$89,000 in revenue from this parking lot in 2012. The decrease was offset by a slight increase in demand at other lots managed by the Authority due to the Tall Ships Festival which took place in 2013.

A new parking agreement was executed between the Authority and the Cleveland Browns in 2012. This agreement set an annual flat rate of \$225,000.

Contract Revenue: In 2012, the Authority entered into a Purchase Agreement with ODOT (see Note 23) to finance and construct a maintenance garage in Euclid, Ohio. The project was completed 4th quarter of 2013 and ODOT purchased the facility from the Authority for the contracted price of \$8,050,000. The project was accounted for using the percentage of completion method in recognizing revenue and expenses for the project. As of December 31, 2013, contract revenue recognized was \$7,573,800. At December 31, 2012, contract revenue recognized was \$476,200 as the project was only 6% complete.

Other Revenues: Other operating revenues increased by \$40,500 in 2013. Other revenues include the Authority's office sublease, equipment rentals and other charges. The main components of this increase included the receipt of a \$16,000 premium dividend issued by the Bureau of Workers Compensation, an increase of \$13,000 in rent for the Authority's office sub-lease and a \$9,000 increase in crane rental due to increased activity at the Authority's docks. Various other revenue line items increased by approximately \$11,500 which were offset by a decrease in CAM administration fees of \$9,000.

Operating Expenses: Operating expenses increased by approximately \$6.9 million (98%) in 2013 compared to 2012. The largest component of this increase was \$7.0 million in contractual services which are costs associated with \$7.6 million in contract revenue. Total operating expenses, excluding contractual services, increased by \$317,500 (4.8%) in 2013. The increase in operating expenses was largely due to the additional resources required to drive increased operating revenues as well as certain one-time expenses associated with the Authority's relocation to its new headquarters.

Salaries and Benefits: One of the more significant operating expenses of the Authority is salary and benefit costs, which increased by \$113,700 or 5% from 2012.

Salaries increased by approximately \$107,800 as the Authority added one new position in January of 2013. Other increases include the full-year effect of a new position added in June of 2012, performance increases and other personnel costs. These increases were offset by savings that resulted from the elimination of one full-time and one part-time position early in 2013 and the partial-year vacancy of two additional positions which remain open.

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Benefit costs increased by approximately \$5,900, primarily due to a \$13,200 increase in healthcare costs on the Authority's high-deductible health savings compatible plan. Additionally, OPERS and Medicare costs increased \$6,900 collectively. These increases were offset by a decrease in unemployment claims of \$13,000 and decreased workers compensation premiums of \$1,200.

Professional Services: Professional services expense decreased by \$120,300 or 11.9% as compared to 2012. A decrease of \$119,800 occurred as one-time loan costs paid in 2012 to refinance certain letters of credit were not necessary in 2013. Additionally, a decrease of \$115,000 resulted from fewer contracted services occurring in 2013 as compared to 2012. Finally, fees on the \$9.0 million letter of credit supporting the Common Bond Fund were renegotiated in December of 2012 which resulted in an annual savings of approximately \$52,700.

These decreases were offset by an increase in government relations fees of \$87,300 as the Authority contracted with a firm specializing in advocacy for federal maritime issues. Legal fees also increased by \$74,400, primarily due to increased maritime and financing activity, new initiatives and lease negotiation issues. Audit, insurance and other professional fees collectively increased by approximately \$5,500.

Sustainable Infrastructure Services: Sustainable infrastructure services increased by \$133,000 in 2013 to \$530,000. During 2013, several new projects were undertaken which are directly associated with the implementation of the Port's Strategic Action Plan, which called for the Port Authority to "lead critical initiatives for river renewal and infrastructure improvements." These projects included expending \$113,000 of a new \$282,000 contract for specialized engineering services to assess the stability of the Franklin Hill area along the Cuyahoga River. Also, \$114,500 was expended for bulkhead assessment services on the Cuyahoga River, pursuant to a cooperative agreement between the City of Cleveland and the Authority.

Other increases include the full-year impact of \$91,000 in operational costs associated with the Authority's two debris harvester vessels, which clean the Cuyahoga River.

These increases were offset by a \$190,300 decrease in the cost for the Sediment Management Study as the project was completed in 2013.

Contractual Services: Contractual services are costs incurred in conjunction with the design and construction of the maintenance garage in Euclid OH, in accordance to the Purchase Agreement between the Authority and ODOT. Construction of the project was completed pursuant to a Guaranteed Maximum Price contract with a private construction firm. The costs of the project and their associated revenues are recognized utilizing the percentage of completion method of accounting. The project was completed and purchased by ODOT as agreed upon in the 4th quarter of 2013. As of December 31, 2013, contract cost recognized was \$7,038,471. At December 31, 2012, contract revenue recognized was \$442,945.

Facilities Lease and Maintenance: Facilities lease and maintenance expense decreased by approximately \$127,000 from 2012 levels. As a result of various agreements between the City of Cleveland and the Authority (See Note 15), rent on docks leased by the Authority from the City has been abated beginning October 1, 2012. The abatement of lease rental payments resulted in a decrease of \$300,000 in 2013 over 2012.

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The \$300,000 savings was reduced by increased costs for the following items. In 2013, the Authority was notified that a complaint for tax year 2011, filed by the CMSD, had been approved by the County Board of Revisions for the Authority's new office headquarters at 1100 W. 9th Street. This activity resulted in an increase of \$102,000 in property tax expense for 2013 as compared to 2012. Additionally, due in part to increased activity at Authority docks, maintenance costs also increased by \$71,000 in 2013.

Marketing and Communications: Marketing and communication expense increased by \$117,000 to \$332,400 in 2013 as compared to 2012. The Authority was the main sponsor of the July 2013 Tall Ships Festival at a cost of \$80,000. Also in 2013, \$26,000 was spent on new materials to include the new logo and office address of the Authority. The remaining \$11,000 increase was primarily due to increased travel for business development purposes.

Office Expense: Office expense increased by approximately \$68,000 to \$437,000 in 2013. In order for the Authority to relocate its headquarters to 1100 W. 9th Street, the buy-out clause in one of the tenant's leases was exercised. Pursuant to the terms of the buy-out provision in the lease, the Authority was required to reimburse the tenant for moving expenses totaling \$16,000 and six months of rent at \$37,000. The remaining increase of \$15,000 was primarily due to expenses related to supplying the new administrative offices and an increase in the cost of utilities.

Other Expense: Other expenses increased by \$33,000 to \$188,000 in 2013 mainly due to an increase in staff training and education expense.

Nonoperating Revenues (Expenses):

- **Flats East Development Project Revenue and Expense:** The Authority accepted various grants to facilitate the completion of a major redevelopment project in the City of Cleveland known as the Flats East Bank Project. Grant expenditures and corresponding revenues of \$1,583,174 were recognized in 2013 in relation to this project (see Note 24).
- **Property Tax Receipts:** A large portion of nonoperating revenues results from the Authority's .13 mill property tax levy. Receipts remained relatively flat with an increase of \$6,300 in 2013.
- **Income from Investments:** Investment income decreased \$40,300 from \$298,300 in 2012 to \$258,000 in 2013. As a result of recording its investments at market, the Authority recorded an unrealized loss on investments of \$22,000 in 2013, compared to a \$7,300 loss in 2012, a decrease of \$14,800. In addition, no interest was collected from the Chancellor University note receivable in 2013 but \$8,700 was collected in 2012 (see Note 12). The remainder of the decrease is attributable to the lower interest rates on reinvested capital.
- **Interest Expense:** The \$42,000 decrease is the result of continued reduction of principal of the Authority's existing direct debt obligations and reduced interest rates resulting from replacement of the letter of credit provider for the Cleveland Bulk Terminal Project bonds on March 1, 2012.
- **Loss on Note Receivable:** In July of 2013, the Authority was given notice that Chancellor University would cease operations due to accreditation and financial difficulties. At the time of the closure the balance due on the \$250,000, August 2010 note was \$162,500. This balance was deemed uncollectable and was recorded as a loss.

Cleveland-Cuyahoga County Port Authority

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For the Year Ended December 31, 2013

- **Loss on Disposal of Fixed Assets:** In 2013 the Authority relocated its offices to the building, which it owns, located at 1100 W. 9th Street. In order to secure space for its offices, the Authority exercised its option to reject a renewal option for the 3rd floor tenant. Pursuant to the terms set forth in the lease, the Authority was obligated to reimburse the tenant for the net book value (unamortized portion) of improvements made by the tenant. The net book values of the improvements totaled \$129,500, which the Authority recorded as a capital expenditure. The Authority subsequently disposed of \$57,700 of these improvements. This was necessary as certain of these items were replaced during the build-out of the Authority's office. An additional \$6,600 in obsolete equipment and furniture was disposed of during the move which was offset by the receipt of \$1,900 from a cash sale.

In 2012, the Authority, through a series of agreements with the City of Cleveland returned property to the City that had been leased by the Authority and for which leasehold improvements were carried on the Authority's Statement of Net Position (see Note 15). At the time of transfer, the carrying value of previous improvements to the property was \$217,000 and was written off as a loss on disposal.

- **Gain on Insurance Recovery:** The Authority recognized \$33,000 in gains in 2012 as damage caused by Hurricane Sandy was recovered by the Authority's insurer. No activity took place in 2013.
- **Other Revenue (Expense):** In November of 2013, the voters of Cuyahoga County approved the renewal of the Authority's .13 property tax levy. On January 10, 2014, the Authority was notified by the Cuyahoga County Board of Elections that the Authority's share of election expenses for the ballot issue would be approximately \$67,379. This cost is the Authority's prorated share of ballot and legal notice costs for the November election.

In 2012, the Authority was awarded \$163,500 from the State of Ohio for a class action settlement pursued by the Ohio Attorney General on behalf of the Authority against Wachovia Bank, N.A. in connection with a municipal bond derivatives antitrust investigation. An additional \$9,700 of other miscellaneous revenue was also recognized.

Capital Grants: In 2013, capital grant revenue was approximately \$974,800. \$488,000 was received from the U.S. Environmental Protection agency for the remediation of a portion of the Cleveland Lakefront Nature Preserve. The City of Cleveland also provided approximately 39,000 cubic yards of soil for the remediation; which was valued at \$391,000. The Authority also received a contribution from Flats East Bank valued at \$53,000 for a parking lot improvement made at 1100 W. 9th Street as a result of the construction taking place in the East Bank of the Flats. The Garden Club of Cleveland awarded the Authority a grant for \$42,000 which the Authority used to construct a public overlook plaza on the CLNP (see Note 18).

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Statement of Revenues, Expenses, and Changes in Net Assets Information

The Authority's operations increased its net position by \$4.3 million in 2012. Key elements of these changes are summarized below:

	2012	2011	Change	
			Amount	%
Operating revenues:				
Wharfage, dockage, and storage	\$ 1,285,511	\$ 1,303,717	\$ (18,206)	(1.4%)
Property lease and rentals	2,011,992	1,964,703	47,289	2.4%
Financing fee income	662,752	1,742,146	(1,079,394)	(62.0%)
Foreign trade zone fees	74,333	80,000	(5,667)	(7.1%)
Dredge disposal fees	144,949	-	144,949	100.0%
Parking revenues	380,315	268,227	112,088	41.8%
Contract revenue	476,199	-	476,199	100.0%
Other	74,175	98,090	(23,915)	(24.4%)
Total operating revenues	<u>5,110,226</u>	<u>5,456,883</u>	<u>(346,657)</u>	<u>(6.4%)</u>
Operating expenses:				
Salaries and benefits	2,272,132	2,304,544	(32,412)	(1.4%)
Professional services	1,011,049*	975,497*	35,552	3.6%
Sustainable infrastructure services	397,374	-	397,374	100.0%
Contractual services	442,945	-	442,945	100.0%
Facilities lease and maintenance	913,085	988,733	(75,648)	(7.7%)
Marketing and communications	215,508	166,128	49,380	29.7%
Depreciation expense	1,280,538	1,252,652	27,886	2.2%
Office expense	368,576	382,868	(14,292)	(3.7%)
Other expense	154,496	160,228	(5,732)	(3.6%)
Total operating expenses	<u>7,055,703</u>	<u>6,230,650</u>	<u>825,053</u>	<u>13.2%</u>
Operating loss	<u>(1,945,477)</u>	<u>(773,767)</u>	<u>(1,171,710)</u>	<u>(151.4%)</u>
Nonoperating revenues (expenses):				
Flats East Bank Project grant revenue	4,989,452	-	4,989,452	100.0%
Flats East Bank Project grant expenses	(4,989,452)	-	(4,989,452)	(100.0%)
Property tax receipts	3,037,379	3,119,015	(81,636)	(2.6%)
Nonoperating grant revenue	-	23,000	(23,000)	(100.0%)
Income from investments	298,340	298,181	159	0.1%
Interest expense	(638,685)*	(699,478)*	60,793	(8.7%)
Loss on disposal of fixed assets	(216,796)	(371,996)	155,200	(41.7%)
Gain on insurance recovery	33,032	-	33,032	100.0%
Other revenue	173,081	-	173,081	100.0%
Total nonoperating revenues – net	<u>2,686,351</u>	<u>2,368,722</u>	<u>317,629</u>	<u>13.4%</u>
Change in net position before capital grants	740,874	1,594,955	(854,081)	(53.5%)
Capital grants	<u>3,550,510</u>	<u>177,990</u>	<u>3,372,520</u>	<u>1,894.8%</u>
Change in net position	4,291,384*	1,772,945*	2,518,439	142.0%
Net position – beginning of year	<u>49,376,396*</u>	<u>47,603,451*</u>	<u>1,772,945</u>	<u>3.7%</u>
Net position – end of year	\$ <u><u>53,667,780*</u></u>	\$ <u><u>49,376,396*</u></u>	\$ <u><u>4,291,384</u></u>	<u><u>8.7%</u></u>

* As restated

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Operating Revenues: Collectively, total operating revenues decreased by nearly \$347,000, to \$5.1 million down from \$5.5 million in 2011.

Wharfage, Dockage and Storage: These revenues are generated from Authority cargo movements and they collectively decreased 1% from \$1,304,000 in 2011 to \$1,286,000 in 2012. Throughput at the Cleveland Bulk Terminal facility, leased by a private company, decreased by 3% for a total of approximately 2.9 million in billable tons of iron ore and limestone. This decreased wharfage revenues at the CBT facility by \$35,000 as compared to the previous year. Overall tonnage handled by our primary break-bulk terminal operator increased by 11,400 tons or 3% to 355,000 tons. This tonnage increase resulted in a \$1,500 increase in wharfage and dockage revenues attributable to our primary break-bulk operator. Other smaller revenue sources, such as security fees and storage increased by \$16,000 in 2012.

Property Lease and Rentals: Property lease and rentals increased by approximately \$47,000 or 2% in 2012, primarily due to a full year of leasing activity at the 1100 West 9th Street office building but offset by a decrease in maritime property rent. In August 2011, the Authority purchased the 1100 West 9th Street building to house its future administrative offices, as well as other tenants. In 2012, rent increased by \$182,000 due to the full year of leasing. This increase was offset with a \$53,000 decrease as the short term lease to a local construction company for a portion of Dock 22 expired in March of 2012. Additional declines were also attributable to operating agreement adjustments with the tenants at Dock 20 totaling \$61,000. Finally, a \$27,000 decrease resulted from the sale of the Old River property during 2011. The remaining increase was primarily due to increased terminal usage fees as a result of increased throughput.

Financing Fee Income: Development finance fees decreased by \$1,080,000 in 2012 to \$663,000. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on Stand Alone, Bond Fund, and New Market Tax Credit projects based on the risk profile and structure at the time the bonds are issued; (2) bond service fees, which are ongoing annual fees charged on certain projects with principal outstanding; and (3) application and acceptance fees which are non-refundable monies received by the Authority prior to the issuance of bonds or notes. In 2012, the Authority assisted in issuing bonds for one transaction versus five in the previous year. Additionally, in 2011, \$879,000 was received for New Market Tax Credits fees. None were received in 2012, which resulted in a \$1,074,000 decrease in closing fees in 2012 versus 2011.

Approximately \$641,000 in financing fee income related to existing projects and the administrative fees associated with them, which was a \$29,000 increase from 2011. The increase related to the additional financings that took place in 2011 and 2012.

Finally, the Authority received \$10,000 in acceptance fees from one project in 2012, \$35,000 less than 2011, as there were fewer new projects.

Foreign Trade Zone Income: Foreign Trade Zone fees remained stable at \$74,000 in 2012, compared to \$80,000 in 2011. The decrease is the result of one deactivation replaced by another participant later in the year.

Dredge Disposal Fees: In 2008, the Authority began to enter into dredge disposal agreements with organizations that have a need to store privately dredged material in dike disposal Site 12, which is controlled by the Authority and is on the north side of Burke Lakefront Airport. In 2012, 21,000 cubic yards were privately dredged and stored. No private dredging was stored in 2011.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Parking Revenues: Parking revenue increased by \$112,000 or 42% as compared to 2011. The Authority's parking revenues relate only to revenues that can be utilized by the Authority and are not associated with the CAM or the City of Cleveland Agreements concerning NCH.

A new parking agreement was executed between the Authority and the Cleveland Browns in 2012. This agreement set an annual flat rate of \$225,000, an increase of \$25,000 over the previous agreement.

Additional parking, owned or leased by the Authority, is variable and is affected by the number of special events held near the Authority docks. The variable portion of the parking revenues increased by \$87,000 in 2012 when compared to 2011 as more waterfront events took place in 2012.

Contract Revenue: In 2012, the Authority entered into a Purchase Agreement with ODOT (see Note 23) to finance and construct a maintenance garage in Euclid Ohio. Upon completion, ODOT will purchase the facility from the Authority. The project is accounted for using the percentage of completion method in recognizing revenue and expenses for the project. As of December 31, 2012, contract revenue recognized was \$476,000 as the project was 6% complete. The project is expected to be fully completed in 2013.

Other Revenues: Other operating revenues decreased by \$24,000 in 2012. Other revenues include the Authority's office sublease, equipment rentals, NCH administrative fees and other charges. In 2012, the largest decrease related to equipment rental income.

Operating Expenses: Operating expenses increased by approximately \$836,000 (14%) in 2012 compared to 2011.

Salaries and Benefits: The most significant operating expenses of the Authority are salary and benefit costs, which decreased by \$32,000 or 1% from 2011.

Salaries increased approximately \$32,000 as the Authority added one new position in June of 2012. In 2011, three positions were filled and two were eliminated. The new hire, plus the full-year effect of the positions filled and eliminated during 2011, resulted in an increase of approximately \$32,000 in salary expense for 2012.

Benefit costs decreased by \$64,000 primarily due to an \$84,000 decrease in healthcare costs as the Authority realized savings resulting from a plan change to a high-deductible health savings compatible plan and increased employee contributions. In addition, Medicare and workers compensation decreased collectively by \$4,000. These decreases were offset by increases of approximately \$24,000 in OPERS and unemployment claims collectively.

Professional Services: These costs increased by \$35,500 or 3.6% as compared to 2011. Legal fees increased by \$44,000 from 2011 levels, primarily related to increased contract activity and new initiatives during the year. Additional increases were property management fees and insurance expenses of \$15,000 as a result of operating the 1100 West 9th Street office building for a full year. These increases were offset by a decrease in government relations service expense of \$17,000, decreased audit fees of \$10,000 and a decrease in bank and trustee fees of approximately \$7,000. An additional \$10,776 decrease resulted from the difference between 2012 loan costs required to refinance letters of credit and lease costs incurred in 2011 in securing the lease with I Can Schools.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Sustainable Infrastructure Services: Sustainable infrastructure services (\$397,000 for 2012) are costs directly associated with the implementation of the Port's Strategic Action Plan, which called for the Port Authority to "lead critical initiatives for river renewal and infrastructure improvements;" that includes the task of identifying sustainable dredge material management solutions in conjunction with the USACE. A comprehensive sediment management plan for Cleveland Harbor in progress at year end, totaled \$330,000. Support services associated with the sediment management plan totaled \$25,000. Additionally, operational costs associated with the debris harvester and Cleveland Lakefront Nature Preserve are also included, totaling approximately \$42,000.

Contractual Services: Contractual services are costs incurred in conjunction with the design and construction of the maintenance garage in Euclid OH, in accordance to the Purchase Agreement between the Authority and ODOT. These costs have associated revenues and are recognized consistent with the percentage of completion method of accounting. At December 31, 2012 the project was 6% complete with \$443,000 in costs incurred.

Facilities Lease and Maintenance: Facilities lease and maintenance expense decreased by \$76,000 from 2011 levels. In 2012, lease payments for the Authority's docks decreased by \$100,000. This decrease was the result of rent abatement beginning October 1, 2012 as per various agreements between the City of Cleveland and the Authority (see Note 15). Further decreases of \$48,000 were realized in general repair costs as more repairs were completed by maintenance staff as opposed to being performed by third parties. These decreases were offset by an increase of \$73,000 in operating costs at the 1100 West 9th St. office building due to the full-year impact of owning the property.

Marketing and Communications: Marketing and communication expense increased by \$49,000 to \$216,000 in 2012 as compared to 2011. Community support and sponsorships of local events increased by \$18,000 in 2012. Marketing professional services increased in 2012 by \$17,000, as the Authority entered into an agreement for community outreach and education services. Additionally, the Authority's website and brochure redesign that began in 2011 was completed in 2012 for an additional \$11,000.

Office Expense: Office expenses decreased by \$14,000 to \$369,000 in 2012 primarily due to lower supply and utility costs.

Other Expense: Other expenses decreased by \$6,000 to \$154,000 in 2012 mainly due to a decrease in the number of memberships of which the Authority pays dues.

Nonoperating Revenues (Expenses):

- **Flats East Development Project Revenue and Expense:** The Authority accepted various grants to facilitate the completion of a major redevelopment project in the City of Cleveland known as the Flats East Bank Project. Grant expenditures and corresponding revenues of \$4,989,452 were recognized in 2012 in relation to this project (see Note 24).
- **Property Tax Receipts:** A large portion of nonoperating revenues results from the Authority's .13 mill property tax levy. Receipts declined by \$82,000, due to previous changes to the Ohio tax code which reduced property taxes due to local jurisdictions.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

- **Nonoperating Grant Revenue – Other:** Nonoperating grant revenue decreased by \$23,000 in 2012. In 2011, the Authority received \$23,000 affiliated with a 2008 grant from the Cleveland Foundation. No proceeds were received in 2012.
- **Income from Investments:** 2012 investment income remained consistent with 2011 at \$298,000 as investment balances and interest rates were relatively unchanged from the previous year.
- **Interest Expense:** The \$60,800 decrease is the result of continued reduction of principal of the Authority's existing direct debt obligations and reduced interest rates resulting from replacement of the letter of credit provider for the Cleveland Bulk Terminal Project bonds on March 1, 2012. The reduction of principal resulted in a decrease of approximately \$34,000 in interest expense in 2012 and approximately \$30,000 was a result of the letter of credit replacement which lowered the variable interest portion on the CBT bonds.
- **Loss on Disposal of Fixed Assets:** On October 1, 2012 the Authority through a series of agreements with the City of Cleveland returned property to the City that had been leased by the Authority and for which leasehold improvements were carried on the Authority's Statement of Net Position (see Note 15). At the time of transfer, the carrying value of previous improvements to the property was \$217,000 and was written off as a loss on disposal. A \$372,000 loss was recognized in 2011 due to the sale of an Old River Road property as the carrying value and lease receivable were written off.
- **Gain on Insurance Recovery:** The Authority recognized \$33,000 in gains in 2012 as damage caused by Hurricane Sandy was recovered by the Authority's insurer.
- **Other Revenue:** In 2012 the Authority was awarded \$163,500 from the State of Ohio for a class action settlement pursued by the Ohio Attorney General on behalf of the Authority against Wachovia Bank, N.A. in connection with a municipal bond derivatives antitrust investigation. An additional \$9,700 of other miscellaneous revenue was also recognized.

Capital Grants: In 2012, capital grant revenue exceeded \$3.5 million dollars. As discussed above, the largest increase was realized from the forgiveness of a \$3.0 million ODOD Logistics Loan (see Note 11). An additional \$420,000 was received from the U.S. Environmental Protection Agency, via a Great Lakes Restoration Initiative Grant, for the development and deployment of debris harvester vessels; completed in 2012 (see Note 18). Other grant revenues recognized were \$51,000 from the U.S. Environmental Protection Agency for the remediation of a portion of the Cleveland Lakefront Nature Preserve, \$44,000 from the Federal Emergency Management Agency, through the Ohio Emergency Management Agency, to repair infrastructure damaged caused by Hurricane Sandy, and \$11,000 to complete security enhancements awarded by Cuyahoga County through the Department of Homeland Security.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Net Position

The following chart details the Authority's net position at December 31, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total	\$ <u>56,678,336</u>	\$ <u>53,667,780*</u>	\$ <u>49,376,396*</u>

* As restated

Total net position increased by \$3.0 million in 2013, primarily due to increased financing fee income which was above historical norms. Additionally, cargo levels for both bulk and break-bulk materials continued to trend upward generating higher revenue dollars. Also, while revenue from the ODOT Euclid Facility Project dramatically increased both revenues and expenses, the net effect was to further reduce the operating loss by \$535,330. Although capital grants were well below the prior year, the organization continued to benefit from the successful attraction of capital grants and contributions.

Operating expenses increased as critical investments continued to be made in sustainable infrastructure services to assist the community in solving critical infrastructure challenges, increased marketing and business development initiatives and one-time costs affiliated with the relocation of the Authority's headquarters.

In summary, when adjusting for the ODOT Euclid Facility Project, revenues increased by \$1.4 million or 29.9% and expenses by \$318,000 or 4.8%. The result, including the \$535,330 profit on the ODOT Facility, was significant improvement in the Authority's operating loss; which reached a ten year low in 2013.

Factors Expected to Impact the Authority's Future Financial Position or Results of Operations

The Authority again showed a significant improvement in fiscal results in 2013, as the organization successfully delivered the ODOT Euclid Facility Project and benefited from a one-time distribution of NMTC funds. In addition, both maritime and development finance revenues increased from the prior year. To fund some of its capital initiatives, the Authority was able to attract significant 3rd party funds to improve our existing asset base. Finally, the Authority had its tax levy overwhelmingly approved by the voters and the organization also moved into its new permanent headquarters at 1100 W. 9th Street.

Looking ahead to 2014, the Authority entered into a Charter Agreement to start a liner service between the Port of Cleveland and Antwerp. This first of its kind service will provide shippers with the only regularly scheduled shipping service between the Great Lakes and Europe. The investment in this operation is substantial and will be reflected in the 2014 operating expenses. The Charter fee is \$550,000 per month and the cost of fuel is estimated to cost \$325,000 on a monthly basis. Other costs, include stevedoring, equipment rentals, transportation handling costs, and other operational expenditures will be absorbed by the Authority, but are more proportional to the revenue generated from the service. Revenues from the service will also accrue to the Authority, but losses are expected at the outset of this service as the marketplace gains familiarity with the service and the concept is proven. The Authority's high level of liquid assets, coupled with low amounts of debt, allowed this initiative to be undertaken.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

The "core" operations of maritime and development finance should also see increased revenues from their 2013 levels, as the regional economy continues to rebound. Specifically, development finance is benefiting from a large increase in the demand for Port bond financing and should see significant closing fees in 2014.

As mentioned earlier, the Authority's .13 mill replacement levy was approved by the voters of Cuyahoga County in November of 2013. The new levy will provide approximately \$3 million in tax receipts to the organization for the next 5 years to be invested in core maritime and infrastructure initiatives.

The Authority will continue to pursue additional funds from other sources, which has the potential to increase nonoperating revenues.

In summary, 2014 is expected to be nearly entirely dependent on the financial results of the liner service, which represents one of the largest initiatives ever under taken by the Port. Underlying this initiative are very strong financial results expected in development finance and continued improvement in the existing maritime business.

Contacting the Authority's Finance Department

The financial statements are designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about these financial statements or need additional financial information, please contact Chief Financial Officer Brent Leslie.

Cleveland-Cuyahoga County Port Authority

Statements of Net Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets:		
Cash and investments	\$ 12,156,661	\$ 10,580,294
Accounts receivable, net	514,756	766,842
Interest receivable	9,697	18,414
Prepaid expenses	221,982	172,625
Due from Chancellor University	-	62,500
Property taxes receivable	3,100,000	3,100,000
Capital grant receivable	-	95,684
Cost in excess of billings	-	186,199
Total current assets	<u>16,003,096</u>	<u>14,982,558</u>
Non-current assets:		
Capital assets:		
Construction in progress	-	88,670
Land and land improvements	19,664,759	18,735,094
Buildings, infrastructures, and leasehold improvements	43,166,184	41,930,927
Equipment	<u>1,841,959</u>	<u>1,534,829</u>
Total	64,672,902	62,289,520
Less: accumulated depreciation	<u>(17,949,274)</u>	<u>(16,678,037)</u>
Net book value of capital assets	<u>46,723,628</u>	<u>45,611,483</u>
Restricted and other assets:		
Restricted cash and investments	8,185,975	8,250,135
Grants and other receivables	19,681	3,607,325
Operating lease receivable	146,198	177,929
Due from Chancellor University	-	100,000
Other	<u>48,479</u>	<u>35,237</u>
Total restricted and other assets	8,400,333	12,170,626
Deferred outflow of resources		
Derivative instrument	<u>565,259</u>	<u>807,435</u>
Total assets and deferred outflow of resources	<u>71,692,316</u>	<u>73,572,102</u>

(continued)

Cleveland-Cuyahoga County Port Authority

Statements of Net Position (continued)

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 893,372	\$ 936,839
Accrued wages and benefits	183,846	140,943
Unearned income	65,397	41,406*
Current portion of bonds and loans to be repaid by the Authority:		
Cleveland Bulk Terminal Project	170,000	160,000
Port Capital Improvements (1999A Bonds)	325,000	310,000
Essroc (1997 A Bonds)	<u>115,000</u>	<u>110,000</u>
Total current liabilities	<u>1,752,615</u>	<u>1,699,188</u>
Current liabilities payable from restricted assets:		
Retainage payable	509,855	-
Accounts payable	19,995	4,391,208
Accrued interest payable	<u>49,478</u>	<u>61,178</u>
Total current liabilities payable from restricted assets	<u>579,328</u>	<u>4,452,386</u>
Other liabilities - including amounts relating to restricted assets:		
Accrued rent	-	93,974
Unearned income	448,714	578,811
Long-term bonds and loans, net of current portion:		
Cleveland Bulk Terminal Project	4,350,000	4,520,000
Port Capital Improvements (1999A Bonds)	1,707,253	2,031,306
Essroc (1997 A Bonds)	<u>2,510,811</u>	<u>2,621,222</u>
Total other liabilities	<u>9,016,778</u>	<u>9,845,313</u>
Deferred inflow of resources		
Property taxes	3,100,000	3,100,000
Derivative instrument	<u>565,259</u>	<u>807,435</u>
Total deferred inflow of resources	<u>3,665,259</u>	<u>3,907,435</u>
Total liabilities and deferred inflow of resources	<u>15,013,980</u>	<u>19,904,322</u>
Net position:		
Net investment in capital assets	37,545,564	35,858,955
Restricted for other purposes	7,372,291	7,045,455*
Unrestricted	<u>11,760,481</u>	<u>10,763,370</u>
Total net position	\$ <u>56,678,336</u>	\$ <u>53,667,780*</u>

* As restated

Cleveland-Cuyahoga County Port Authority

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Wharfage, dockage, and storage	\$ 1,453,180	\$ 1,285,511
Property lease and rentals	2,037,696	2,011,992
Financing fee income	1,967,861	662,752
Foreign trade zone fees	80,000	74,333
Dredge disposal fees	58,100	144,949
Parking revenues	306,577	380,315
Contract revenue	7,573,801	476,199
Other	<u>114,707</u>	<u>74,175</u>
Total operating revenues	<u>13,591,922</u>	<u>5,110,226</u>
Operating expenses:		
Salaries and benefits	2,385,827	2,272,132
Professional services	890,765	1,011,049*
Sustainable infrastructure services	530,388	397,374
Contractual services	7,038,471	442,945
Facilities lease and maintenance	786,305	913,085
Marketing and communications	332,430	215,508
Depreciation expense	1,380,029	1,280,538
Office expense	436,923	368,576
Other expense	<u>187,658</u>	<u>154,496</u>
Total operating expenses	<u>13,968,796</u>	<u>7,055,703</u>
Operating loss	<u>(376,874)</u>	<u>(1,945,477)</u>
Nonoperating revenues (expenses):		
Flats East Bank Project grant revenue	1,583,174	4,989,452
Flats East Bank Project grant expenses	(1,583,174)	(4,989,452)
Property tax receipts	3,043,682	3,037,379
Income from investments	258,057	298,340
Interest expense	(596,754)	(638,685)*
Loss on disposal of fixed assets	(62,405)	(216,796)
Gain on insurance recovery	-	33,032
Loss on note receivable	(162,500)	-
Other revenue (expense)	<u>(67,379)</u>	<u>173,081</u>
Total nonoperating revenues (expenses)	<u>2,412,701</u>	<u>2,686,351</u>
Change in net position before capital grants	2,035,827	740,874
Capital grants	<u>974,729</u>	<u>3,550,510</u>
Change in net position	3,010,556	4,291,384*
Net position – beginning of year, restated	<u>53,667,780*</u>	<u>49,376,396*</u>
Net position – end of year	\$ <u>56,678,336</u>	\$ <u>53,667,780</u>

* As restated

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Receipts from customers	\$ 13,761,161	\$ 4,573,306
Payments to suppliers for goods and services	(10,787,192)	(3,125,628)
Payments to employees	(1,758,821)	(1,727,262)
Payments of employee benefits	<u>(584,103)</u>	<u>(608,352)</u>
Net cash provided by (used in) operating activities	<u>631,045</u>	<u>(887,936)</u>
Noncapital financing activities:		
Net proceeds from property tax collections	3,043,682	3,037,379
Cash received from insurance recovery	30,221	25,000
Cash received from other sources	<u>162,173</u>	<u>12,220</u>
Net cash provided by noncapital financing activities	<u>3,236,076</u>	<u>3,074,599</u>
Capital and related financing activities:		
Cash received from Chancellor note receivable (**)	-	37,500
Cash received from ODOD	-	2,835,627
Cash received from capital grants	626,073	592,899
Proceeds from the sale of capital assets	1,920	-
Principal paid on debt	(580,000)	(550,000)
Interest paid on debt	(615,495)	(631,817)
Acquisition and construction of capital assets	<u>(2,053,518)</u>	<u>(4,924,883)</u>
Net cash used in capital and related financing activities	<u>(2,621,020)</u>	<u>(2,640,674)</u>
Investing activities:		
Purchase of investment securities	(13,862,618)	(24,605,924)
Proceeds from sale and maturity of investment securities	15,112,616	23,291,511
Interest on investments	<u>288,105</u>	<u>297,592</u>
Net cash provided by (used in) investing activities	<u>1,538,103</u>	<u>(1,016,821)</u>
Net increase (decrease) in cash and cash equivalents	2,784,204	(1,470,832)
Cash and cash equivalents – beginning of year	<u>9,395,605</u>	<u>10,866,437</u>
Cash and cash equivalents – end of year	\$ <u>12,179,809</u>	\$ <u>9,395,605</u>

(continued)

* As restated

** Relates to Chancellor University transactions, see Note 12.

Cleveland-Cuyahoga County Port Authority

Statements of Cash Flows (continued)

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	\$ (376,874)	\$ (1,945,477)*
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	1,380,029	1,280,538
Changes in assets and liabilities:		
Accounts receivable	57,415	(214,350)
Cost in excess of billing	186,199	(186,199)
Operating lease receivables	31,731	27,250
Prepaid expenses and other assets	(49,357)	46,642
Accounts payable	(169,487)	264,891
Unearned income and other	(106,106)	(94,606)
Accrued wages and benefits	42,903	10,074
Retainage payable	509,855	-
Other liabilities	(875,263)	(76,699)
Net cash provided by (used in) operating activities	\$ <u>631,045</u>	\$ <u>(887,936)</u>
Reconciliation cash and investments reported on the Statement of Net Position to cash and cash equivalents reported on the Statement of Cash Flows:		
Statement of Net Position cash and investment amounts:		
Included in current assets	\$ 12,156,661	\$ 10,580,294
Included in restricted and other assets	<u>8,185,975</u>	<u>8,250,135</u>
Total	20,342,636	18,830,429
Investments included in the balances above that are not cash equivalents	<u>(8,162,827)</u>	<u>(9,434,824)</u>
Cash and cash equivalents reported in the Statement of Cash Flows	\$ <u>12,179,809</u>	\$ <u>9,395,605</u>
Supplemental schedule of non-cash investing, capital and related financing activities:		
Amortization of loss on defeasance and discounts on debt issues classified as interest expense	\$ <u>(5,536)</u>	\$ <u>(5,813)</u>
Increase in capital assets due to accounts payable	\$ <u>58,641</u>	\$ <u>3,429</u>
Increase in other nonoperating revenue due to accounts receivable	\$ <u>-</u>	\$ <u>194,671</u>
Increase in capital assets due to capital grants	\$ <u>444,340</u>	\$ <u>-</u>
Increase in nonoperating expenses due to accounts payable	\$ <u>67,379</u>	\$ <u>-</u>

*As restated

Cleveland-Cuyahoga County Port Authority

Statements of Fiduciary Net Position Fiduciary Funds (in thousands)

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 89,026	\$ 62,739
Notes and loans receivable	711,935	698,110
Financing lease receivable	79,942	46,744
Capital assets, net of accumulated depreciation	<u>386,924</u>	<u>393,849</u>
Total assets	<u>\$ 1,267,827</u>	<u>\$ 1,201,442</u>
Liabilities:		
Revenue bonds and notes payable	<u>\$ 1,267,827</u>	<u>\$ 1,201,442</u>

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies

Reporting Entity – The Cleveland-Cuyahoga County Port Authority (the “Authority”) is a body corporate and politic established pursuant to Chapter 4582 of the Ohio Revised Code to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio, including Ohio Revised Code Sections 4582.01 through 4582.20. As authorized by Ohio Revised Code section 4852.02, the City of Cleveland and Cuyahoga County, Ohio created the Authority in 1968.

The Authority’s authorized purposes include the following: (1) activities that enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, government operations, culture, or research within the jurisdiction of the Authority, and (2) activities authorized by Section 13 and 16 of Article VIII of the Ohio Constitution. The Authority is given broad powers pursuant to Ohio Revised Code Sections 4582.01 through 4582.20 to undertake activities to carry out the authorized purposes as defined above.

The Board of Directors (the “Board”) is the governing body of the Authority. The Board consists of nine members each of whom shall serve for a term of four years, of which six are appointed by the Mayor of the City of Cleveland, with advice and consent of the Cleveland City Council and three are appointed by the County Executive, subject to confirmation by the Cuyahoga County Council.

This conclusion regarding the financial reporting entity is based on the concept of financial accountability or the existence of an organization that raises and holds economic resources for the direct benefit of the Authority. The Authority is not financially accountable for any other organization nor is any other organization accountable for the Authority. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code. In addition, no other organization raises and holds economic resources for the direct benefit of the Authority. The Authority has no component units.

Basis of Accounting – The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental entities as prescribed by the Governmental Accounting Standards Board (“GASB”). The statements were prepared using the economic resources measurement focus and the accrual basis of accounting. The Authority’s enterprise fund financial statements as well as the fiduciary fund financial statement are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate. The Authority’s activities are financed and operated as an enterprise fund such that the costs and expenses, including depreciation, of providing the services are recovered primarily through user charges and property taxes. Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, interest rate swap agreements, grants, entitlements and donations. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation – The Authority’s basic financial statements consist of a statement of net position, statement of revenue, expenses and changes in net position, statement of cash flows, and statement of fiduciary net position. The Authority uses a single enterprise fund and a fiduciary fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users.

In addition to assets, the statements of financial position will sometimes report a separate section of deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2013, the Authority has a deferred outflow of resources related to the interest rate swap agreement discussed in Note 9.

In addition to liabilities, the statements of financial position report a separate section for the deferred inflows of resources, deferred inflows of resources represent the acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include property taxes and the interest rate swap agreement. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 operations. This amount has been recorded as a deferred inflow on the Statement of Net Position. The Authority also has a deferred inflow of resources related to the interest rate swap agreement which is discussed in Note 9. This amount is deferred and recognized as an inflow of resources in the period the amount becomes available.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: Pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the entity under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the entity’s own programs. The Authority’s fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Authority’s only fiduciary fund is used to account for No-Commitment (conduit) Debt financing as an agent for other governments, not-for-profits or companies.

Measurement Focus – The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability.

Conduit Debt – As part of its efforts to promote economic development within northeastern Ohio the Authority has issued debt obligations and loaned the proceeds to industrial, commercial, governmental and nonprofit organizations, primarily located within Cuyahoga County, Ohio. The obligations are secured by the property financed and are payable solely from the payments received by the trustee from the borrowers or other sources designated in the related agreements.

All financings classified as Conduit Debt are reflected in the Authority’s Statement of Fiduciary Net Position.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

From time to time, the Authority also acts as a conduit borrower to other public and private entities for certain federal, state and local loan programs in order to promote economic development in the region. These amounts are not reflected in the Statement of Fiduciary Net Position as the funds are not obligations issued by the Authority, are often secured by different forms of collateral and not always on deposit with a trustee. The Authority has no obligation to repay these loans in the event the recipient (obligor) is unable to make payments.

Cash Equivalents and Investments – For the purposes of the statement of net position and cash flows, the Authority considers cash and cash equivalent to consist of all bank deposits, money market funds and other short-term, liquid investments that are readily convertible to cash and have a maturity of less than 30 days.

The Authority's investments (including cash equivalents) are recorded at fair value.

Capital Assets and Depreciation – The Authority capitalizes and records capital asset additions or improvements at historical cost. Expenditures for maintenance and repairs are charged to operating expenses as incurred. Adjustments of the assets and the related depreciation reserve accounts are made for retirements and disposals with the resulting gain or loss included in income. Depreciation begins when an asset is placed in service and is determined by allocating the cost of each fixed asset over its estimated useful life on the straight-line basis. Assets that are capitalized must be tangible in nature, have a useful life in excess of two years, and have a cost equal to or exceeding \$3,000. The general ranges of estimated useful lives by type of capital asset are as follows:

Buildings and infrastructures	10-40 years
Land improvements	10-20 years
Leasehold improvements	10-20 years
Equipment	3-10 years

Debt Issuance Costs – The costs associated with the issuance of the revenue bonds, where the Authority is obligated for the outstanding debt are expensed in accordance with GASB Statement No. 65.

Interest Cost – Interest cost incurred by the Authority in connection with a construction project that requires a period of time before the project is ready for its intended use is capitalized as part of the cost of the project. All other interest costs are expensed as incurred.

Compensated Absences – It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued and reported as a liability when earned by the Authority's employees. Unused vacation leave may be carried forward; however, amounts in excess of the allowed maximum must be forfeited at the end of each calendar year. The Authority allows accumulation of 960 hours of sick leave, which can only be used in the event of an illness. There is no liability for unpaid, accumulated sick leave since employees do not receive payment for unused sick time.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

Net Position – Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws and regulations of their governments. The Authority reports restricted net position for other purposes, none of which is restricted by enabling legislation. The Authority applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

Wharfage, Dockage and Storage – Wharfage, dockage and storage revenues are recognized as they are earned by the Authority, which generally represents the periods to which such charges relate.

Lease Accounting – The Authority classifies leases at the inception of each lease in accordance with Governmental Accounting Standards Board Statement 62, except for leases that are not recognized for accounting purposes under Interpretation No. 2 of the Governmental Accounting Standards Board, *Disclosure of Conduit Debt Obligations*, because they secure the repayment of conduit debt.

Operating Lease Income – For operating leases that have scheduled increases in the minimum rentals specified under the leases, the Authority recognizes rental income on a straight-line basis over the lease term unless the increases are deemed systematic and rational, in which case rental income is recognized as it accrues under the terms of the rental agreement. The difference between the rentals received and the rental income recorded is shown as an operating lease receivable or unearned income in the accompanying statement of net position.

Financing Fee Income – Fees associated with conduit debt transactions are recognized in operating income as they are received. Such fees will only be paid while the related debt is outstanding; therefore, they are subject to the risk that the debt will be repaid in advance of its scheduled maturity. Additionally, fees associated with new market tax credits are also recognized as they are received.

Nonoperating Revenues and Expenses – Revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues and expenses include revenues and expenses from capital and related financing activities, as well as investing activities.

Statements of Cash Flows – For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as bank demand deposits, money market investments and amounts invested in overnight repurchase agreements, if any.

Restricted Assets and Related Liabilities – Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Authority to be set aside for various purposes. These amounts are reported as restricted assets along with the unspent proceeds of the Authority's debt obligations. The liabilities that relate to the restricted assets are included in current liabilities payable from restricted assets and in other liabilities in the accompanying Statement of Net Position.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources include a derivative instrument related to the CBT interest rate swap.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include property taxes and derivative instrument related to the CBT interest rate swap. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 operations.

Budgetary Accounting and Control – The Authority’s annual budget, as provided by law, is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses.

The Authority maintains budgetary control by not permitting total expenditures to exceed total appropriations without amendment of appropriations by the Board of Directors. The Board is given quarterly updates on the financial performance of the Authority throughout the fiscal year.

New Accounting Standards – For 2013, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 66, *Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62*.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation), and certain disclosure requirements. The implementation of this statement did not result in any change in the Authority’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated into the Authority’s financial statements; and the effect on the Authority’s beginning net position/fund balance is described in Note 25.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Authority’s financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not determined the impact that this statement will have on its financial statements or disclosures.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

Comparative Data/Reclassifications – Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

Subsequent Events – In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 16, 2014, the date the financial statements were available to be issued.

Note 2: Deposits and Investments

Deposits – The Authority’s depository requirements are governed by state statutes and require that deposits be placed in eligible banks or savings and loans located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value at least equal to the amount of deposits not insured by the Federal Deposit Insurance Corporation. Collateral that may be pledged is limited to obligations of the following entities: the U.S. government and its agencies, the State of Ohio, and any legally constituted taxing subdivision within the State of Ohio.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits might not be recovered. The Authority has no deposit policy for custodial risk beyond the requirements of state statute. At December 31, 2013 the carrying amounts of the Authority’s deposits were \$8,895,403 and the related bank balances were \$8,946,032, of which \$500,000 was covered by federal depository insurance and \$8,446,032 was uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority’s name. At December 31, 2012 the carrying amounts of the Authority’s deposits were \$6,737,718 and the related bank balances were \$6,768,080 of which \$500,000 was covered by federal depository insurance and \$6,268,080 was uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority’s name.

Investments – The Authority’s investment policies are governed by state statutes that authorize the Authority to invest in obligations of the U.S. government, its agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; money market mutual funds; and repurchase transactions and commercial paper. Repurchase transactions must be purchased from financial institutions as discussed in “Deposits” above or from any eligible dealer who is a member of the National Association of Securities Dealers. Repurchase transactions are not to exceed a period of 30 days and must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of, or guaranteed by, the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority’s name.

The Authority is prohibited from investing in any financial instrument, contract or obligation whose value or return is based upon, or linked to, another asset or index, or both, separate from the financial instrument, contract or obligation itself (commonly known as a “derivative”). The Authority is also prohibited from investing in reverse repurchase agreements.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 2: Deposits and Investments (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority’s investment policies limit its investment portfolio to maturities of five years or less, which is in accordance with Ohio law. All of the Authority’s investments at December 31, 2013 and 2012 have effective maturity dates of less than five years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s investment policies authorize investment obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest bearing demand or time deposits, State Treasury Asset Reserve of Ohio (“STAROhio”), money market mutual funds, commercial paper, repurchase agreements, and in certain situations, prefunded municipal obligations, general obligations of any state, and other fixed income securities. Repurchase transactions are not to exceed 30 days. STAROhio is an investment pool created pursuant to Ohio statutes and is managed by the Treasurer of the State of Ohio.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority’s investment policies provide that investments be diversified to reduce the risk of loss from over-concentration in a single issuer, specifying that no more than 50% of the Authority’s total investment portfolio will be invested in a single security type, with the exception of obligations of the U.S. Treasury and STAROhio. Approximately \$4.4 million of the Authority’s total investment balance is invested in a Guaranteed Investment Contract (GIC) until 2027, which collateralizes bonds issued under the Common Bond Fund Program. The GIC provider guarantees a rate of return and has the option of purchasing securities to meet that obligation, so long as they are listed as an “Eligible Investment” in the Trust Indenture. The Authority applies the 50% test to its existing investment portfolio that is maintained outside of the Trust Indenture.

The following table presents fair value, length of maturity and the credit ratings of the Authority’s investments at December 31, 2013:

<u>Investment Type</u>	<u>Fair value</u>	<u>Rating*</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>Percentage of investments</u>
Money market fund	\$ 2,766,626	AAA	\$ 2,766,626	\$ -	24.2%
First American Treasury	6,179	AAA	6,179	-	0.1
Federated Government Obligations	509,855	AAA	509,855	-	4.5
Certificates of deposit	250,032	N/A	250,032	-	2.2
Federal National Mortgage Association obligations	1,414,542	AAA	-	1,414,542	12.4
Guaranteed Investment Contract	4,364,826	N/A	-	4,364,826	38.1
Federal Home Loan Mortgage Corporation obligations	1,834,558	AAA	260,096	1,574,462	16.0
Federal Farm Credit Bank obligations	300,615	AAA	300,615	-	2.5
Total	\$ <u>11,447,233</u>		\$ <u>4,093,403</u>	\$ <u>7,353,830</u>	\$ <u>100%</u>

* Moody’s Investor Service

Deposits and investments at December 31, 2013 and 2012 relating to the conduit debt were held by trustees and other third parties and were approximately \$89,026,000 and \$62,739,000, respectively.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 2: Deposits and Investments (continued)

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2012:

<u>Investment Type</u>	<u>Fair value</u>	<u>Rating*</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>Percentage of investments</u>
Money market fund	\$ 2,657,001	AAA	\$ 2,657,001	\$ -	22.0%
First American Treasury	6,072	AAA	6,072	-	0.1
United States Treasury Note	90,049	AAA	-	90,049	0.7
Certificates of deposit	1,505,663	N/A	1,254,088	251,575	12.5
Federal Home Loan Bank obligations	1,116,146	AAA	500,922	615,224	9.2
Federal National Mortgage Association obligations	700,534	AAA	-	700,534	5.8
Guaranteed Investment Contract	4,364,826	N/A	-	4,364,826	36.1
Federal Home Loan Mortgage Corporation obligations	306,222	AAA	-	306,222	2.5
Federal Farm Credit Bank obligations	1,346,198	AAA	-	1,346,198	11.1
Total	\$ <u>12,092,711</u>		\$ <u>4,418,083</u>	\$ <u>7,674,628</u>	\$ <u>100%</u>

* Moody's Investor Service

Deposits and investments at December 31, 2012 and 2011 relating to the conduit debt were held by trustees and other third parties and were approximately \$62,739,000 and \$90,831,000, respectively.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Balance at January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2013</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 18,735,094	\$ 929,665	\$ -	\$ 19,664,759
Construction in progress	88,670	-	(88,670)	-
Total capital assets not being depreciated	<u>18,823,764</u>	<u>929,665</u>	<u>(88,670)</u>	<u>19,664,759</u>
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	41,930,927	1,292,916	(57,659)	43,166,184
Equipment	1,534,829	422,588	(115,458)	1,841,959
Total capital assets being depreciated	<u>43,465,756</u>	<u>1,715,504</u>	<u>(173,117)</u>	<u>45,008,143</u>
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	15,791,953	1,283,413	(108,792)	16,966,574
Equipment	886,084	96,616	-	982,700
Total accumulated depreciation	<u>16,678,037</u>	<u>1,380,029</u>	<u>(108,792)</u>	<u>17,949,274</u>
Total capital assets being depreciated, net	<u>26,787,719</u>	<u>335,475</u>	<u>(64,325)</u>	<u>27,058,869</u>
Capital assets, net	\$ <u>45,611,483</u>	\$ <u>1,265,140</u>	\$ <u>(152,995)</u>	\$ <u>46,723,628</u>

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 3: Capital Assets (continued)

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Capital assets not being depreciated:				
Land and land improvements	\$ 18,735,094	\$ -	\$ -	\$ 18,735,094
Construction in progress	734,618	88,669	(734,617)	88,670
Total capital assets not being depreciated	<u>19,469,712</u>	<u>88,669</u>	<u>(734,617)</u>	<u>18,823,764</u>
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	38,485,762	4,869,337	(1,424,172)	41,930,927
Equipment	845,564	704,923	(15,658)	1,534,829
Total capital assets being depreciated	<u>39,331,326</u>	<u>5,574,260</u>	<u>(1,439,830)</u>	<u>43,465,756</u>
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	15,758,704	1,217,438	(1,184,189)	15,791,953
Equipment	838,644	63,100	(15,660)	886,084
Total accumulated depreciation	<u>16,597,348</u>	<u>1,280,538</u>	<u>(1,199,849)</u>	<u>16,678,037</u>
Total capital assets being depreciated, net	<u>22,733,978</u>	<u>4,293,722</u>	<u>(239,981)</u>	<u>26,787,719</u>
Capital assets, net	\$ <u>42,203,690</u>	\$ <u>4,382,391</u>	\$ <u>(974,598)</u>	\$ <u>45,611,483</u>

Note 4: Retirement and Post-Employment Benefit Plans

Pension Benefits – The Authority participates in the Ohio Public Employees Retirement System (“OPERS”). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2013, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The Authority contributed 14.0 percent of covered payroll.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 4: Retirement and Post-Employment Benefit Plans (continued)

The Authority's required contributions for pension obligations to the Traditional Pension, Combined and Member-Directed Plans (excluding the amount relating to post-retirement benefits) for the years ended December 31, 2013, 2012 and 2011 were \$204,537, \$153,374 and \$128,048, respectively; 92.1% of the required contributions have been contributed for 2013 and 100% of the required contributions have been contributed for 2012 and 2011. Amounts in 2012 and 2011 include contributions for a single employee who was paid for by the CAM participants at NCH, but was considered a public employee. The Authority's administration of the CAM ended in 2012 eliminating the required contribution for the single employee paid for by the CAM participants.

Post-Employment Benefits – The Ohio Public Employees Retirement System (“OPERS”) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan- a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Member of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 4: Retirement and Post-Employment Benefit Plans (continued)

The portion of employer contributions allocated to health care Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.0 % for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions for health care to the Traditional and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$15,734, \$85,872, and \$71,693, respectively; 92.1% of the required contributions have been contributed for 2013 and 100% of the required contributions have been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

Note 5: Property Taxes

Property taxes received by the Authority represent a special levy of .13 mills to fund the Authority's operations. The tax is levied against all real and public utility property located in Cuyahoga County. The 2012 levy (collected in 2013) was based upon an assessed valuation of approximately \$27.65 billion. The 2011 levy (collected in 2012) was based upon an assessed valuation of approximately \$29.80 billion. In November of 2007, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy is effective commencing in 2008 and first due for collection in calendar year 2009, continuing for five years through 2012 for collection in calendar year 2013.

In November of 2013, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy is effective commencing in 2013 and first due for collection in calendar year 2014, continuing for five years through 2017 for collection in calendar year 2018.

Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1. Assessed values are established by the County Fiscal Officer at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost).

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the Authority. Taxes are payable to the County in two equal installments in January and July and, if not paid, become delinquent after December 31. The County Fiscal Officer periodically remits to the Authority its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 6: North Coast Harbor

Effective June 1, 1996, the Authority entered into an agreement known as the Common Area Maintenance (“CAM”) Agreement with the City of Cleveland (“City”), Rock and Roll Hall of Fame and Museum and the Great Lakes Museum of Science, Environment and Technology (“Great Lakes Museum”) pertaining to the City’s waterfront area and related facilities known as North Coast Harbor (“NCH”). The purpose of the CAM Agreement is to provide for the ongoing operation, maintenance, insurance and security of the common areas of the NCH. Currently, the CAM participants are the Great Lakes Science Center, the Rock and Roll Hall of Fame and Museum, the Cleveland Browns, the Goodtime III (a passenger touring boat), and the Steamship William G. Mather Museum. Common area maintenance is funded through the contributions of the CAM participants as defined under the CAM Agreement and the cash and investments held pursuant to the CAM Agreement are classified as restricted assets in the accompanying statement of net position, as well as a corresponding liability. The Authority and the City of Cleveland entered into agreements, during 2012, which ended the Authority’s involvement in the administration of the CAM. All balances held by the Authority on behalf of the CAM were paid to the City during 2013. No asset or liability balance remained in accounts related to the CAM as of December 31, 2013. The asset balance in accounts related to the CAM totaled \$87,448 at December 31, 2012.

Additionally, in 2005, the Authority entered into a Cooperative Agreement with the City of Cleveland to allow certain revenues generated from City-owned parking lots to go towards certain expenditures for the benefit of NCH.

These expenditures were to be primarily used for holding special events at NCH and for capital repairs. The Cooperative Agreement removed the liability of capital repairs from the CAM participants and was assumed by the City. The funds relating to the Cooperative Agreement are held by the Authority and paid upon written request from the City of Cleveland. In March of 2012, the City of Cleveland passed certain ordinances which significantly altered numerous agreements between the City and the Authority, including those related to NCH. In October of 2012, the Cooperative Agreement between the City and the Authority relating to City-owned parking lots at NCH was terminated. All assets held by the Authority on behalf of NCH were returned to the City during 2013. No asset or liability balance remained in accounts related to NCH as of December 31, 2013. Balances in these accounts are classified as restricted assets in the accompanying statement of net position, as well as a corresponding liability and totaled \$693,841 as of December 31, 2012.

In 2012, activities related to NCH had no effect on the Authority’s income statement, other than small administrative fee. Due to the termination of CAM Agreement and Cooperative Agreement there was no effect on the Authority’s income statement or statement of net position in 2013.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 7: Long-Term Obligations

Changes in the Authority's long-term obligations for the year ended December 31, 2013 are as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
Cleveland Bulk Terminal Project	\$ 4,680,000	\$ -	\$ (160,000)	\$ 4,520,000	\$ 170,000
Essroc (1997A)	2,731,222	4,589	(110,000)	2,625,811	115,000
Port Improvements (1999A)	<u>2,341,306</u>	<u>947</u>	<u>(310,000)</u>	<u>2,032,253</u>	<u>325,000</u>
Total	\$ <u>9,752,528</u>	\$ <u>5,536</u>	\$ <u>(580,000)</u>	\$ <u>9,178,064</u>	\$ <u>610,000</u>

Changes in the Authority's long-term obligations for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
Cleveland Bulk Terminal Project	\$ 4,835,000	\$ -	\$ (155,000)	\$ 4,680,000	\$ 160,000
Essroc (1997A)	2,826,474	4,748	(100,000)	2,731,222	110,000
Port Improvements (1999A)	2,635,241	1,065	(295,000)	2,341,306	310,000
ODOD Logistics Loan	<u>363,622</u>	<u>2,661,878</u>	<u>(3,025,500)</u>	<u>-</u>	<u>-</u>
Total	\$ <u>10,660,337</u>	\$ <u>2,667,691</u>	\$ <u>(3,575,500)</u>	\$ <u>9,752,528</u>	\$ <u>580,000</u>

See Notes for additional information on the above obligations.

Note 8: Port Improvements (1999A)

In 1999, the Authority issued \$5,230,000 in Development Revenue Bonds through the Authority's Bond Fund Program. The bonds were issued tax-exempt, mature on May 15, 2019 and bear interest at a rate of 5.375% per annum. The proceeds were used to: (a) finance a portion of the 1998 acquisition of 15 acres of land on the Old River (\$1.5 million); (b) finance a portion of the 2000 improvements to Dock 22 (\$1.5 million); (c) finance \$945,000 of maritime maintenance and repair projects, including \$634,000 for the 2001 rehabilitation of the Authority's heavy lift crane; and (d) finance a part of the Authority's portion of the construction costs of a new port entrance under West Third Street, providing direct access onto and off of State Route 2 (\$1.3 million) ("Port Entrance Project"). Construction on the new \$7.2 million Port Entrance Project began in January 2002 and was completed in 2003. A portion of the costs of the Port Entrance Project (\$4.8 million) were funded by federal and state grants. The portion of the costs of the project that relate to improvements being made on property that is not owned by the Authority and for which the Authority is not responsible for ongoing maintenance were expensed as incurred.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 8: Port Improvements (1999A) (continued)

The bonds outstanding at December 31, 2013 are payable as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 325,000	\$ 105,081	\$ 430,081
2015	345,000	87,344	432,344
2016	365,000	68,531	433,531
2017	385,000	48,644	433,644
2018	405,000	27,681	432,681
2019	<u>210,000</u>	<u>5,644</u>	<u>215,644</u>
Total payments	2,035,000	\$ <u>342,925</u>	\$ <u>2,377,925</u>
Unamortized original issue discount	<u>(2,747)</u>		
Total	\$ <u>2,032,253</u>		

The debt service on the Series 1999A Bonds is paid by the Authority directly to the Bond Fund trustee.

Note 9: Cleveland Bulk Terminal

In March 1997, the Authority purchased a working dock facility, composed of approximately 45 acres of lakefront property and improvements, from Consolidated Rail Corporation (“Conrail”) for \$6,150,000. The property, known as Cleveland Bulk Terminal, is a vessel-to-rail transfer facility.

The Authority subsequently entered into a lease and operating agreement for the entire facility with Oglebay Norton Terminals, Inc., (“ONTI”), a subsidiary of Oglebay Norton Company, which extends through March 2017.

In 2001, the Authority issued \$5,765,000 of Refunding Revenue Bonds, Series 2001, to advance refund the bonds that were issued to acquire the facility. On March 1, 2007, the Authority issued \$5,470,000 in Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007 (“Refunding Bonds”) in connection with the Cleveland Bulk Terminal (CBT) project. The proceeds of the bonds were used to refund the Authority’s Taxable Variable Rate Refunding Bonds, Series 2001.

The Series 2007 Bonds are tax-exempt, whereas the 2001 Bonds were taxable, as those proceeds were to defease bonds issued in 1997 used to acquire the Cleveland Bulk Terminal. The Bonds are secured by an irrevocable direct pay letter of credit, which expires on March 16, 2017, with a local financial institution. No gain or loss was recognized as the \$5,470,000 tax-exempt bonds equaled the amount outstanding on the Series 2001 Refunding Bonds at the time of issuance.

The Refunding Bonds are payable in quarterly installments through 2031 and are not general obligations of, and are not secured by, the full faith and credit of the Authority. The repayment terms of the Refunding Bonds enable the holders of the bonds to demand payment prior to maturity under certain circumstances. As a result, the Authority has executed a remarketing agreement and a letter of credit with a financial institution, which requires the financial institution to use its best efforts to resell any portion of the bonds presented for payment prior to their scheduled maturity.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 9: Cleveland Bulk Terminal (continued)

The letter of credit, which was renegotiated with a new provider in 2012, expires on March 16, 2017, provides assurance that funds will be available through the financial institution to redeem any nonmarketable bonds prior to their maturity.

The Authority receives rental payments from its tenant and operator under the Lease and Operating Agreement (“Lease”) of the Cleveland Bulk Terminals, which helps pay a portion of the principal and interest due on the Refunding Bonds. The original Lease was entered into in March of 1997 and was extended through 2017 in December of 2002. The Lease is between Oglebay Norton Terminals, Inc. and the Authority. In addition, an Operating Agreement was entered into with Oglebay Norton Terminals, Inc. on December 16, 2002 with respect to an ore handling facility utilized in the handling of bulk materials on that site.

In addition, Oglebay Norton Company (“ONC”), the parent company of Oglebay Norton Terminals, Inc., entered into a Guaranty Agreement to guarantee the base rent under the Lease which was extended on December 16, 2002. Under the Guaranty Agreement, ONC guaranteed the payments of what was defined as Base Rent and Additional Rent under the Lease. The Lease (and subsequent amendments) also defines Additional Rent, which is a charge inbound ton that is handled at the facility.

In November of 2007, the shareholders’ of ONC approved the company’s acquisition by Carmeuse North America, a subsidiary of Europe’s Carmeuse Group. The Guaranty Agreement mentioned above was assumed by Carmeuse North America as part of the transaction.

Interest Rate Swap – The Refunding Bonds bear interest at a variable rate as determined by a remarketing agent based upon current transactions in comparable securities that enable the agent to remarket the notes at par. The interest rates on the Refunding Bonds were 0.17% and .35%, respectively on December 31, 2013 and December 31, 2012. Interest rate exchange agreements (“swaps”) are used to limit the Authority’s interest rate exposure on the Refunding Bonds. The swaps provide for interest to be received based on notional amounts at variable rates and for interest to be paid on the same notional amounts at fixed rates. The fixed interest rates do not change over the life of the agreements, one of which expired in fiscal year 2007 and the other remains in place until 2017.

The objectives and terms of the Authority’s hedging derivative outstanding at the end of the period are summarized below:

Type	Objective	Amount	Trade Date	Termination Date	Terms
Pay-fixed Interest Rate Swap	Hedge interest rate risk on Multi-Mode Variable Rate Demand bonds, Series 2007	\$ 4,500,000	3/1/07	3/2/17	Pay 4.83% Received 67% of 1-month LIBOR

The variable rates are reset every quarter, are based on LIBOR, and are settled with the counterparties to the swaps at that time. These swap agreements are not used for trading purposes and effectively change the base interest rate exposure on the Refunding Bonds to a fixed rate of 5.81%, through March 1, 2007 and a fixed rate of 4.83% thereafter through March 2, 2017.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 9: Cleveland Bulk Terminal (continued)

Fair Value – The fair value of the interest rate swap was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Cash flow hedge;					
Pay-fixed	Deferred inflow	\$ 242,176	Debt	\$ (565,259)	\$ 4,500,000
interest rate swap					

The interest rate swap is subject to the following risks:

Interest Rate Risk – The Authority is exposed to interest rate risk. On the pay-fixed, receive-variable cash flow hedge that is hedging interest rates on a Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007, as LIBOR decreases, the Authority’s net payment on the swap increases.

Credit Risk – The Authority is exposed to credit risk in the amount of the derivative’s fair value. When the fair value of any swap has a positive market value, then the Authority is exposed to the actual risk that the counterparty will not fulfill its obligations. As of December 31, 2013, the Authority had no net exposure to actual credit risk on its hedging derivative as the swap is a liability to the Authority. The counterparty under the swap is Key Bank, NA. As of December 31, 2013, the counterparty had ratings of A3/A-/A- from Moody’s, Standard & Poor’s and Fitch, respectively. To mitigate the potential for credit risk, if the counterparty’s credit qualify falls below BBB- as issued by Fitch Ratings or Standard & Poor’s or Baa3 as issued by Moody’s, it will collateralize the swap liability to the Authority with securities, consisting of obligations of the U.S. government, mortgage participation certificates of the FHMC or the FNMA, or such other securities as the parties mutually agree to. Collateral would be deposited with a third-party custodian.

Basis Risk – The Authority is exposed to basis risk when the variable interest received on a swap is based on a different index than the variable interest rate to be paid on the hedged item. At December 31, 2013, the variable rates on the hedge item and the derivative were not equal, thereby causing basis risk to be realized by the Authority. Because the hedge item rates are set in a tax-exempt market and the receipts on hedge are calculated based on a percentage of a taxable rate, it is expected that basis risk will continue throughout the term of the derivative.

Termination Risk – The derivative contract used the International Swap Dealers Association Master Agreement (“Master Agreement”), which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap were terminated, the variable rate bond would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 9: Cleveland Bulk Terminal (continued)

Rollover Risk – The Authority is exposed to rollover risk on any swap that matures or may be terminated prior to the maturity of the hedged item. The hedged item is currently structured to mature in 2031 and the swap is scheduled to mature in 2017, thereby subjecting the Authority to rollover risk should the Authority decide that it wishes to hedge its interest rate exposure at that time.

The bonds outstanding at December 31, 2013, are payable as follows (assuming that the interest rate is able to be fixed at 4.83% after the expiration of the existing swaps in 2017):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 170,000	\$ 214,768	\$ 384,768
2015	180,000	205,858	385,858
2016	185,000	197,471	382,471
2017	200,000	192,059	392,059
2018	195,000	178,841	373,841
2019 – 2023	1,180,000	735,958	1,915,958
2024 – 2028	1,510,000	415,699	1,925,699
2029 - 2031	<u>900,000</u>	<u>60,743</u>	<u>960,743</u>
Total payments	\$ <u>4,520,000</u>	\$ <u>2,201,397</u>	\$ <u>6,721,397</u>

The Lease provides for base rental payments along with certain additional rentals dependent upon the annual tonnage of freight handled at the facility. The future base rental payments required under the agreement, which is accounted for as an operating lease, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 282,783
2015	282,783
2016	282,783
2017	<u>60,814</u>
Total	\$ <u>909,163</u>

The Authority recorded \$378,782 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2013 and 2012. In addition, the cost and carrying amount of the Authority's property subject to this Lease was \$13.8 million and \$11.2 million, respectively at December 31, 2013.

Note 10: Essroc Project (1997A Bonds)

In 1997, the Authority issued \$3,795,000 of Development Revenue Bonds through the Authority's Bond Fund Program. The bonds were issued tax-exempt, mature on May 15, 2027 and bear interest at 5.75% and 5.80% annually. Proceeds from the bonds were used for the purpose of improving Dock 20 by providing bulkheading and various transportation improvements to be used in the operation of the Port of Cleveland.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 10: Essroc Project (1997A Bonds) (continued)

Debt service under the bonds is being paid primarily from the rental payments made to the Bond Fund trustee by Essroc Cement Corp. (“Essroc”) in connection with a Ground Lease and Operating Agreement (“Lease”), pursuant to which Essroc leases 6.45 acres of certain real property and bulkheading located on Dock 20 from the Authority. Rental payments are broken into two components: 1) a Land Rental, which was \$106,800 at the inception of the lease and is subject to an annual CPI increase and 2) an Improvement Rental, which equals the annual debt service on the 1997 A bonds, plus a small administrative charge. The Lease also contains a provision for wharfage and dockage fees if tonnage exceeds 100,000 tons in a given Lease year.

The bonds outstanding at December 31, 2013 are payable as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 115,000	\$ 152,546	\$ 267,546
2015	120,000	145,790	265,790
2016	130,000	138,746	268,746
2017	140,000	131,128	271,128
2018	145,000	123,078	268,078
2019 – 2023	865,000	477,076	1,342,076
2024 – 2027	<u>1,150,000</u>	<u>169,070</u>	<u>1,319,070</u>
Total payments	2,665,000	\$ <u>1,337,434</u>	\$ <u>4,002,434</u>
Unamortized original issue discount	<u>(39,189)</u>		
Total	\$ <u>2,625,811</u>		

As additional security, the Authority has agreed that the amount of “Available Moneys” (as defined in the Series 1997-A Bonds) which can be used for the payment of principal and interest on the bonds due in any year will be at least 1.2 times the amount of such principal and interest. In addition, the Authority has agreed that it will not issue bonds or other indebtedness that have a claim, pledge, or lien prior to that of the Series 1997 A Bonds.

The Series 1997-A Bonds are subject to redemption prior to maturity by the Authority.

The property at Dock 20 had a cost and carrying amount of \$3.5 million and \$1.8 million, respectively, at December 31, 2013.

In March of 2011, the Authority amended the Ground Lease and Operating Agreement with Essroc. Under the terms of the amendment, 3.07 of the total 6.45 acres included in the original Lease was no longer utilized by Essroc and was made available for alternative uses, effective August 1, 2011. In exchange for removing the acreage from the Lease, Essroc’s annual Ground Lease Rental was reduced by 30%. The Improvement Rental, which pays principal and interest on the 1997A bonds issued by the Authority, remains unchanged.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 10: Essroc Project (1997A Bonds) (continued)

The future minimum rental payments to be received under the Amended Ground Lease and Operating Agreement, which is accounted for as an operating lease, are as follows (assuming no annual CPI increase):

<u>Year</u>	<u>Amount</u>
2014	\$ 364,886
2015	362,752
2016	365,290
2017	366,390
2018	363,728
2019 – 2023	1,812,404
2024 – 2027	<u>1,289,507</u>
Total	\$ <u>4,924,957</u>

The Authority recorded \$263,509 of rental income (on a straight-line basis) under the Improvement Rental per the Ground Lease and Operating Agreement for the years ended December 31, 2013 and 2012. The Authority recognized additional rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement of \$102,964 and \$100,702 for the years December 31, 2013 and 2012, respectively.

Note 11: Ohio Department of Development Logistics Loan

In December 2010, the Authority authorized the execution of a Term Sheet and Commitment Letter with the ODOD to receive a \$3,025,500 Logistics and Distribution Loan (the “Loan”) from the State of Ohio for the construction of a rail loop on the Authority’s property as well as other improvements. In May of 2011, the Authority executed the final Loan Agreement with ODOD. The full amount of the loan was utilized in the amount of \$3,025,500. The total project cost was approximately \$4,600,000.

The Loan, including accrued interest, was to be forgiven by ODOD, provided the Authority completed the project by October 31, 2012 and there were 9,350 man-hours worked during construction. If the completion deadline and man-hours requirement were not met, and no extensions were granted, the entire amount of the loan, plus accrued interest, would have become due.

The Authority met all loan forgiveness requirements during 2012 and the loan was forgiven in November of 2012. \$3,025,500 was recognized as a “Capital Grant” on the Statement of Revenues, Expenses, and Changes in Net Position. No outstanding balances remain as of December 31, 2012.

Note 12: Chancellor University

At December 31, 2007, one of the issuances through the Common Bond Fund Program was for Myers University, an organization that had negative working capital and had recently been experiencing significant operating losses. The 2004E bonds were issued in December of 2004 in the amount of \$5,725,000 and proceeds were used to acquire and renovate an educational facility located on Chester Avenue in Cleveland, Ohio.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 12: Chancellor University (continued)

In May of 2008, a Cuyahoga County Common Pleas Court issued an order approving the sale of substantially all of the Assets of Myers University, free and clear of liens, to Myers University Systems LLC, a for-profit limited liability company, pending completion of due diligence, satisfaction of contingencies and negotiating a purchase agreement.

On August 21, 2008, an Asset Purchase Agreement was entered into between Myers University Systems LLC, now referred to as “Chancellor University” and the court-appointed Special Master. Part of the consideration was in the form of a \$2.25 million Note, which was secured by a Mortgage on the Chester Avenue facility which was financed by the 2004E bonds. As a result of the Asset Purchase Agreement, the Authority prepared a Notice of Call to the holders of the Bonds and filed a Material Event Notice (Bond Call) as a result of the Bonds becoming taxable.

On September 15, 2008, the Bonds were redeemed and paid in full, and the Authority subsequently acquired from the Bond Trustee the Note and Mortgage for \$2,250,000 payable on August 21, 2010.

In August of 2010, the Authority and Chancellor University entered into a Forbearance and Deed in Lieu of Foreclosure Agreement in order to satisfy the \$2.25 million payment due to the Authority. In exchange for forbearance on the Note, the Authority received \$500,000 in cash, a \$250,000 note, with quarterly \$12,500 principal payments, payable over five years with interest at Prime plus 2% (“Due from Chancellor University”), and free and clear title to the 41,230 square foot Chester Avenue facility originally financed by Authority issued bonds in 2004.

The Authority took title to the Chester Avenue facility on December 30, 2010 and no gain or loss was recognized by the Authority on the transaction with Chancellor University.

In November of 2010, the Authority and Chancellor University entered into a six-month Lease Agreement for the Chester Avenue facility. The term of the Lease was from January 1, 2011 through June 30, 2011 with a rental rate of \$17,179 per month. The Lease was subsequently amended to extend through July 31, 2011. The Authority leased the facility to I Can Schools in August of 2011 (See Note 13).

In July of 2013, the Authority was given notice that Chancellor University was going to begin ceasing operations and winding down their business. The remaining principal amount of \$162,500 on the note was written off in the third quarter of 2013 and shows as a “Loss on notes receivable” on the Authority’s Statement of Revenues, Expenses, and Changes in Net Position.

Note 13: I Can Schools Lease

In May of 2011, the Authority entered into a five-year Lease Agreement with I Can Schools, Inc. for the property formerly occupied by both Myers and Chancellor University. The Authority also agreed to make certain improvements to the condition of the property. The Lease commenced on August 1, 2011 and was scheduled to expire on July 31, 2016, with an option to extend the Lease for an additional three year period. Annual rental payments under the lease were \$15,000 per month in the first year, \$16,000 per month in years two and three and \$17,500 per month in years four and five.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 13: I Can Schools Lease (continued)

An Agreement for Sale of the property was approved by the Board on February 13, 2014. The Agreement had a stated purchase price of \$1,825,000. The sale closed on May 13, 2014 and the Authority will recognize a gain of approximately \$101,000 in 2014 as a result of the transaction. As a result, the future minimum rental payments received under the Lease Agreement (described in the table below) have been adjusted to reflect actual amounts received prior to and as a result of the sale.

The future minimum rental payments to be received under the Lease Agreement are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ <u>70,194</u>

The Authority recorded \$196,800 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2013 and 2012. In addition, the cost and carrying amount of the Authority's property subject to this Lease was \$1.8 million and \$1.6 million, respectively at December 31, 2013.

Note 14: 1100 West 9th Street

In August of 2011, the Authority purchased an approximately 24,000 square foot building located at 1100 West 9th Street in downtown Cleveland, Ohio for \$3,050,000. Pursuant to the terms of one of the tenant's leases, the Authority sent a notice of termination effective May 31, 2013 for one floor of the office building, to which the Authority relocated its administrative offices in September of 2013. The building is fully-leased, with different financial terms, lease expirations, and renewal options for all of the tenants.

The future minimum rental payments to be received under the various agreements with the tenants at 1100 West 9th Street are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 206,679
2015	209,259
2016	209,259
2017	209,259
2018	137,264
2019 – 2021	<u>108,694</u>
Total	\$ <u>1,080,414</u>

The Authority recorded \$234,477 and \$280,676 of rental income (on a straight-line basis) under the various leases for the years ended December 31, 2013 and 2012, respectively. As defined in tenant lease agreements the Authority is entitled to collect additional rent, subject to various caps and base years, to cover increases in the operating costs of the building. In 2013, the Authority recorded \$53,723 in additional rent.

In addition, the cost and carrying amount of the Authority's property subject to this Lease was \$4.2 million and \$4.0 million, respectively.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 15: Other Leases

Authority as Lessee

City of Cleveland

The Authority leases various docks from the City of Cleveland (the "City"). On August 15, 2004, the Authority returned Dock 32 to the City and, in October 2004, the lease agreement was amended to reduce the Authority's annual rental payments from \$500,000 to \$400,000 through the expiration of the lease in December 2028. Under the first amended lease, the City has the right to remove Dock 30, and a portion of Dock 28 from the lease upon five years written notice, along with a development plan for the docks to be removed and approved by City Council and the City. The removal was further conditioned upon "the Authority's financial ability to vacate the docks and secure suitable alternatives," which the City agrees to cooperate to achieve.

In August of 2005, the Authority transferred certain undeveloped property it owned on the Old River in return for the City's entering into a Second Amendment of Lease by which the lease term of Docks 24 and 26 and a portion of Dock 28 (known as 28A), also owned by the City, and were extended to 2043.

If any of these docks were returned to the City, the annual rental payments required under the lease would be reduced based on the number of square feet eliminated from the lease. Also, the lease term for the remainder of Dock 28 and Dock 30 was extended to December 31, 2028 subject to the five year call provision discussed above. The maximum reduction in the annual lease payments would aggregate to \$150,000 if both of these docks were returned to the City.

On October 1, 2012, a third amendment to the Dock Lease between the City of Cleveland and the Authority was executed. This agreement terminated the Authority's leasehold interests in a portion of Dock 28 ("28B") and Dock 30 and reduced annual lease payments by \$150,000. The remaining property covered under the Lease (Docks 24, 26, and the remaining portion of Dock 28 ("28A")) were extended for an additional 15 years until 2058, at an annual lease payment of \$250,000.

Also on October 1, 2012, a cooperative agreement between the City of Cleveland and the Authority was executed for Harbor Services. This agreement assigns certain navigation, harbor and maritime duties, and enforcement responsibilities to the Authority. The agreement further provides annual rent abatement on the remaining dock rental of \$250,000 provided these duties are performed. Harbor Services were fully performed by the Authority and full rent abatement was realized for 2013. Rental expense under the operating lease with the City was \$300,000 for 2012.

Office Lease

The Authority leased office space at One Cleveland Center since January of 2000, with subsequent extensions terminating on January 31, 2014. Future minimum rental to be paid by the Authority under the lease is \$28,000 in 2014. Rental expense, recognized on a straight-line basis, related to the Authority's lease at One Cleveland Center totaled \$251,234 for the years ended December 31, 2013 and 2012. The Authority moved to its new headquarters located at 1100 West 9th (see Note 14) and no further expense is expected.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 15: Other Leases (continued)

In February of 2010, the Authority agreed to sublease 4,320 square feet of office space to a third party, beginning in March 2010 until October 31, 2012. The tenant received six months of free rent on the 4,320 square feet as well as free rent on 1,620 square feet for the following six months. On May 2, 2012, the tenant exercised their option to extend the lease until January 31, 2014. Rental income, recognized on a straight-line basis through October of 2012, related to the Authority's sub-lease totaled \$54,990 in 2013 and \$42,039 in 2012.

Authority as Lessor

General Cargo Docks (24-30)

Effective April 1, 2012, the Authority entered into several Lease Agreements for use of land, docks, and warehouses owned by the Authority or leased from the City of Cleveland to a single Terminal Operator to handle general cargo operations at the Port of Cleveland.

The Agreement, effective April 1, 2012 through March 31, 2013, has a base rental of \$400,000 per year and a Tonnage Assessment Schedule with the following rates: \$0.125 per ton on the first 100,000 tons; \$0.25 per ton on tons between 100,001 and 200,000, and \$0.75 per ton above 200,001 tons. Effective October 1, 2012, the Authority reduced the Terminal Operators annual base rent to \$392,000, per the lease agreement, due to a reduction in space made available to them. The space was required to house parties under contract with the Authority to provide rail switching services. The new agreement has a base rent of \$12,000 annually. In March of 2013, the Port Authority entered into a new Agreement from April 1, 2013 through March 31, 2014 on the same economic terms as the prior Agreement.

The Authority recognized \$392,000 and \$398,000 in base rental income from the Lease Agreements for the years ended December 31, 2013 and 2012, respectively. The Authority also recognized \$186,424 in 2013 and \$150,171 in 2012 in income associated with the Tonnage Assessment Schedule.

In total, the Authority recognized \$578,424 and \$548,171, respectively, in rental income from property leased or subleased to the Terminal Operator for the years ended December 31, 2013 and 2012. The future fixed rental the Authority is scheduled to receive under the most recent Lease Agreements, via the Master Fixed Rental and Tonnage Assessment Schedule, total \$98,000, all of which are due in 2014.

Dock 20

On April 1, 2011, the Authority entered into an Operating Agreement for approximately eight acres of property commonly referred to as Dock 20 located north of the property leased to Essroc. The term of the Agreement was for one-year, with no renewal option and a base rental of \$180,000.

In March of 2012, the Authority entered into an Operating Agreement for another one-year term. Due to the construction of additional rail on Dock 20, approximately 2.2 acres of property previously utilized were not included in the Operating Agreement. The base rental for the remainder of the property totaled \$125,000 annually.

In March of 2013, the Authority entered into another one-year Operating Agreement with an annual base rent of \$147,000.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 15: Other Leases (continued)

The Authority recorded \$138,750 and \$141,500 in rental income from the Dock 20 Operating Agreements in 2012 and 2013, respectively. The future fixed rentals the Authority is scheduled to receive under the Operating Agreement total \$36,750 in 2014.

Dock 22

In December of 2010, the Board of Directors authorized the use of property immediately east of Dock 20, commonly referred to as Dock 22. The Operating Agreement requires monthly rental payments of \$3,500 for a portion of the property and for \$5,000 per month on the northern section of Dock 22. The Authority agreed to extend the Agreement for the both sections of Dock 22 on two different occasions in 2011, with a final termination date of March 31, 2012. The Authority recognized \$25,500 in rental income from property leased under this Agreement in 2012. The property was not leased in 2013.

Parking

In June of 1999, the Authority entered into a Memorandum of Agreement (MOA) with the Cleveland Browns ("Browns") to provide 2,200 parking spaces on property owned or leased by the Authority for each NFL game hosted at Cleveland Browns Stadium. Under this agreement, the Browns paid the Authority 50% of the net revenue generated from parking fees, or \$200,000, whichever was greater. In 2000, the parties agreed to extend the agreement to June 30, 2011. The amendment in 2000 increased the base parking payment to the Authority to \$225,000 to recoup certain capital investments made by the Authority.

In July of 2011, the Authority and the Browns agreed to terms similar to the 1999 MOA, with the Authority to receive \$200,000 or 50% of the net revenues, whichever is greater. The term of the agreement expired on June 30, 2012, but could be extended with the agreement of both parties until April 30, 2014.

In July of 2012, the Authority entered in a five-year Operating Agreement with the Browns for an annual fee of \$225,000. The terms of the agreement also provide for an additional rent of \$20,000 per game, on a pro-rata basis, if the Browns regular season is extended to include playoff games.

The Authority also has agreements with a private parking operator for parking operations other than those associated with Cleveland Browns games.

In 2013 and 2012, the Authority recognized \$306,577 and \$380,315, respectively, in parking revenues, \$225,000 of which related to the operating agreement with the Browns.

Note 16: Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Commercial insurance has been obtained to cover damage or destruction to the Authority's property and for public liability, personal injury and third-party property damage claims. Settled claims have not exceeded the Authority's commercial insurance coverage for any the past three years.

Employee health-care benefits are provided under a group insurance arrangement and the Authority is insured through the State of Ohio for workers' compensation benefits.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 17: Ohio Manufacturers' Association Grant

In January of 2010, FirstEnergy Corporation, through its Ohio utilities subsidiaries - Ohio Edison, Cleveland Electric Illuminating Company and Toledo Edison (the Companies) - agreed to provide \$7.5 million over three years to support economic development and job retention projects under an agreement reached with The Ohio Manufacturers' Association ("OMA"). The agreement is related to the Companies' commitment to support economic development and jobs as part of their Electric Security Plan.

Under a Memorandum of Understanding ("MOU") between three Ohio port authorities, the OMA, Ohio Edison, Cleveland Electric Illuminating Company, and Toledo Edison, the Companies agreed to provide approximately \$2.5 million, less administrative expenses, to each of three Ohio port authorities to support their financing efforts, including the Cleveland-Cuyahoga County Port Authority. The money was invested into the Authority's Common Bond Fund Program's system of reserves. The \$2.5 million received under the MOU is shown as "Restricted cash and investments" on the Authority's balance sheet as of December 31, 2013. Investment income earned on amounts deposited under the MOU are paid semi-annually to the OMA.

Note 18: Capital Grant and Contribution Activity

In May of 2011, the Authority executed a \$3,025,500 Logistics and Distribution Loan Agreement with the State of Ohio (see Note 11) for the construction of a rail loop on the Authority's property. The loan, including accrued interest, could be forgiven, provided the project was completed by October 31, 2012 and 9,350 man-hours were worked during construction. The Authority met all loan forgiveness requirements during 2012 and the loan was forgiven in November of 2012. \$3,025,500 was recognized as a "Capital Grant" on the Statement of Revenues, Expenses, and Changes in Net Position in 2012 and no activity was reported for this in 2013.

In February, 2011 the Authority was awarded \$188,750 through a competitive grant process from the Cuyahoga County, Ohio Department of Justice Affairs, acting as a fiduciary agent for the Department of Homeland Security FEMA Grants Program Directorate. The grant funds 75% of the total costs of certain security enhancements up to a total of \$251,750. In 2012, \$10,760 in grant revenue was recognized. Security enhancements were completed in 2012 and no activity was reported for 2013.

In July, 2011 the U.S. Environmental Protection Agency awarded the Authority a Great Lakes Restoration Initiative Grant for \$425,160 to develop and deploy a floating debris management vessel system to capture and remove floating debris in North Coast Harbor and the Cuyahoga River. The grant funded 100% of the costs of the debris harvester vessels designed for this purpose. Design work commenced in January, 2012 and the debris harvester boats were put into service and launched in the fourth quarter of 2012. In 2012, \$419,694 was expended on this grant and no activity was reported for 2013.

In July, 2012 the Authority was awarded a \$97,000 sub-grant from Cuyahoga County which is a pass-through grant from the U.S. Department of Homeland Security. The grant is to be used to pay for security improvements at the port. Expenditures for improvements are planned for 2014. No grant funds were expended during the 2012 or 2013 fiscal year.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 18: Capital Grant and Contribution Activity (continued)

In August, 2012 the Authority was awarded a \$600,000 subgrant from Cuyahoga County which is a pass-through grant from the United States Environmental Protection Agency. The grant required a 20% match from the Authority and grant funds were used to remediate a 5-acre portion of the Cleveland Lakefront Nature Preserve for continued long-term use of the area. The Authority completed the site remediation June of 2013. \$487,519 in expenditures are reported for the year 2013 on the Schedule of Expenditures of Federal Awards. The City of Cleveland contributed soil, valued at \$391,340, which served as the Authority's grant match for the project.

In January 2013, the President declared Cuyahoga County a federal disaster area as a result of the severe weather generated by the remnants of Hurricane Sandy on October 29th and 30th, 2012. As a result, the Authority was eligible to apply for and receive federal grant money through the Ohio Emergency Management Agency ("OEMA") to reimburse for eligible costs of damages from the storm. As the damages and costs associated with damages were 2012 events, the grant funds are recognized for the fiscal year 2012. The Authority had insurance which covered the damages with the exception of the \$50,000 insurance deductible. The deductible was deemed to be acceptable to submit for reimbursement with a \$37,500 (75%) federal contribution and a \$6,250 (12.5%) OEMA contribution. No activity was reported for this in 2013.

The Authority received a contribution from the developer of the Flats East Bank, valued at \$53,000, for repairs to the Authority's parking lot located at 1100 W. 9th Street. During the construction of the office tower for the Flats East Bank Project, some damage to the Authority's parking lot was incurred. In addition to repairing the damage caused during construction, the developer also made additional improvements to the parking lot (paving, etc.) that were accounted for as a contribution.

The Authority received a grant from the Garden Club of Cleveland and recorded a \$42,869 capital improvement from the Garden Club of Cleveland for the development of a public overlook plaza on the CLNP.

Note 19: No-Commitment Debt

As stated in Note 1, the Authority has issued certain special obligation revenue bonds and notes, primarily through two different programs: the Common Bond Fund Program and other Stand Alone Financings.

Common Bond Fund Program – The Authority has established a Common Bond Fund Program (the "Program" or "Bond Fund") to provide long-term, fixed interest rate financing of \$1 million to \$10 million to credit worthy businesses, governments, and non-profit organizations for owner-occupied industrial, commercial, non-profit, and infrastructure projects. Port of Cleveland Bond Fund Development Revenue Bonds are issued in accordance with the Ohio Revised Code and a Trust Indenture dated November 1, 1997 between the Authority and a local financial institution. The Common Bond Fund Program is managed by the Authority; however, these obligations are not secured by the full faith and credit of the Authority. The Common Bond Fund Program is rated 'BBB+' by Standard & Poor's.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 19: No-Commitment Debt (continued)

The Program includes a system of cash reserves used to collateralize the bonds issued under the Program. All borrowers are required to deposit an amount (or acceptable letter of credit) equal to 10% of the proceeds of the bonds into a Primary Reserve Fund for each issuance, which secures the specific obligation to which it relates. If the Program Reserve and letter of credit discussed below are exhausted, the Primary Reserve Fund amounts can be used to secure repayment of other outstanding obligations issued under the Program.

The 1997A and 1999A bonds issued through the Program are reflected on the Authority's Statement of Net Position as the Authority is ultimately liable for both bond issuances. Additionally, approximately \$6.7 million (Program Development Fund, Program Reserve Fund, and the OMA funds) in restricted cash and investments are also shown on the Authority's Statement of Net Position, which primarily represents the Authority's initial investment in the Program and associated interest earnings and funds received from OMA. Additionally, in 2004, the Authority's Board of Directors established an Auxiliary Reserve which could be utilized in the event of a default. The Auxiliary Reserve was Board-restricted and was not part of the Trust Indenture that governs the Program. As of December 31, 2013, the Reserve had a balance of approximately \$547,781, which is shown as restricted cash and investments on the Authority's Statement of Net Position.

In December of 2013, in order to enhance the Bond Fund Program's financial strength, the Board approved a resolution to implement the 35th Supplemental Indenture to the Common Bond Fund Program, effective January 1, 2014. In this resolution, the Board of Directors authorized that the \$547,781 balance in the Auxiliary Reserve be deposited into the Program Reserve with the Common Bond Fund's trustee; as an additional reserve. This reserve is available as a Common Bond Fund Reserve as of January 2014 when it was received by the Common Bond Fund's trustee.

In the event of a default, any utilization of either the Program Development Fund or the Program Reserve Fund would result in a charge to the Authority's earnings.

Under the Program, debt service requirements on each bond issue are secured by a pledge of amounts to be received pursuant to loan, lease, or other agreements executed in connection with the projects.

The timing and amount of payments due from the borrowers and paid directly to the Bond Fund trustee under the various agreements approximate the debt service requirements of the bonds, plus a small administrative charge, which is reflected as "Financing fee income" on the Statement of Revenues, Expenses, and Changes in Net Position.

The primary reserve deposits, which totaled \$9.5 million at December 31, 2013, consist of cash, government obligations, acceptable letters of credit, or other instruments allowed under the Indenture. A trustee holds these funds during the term the bonds are outstanding, with investment income earned on the Primary Reserve Fund amounts returned to the borrowers at their discretion. The balance in the Primary Reserve Fund established for each debt issuance is utilized to fund the final principal payment when the related debt issuance is completely repaid. In addition to the primary reserves, a Program Reserve and Program Development Fund are maintained to collateralize all of the obligations outstanding under the Program.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 19: No-Commitment Debt (continued)

The Program Reserve and Program Development funds, including funds received from OMA, at December 31, 2013 were composed of a \$6.7 million cash reserve and a \$9 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on December 1, 2015, and is subject to an annual renewal after that time.

The issuances through the Common Bond Fund Program are reflected in the Statement of Fiduciary Net Position, with the exception of the 1997A and 1999A bonds.

As noted above, the Authority executed the 35th Supplemental Indenture to the Common Bond Fund Program, effective January 1, 2014. The 35th Supplemental Indenture modifies the Program Development Fund with respect to the way that administrative amount's consisting of the Authority's annual administrative fees are handled for 2014 and on a go-forward basis. Fees will be routed to the Program Development Fund to the Common Bond Fund trustee and held until December 1 each year. Fees will be released to the Authority on December 1 of each year if: (1) the aggregate amount on deposit in the Primary Reserve Fund and Program Reserve Fund is at least 25% of the then outstanding principal amount of bonds; (2) the Authority is in compliance with its agreements and obligations under the Trust, Indenture; and (3) the amount of any such transfer is to be reduced by an amount equal to the then amount of any deficiency in the Primary Reserve Fund.

Stand Alone Financings – Stand Alone Financings represent bonds and notes issued for project financings that are collateralized by the related amounts to be received under leases and loan agreements with borrowers and tax-increment financing arrangements with local governments.

None of the debt obligations listed from the above financing sources are secured by the credit of the Authority.

The Authority acts as an agent for the Common Bond Fund Program and certain Stand Alone Financing obligations, and as such the related assets and liabilities to the extent of asset balances are reported in the Statement of Fiduciary Net Position. The aggregate amount of outstanding debt for the Common Bond Fund Program was \$61,555,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Stand Alone Financing Obligations were \$1,206,271,587 as of December 31, 2013. The aggregate amount of outstanding debt for the Common Bond Fund Program was \$60,675,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and the Conduit Financing Obligations were \$1,140,766,267 as of December 31, 2012.

In both programs the debt is secured by the property financed and/or the revenue streams pledged for the project and is payable solely from the payments received by the trustee from the borrowers or other sources specified in the related agreements. These obligations are considered "conduit debt obligations" under Interpretation No. 2 of the Governmental Accounting Standards Board, Disclosure of Conduit Debt Obligations. Because the Authority has no obligation to repay the debt beyond the specific third party revenue sources pledged under the debt agreements, the obligations are not recorded on the Authority's Statement of Net Position.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 20: New Market Tax Credit Program

On September 29, 2003, the Authority entered into a Cooperative Agreement with certain third parties, including Northeast Ohio Development Fund LLC (“NEODF”), setting forth various understandings with respect to NEODF obtaining an allocation of tax credits from the federal government under the “New Market Tax Credits Program.” The Cooperative Agreement sets forth the procedures for administering the credits and providing project loans with respect to that program. With the assistance of the Authority, NEODF (a separately owned and operated private entity) was able to obtain an allocation of new market tax credits in 2004. Additional allocations were also received in 2009 and in 2011. These credits are to be deployed as investments in qualifying low income community businesses.

NEODF may utilize the credits provided it complies with terms and conditions of the Cooperative Agreement and the New Market Tax Credit Program. The Authority has no obligation for compliance under but receives certain fees and other monies from investments made by NEODF and related organizations under the program.

The Authority recognized fees of \$747,000 in 2013 from tax credit investments made by NEODF and related subsidiary LLC’s. No fees were recognized in 2012. Under the terms of the Cooperative Agreement, the Authority is to receive additional funds upon the conclusion of the various transactions undertaken by NEODF, for those transactions that are not in default and for which no compliance deficiencies exist.

As a result of the previous transactions undertaken by NEODF, the Authority could receive as much as \$697,500 in 2016, \$387,000 in 2018 and \$45,000 in 2019, should the conditions described above be met.

These amounts represent 45% of the total amount which is due to NEODF, before accounting for organizational expenses, such as legal and compliance fees.

The Authority has not booked a receivable on the balance sheet for these amounts, due to the uncertainty of the underlying transactions and compliance issues.

Note 21: Contingencies

The Authority, in the normal course of its activities, is involved in various claims and pending litigation. In the opinion of Authority management, the disposition of these other matters is not expected to have a material adverse effect on the financial position of the Authority.

Note 22: City of Garfield Heights/CityView Center Project

In 2004, the Authority issued \$8.85 million in development revenue bonds through the Common Bond Fund Program to fund certain infrastructure improvements in connection with the CityView Center retail development in Garfield Heights, Ohio. The bonds were to be repaid from payments in lieu of taxes (“PILOTS”) from the increase in value on the property from the retail development and also through Special Assessments which can be levied if PILOTS are not sufficient for debt service.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 22: City of Garfield Heights/CityView Center Project (continued)

In February of 2009, the largest secured creditor of CityView Center, LLC filed an action for the Appointment of Receiver against CityView. The court did appoint a receiver. The project has run into economic difficulties due to environmental issues and concerns, and the loss of its largest retail tenant, as well as other tenants.

The Receiver and the Board of Education of Garfield Heights subsequently entered into a settlement of tax values as a result of a pending tax contest. The settlement resulted in reduced assessed valuations for the properties, owned by City View Center, LLC, subject to payment of PILOTS for the bonds. There is other property owned by other parties that is also subject to PILOTS.

During the pendency of the Receivership, there have been sufficient PILOT payments to pay debt service, fund an additional reserve required by the Indenture and specially redeem \$840,000 in bonds.

In 2011, the case was reassigned to a new judge and the plaintiff in the case filed an amended complaint in December 2011 which included a claim for foreclosure on the property. The Authority filed a motion to intervene in the action to protect its interest in the property through the security for the PILOTS and special assessments.

The motion to intervene was granted. On June 4, 2012, the Court entered a Stipulated and Consent to Judgment Entry as to the Port Authority and the Development Finance Authority of Summit County, which recognizes the Service Payments and Special Assessments as surviving any foreclosure.

On May 31, 2012 a default judgment was entered against City View Center LLC granting the request for foreclosure ("Foreclosure Order").

The receiver has not yet executed on the Foreclosure Order and the court docket shows the last receiver's report being made on March 11, 2013.

To date, PILOTS payments have been sufficient to make all principal and interest payments on the bonds.

Note 23: ODOT Euclid Facility Project

In April of 2012, the Authority entered into a Purchase Agreement and Easement Agreement with the Ohio Department of Transportation ("ODOT") to finance and construct a maintenance garage in Euclid, Ohio. Upon completion in the fourth quarter of 2013, ODOT purchased the facility from the Authority under the terms outlined in the Purchase Agreement. The Authority was reimbursed for its costs of construction plus a development fee per the Purchase Agreement. The Authority recognized the revenue and expenses for the project using the percentage of completion method of accounting. As of December 31, 2013 the Authority had recognized contract revenues and expenses of \$7,573,801 and \$7,038,471 respectively. As of December 31, 2012 the Authority had costs in excess of billings of \$186,199 and recognized contract revenues and expense of \$476,199 and \$442,945 respectively.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 24: Flats East Bank Project

The Authority, in collaboration with the City of Cleveland, Cuyahoga County, the State of Ohio, the Northeast Ohio Regional Sewer District, the Cleveland Municipal School District, Greater Cleveland Partnership, Cleveland Public Power (“CPP”), and others have been working for the past several years with Scott Wolstein, through the Flats East Development LLC (“Developer”), on a major redevelopment project in the City of Cleveland known as the Flats East Bank Project (the “Project”).

Additionally, the City of Cleveland, the Authority and the Developer negotiated, executed, and amended a Project Development Agreement (the “Development Agreement”), which fully sets forth the details of the Project and its construction, the financing for the public infrastructure and certain other Project improvements, as well as other Project requirements.

Financing for the Project, including the bonds issued by the Authority, occurred in 2010. The bonds issued in 2010 provided partial funding for the first phase of the Project and involved, in total, approximately \$275 million in funding and equity, including a Common Bond Fund issuance and issuance of Stand Alone bonds. The Authority accepted various grants on behalf of the Developer to facilitate in the completion of the Project. The Development Agreement stipulates that the Developer is responsible for providing funding of the local match required for the grants.

In January, 2012 the Ohio Department of Transportation awarded the Authority two Federal Highway Administration grants for improvements to be made on the Project. A grant in the amount of \$3,902,790 was awarded for the design and improvement of bulkheading on the Project. A grant in the amount of \$1,422,781 was awarded for the design and construction of a riverwalk on the Project. The match for both of the grants is 20% and is provided from the funds of the Developer. The Schedule of Expenditures of Federal Awards outlines the amounts expended on each of these grants during fiscal year 2013. The bulkhead project was completed in the second quarter of 2013. The riverwalk project is extending into 2014 and expected to be completed by 2015.

The Authority was awarded a \$1,000,000 Ohio Department of Development Roadwork Development Grant to assist in roadwork improvements as part of the Project. The grant was fully utilized during the 2012 fiscal year.

As part of the Development Agreement, the City of Cleveland agreed to contribute funds from the budget of CPP to assist with infrastructure improvements to the Project. The City of Cleveland requested that the Authority undertake this portion of the Project on behalf of CPP. The Authority was instructed to submit to CPP for reimbursement of infrastructure improvement costs on behalf of the Developer and then to remit those funds back to the Developer as a reimbursement of their costs. CPP funds provided to the Authority and subsequently passed through to the Developer during 2013 and 2012 for infrastructure improvements to the Project totaled \$126,866 and \$1,708,555 respectively.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 25: Restatement of Prior Year Fund Balances

In March of 2012, the Governmental Accounting Standards Board issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" ("GASB 65") which prescribed, as required by GASB Statement No. 63, the specific accounts or transactions which were to be reclassified as deferred outflows or deferred inflows or alternatively as outflows (expenses) or inflows (revenues). GASB 65 was effective for financial statement periods beginning after December 15, 2012 and retrospective application for all periods presented was expected.

The Authority implemented GASB 65 in 2013 and several items were reclassified in order to comply with the statement. Those balances included \$3.1 million in deferred property tax revenue and \$458,488 in unamortized debt issuance, loan and lease costs. Comparative financial and supplemental data contained within this report has been updated to reflect this retrospective adjustment.

Deferred property tax revenue was reclassified on the Statement of Net Position from current liabilities to deferred inflow of resources for each period. This reclassification had no effect on the Authority's net position

The Authority has a number of long-term debt obligations; all of which have debt issuance costs associated with them. Debt issuance costs, prior to GASB 65, were classified as restricted assets and were deferred and recognized as interest cost over the period that the related debt was outstanding. A summary of the Authority's long-term debt obligations and the associated debt issuance costs follows: In 1997, the Authority issued \$3,795,000 of Development Revenue Bonds, for improvements to Dock 20 ("Essroc") with associated debt issuance costs of \$234,630. In 1999, the Authority issued \$5,230,000 in Development Revenue Bonds, for Port Improvements, with associated debt issuance costs of \$146,707. Finally, in 2007, the Authority issued \$5,470,000 in Multi-Mode Variable Rate Refund Bonds, in connection with the Cleveland Bulk Terminal, with associated debt issuance costs of approximately \$251,162.

Debt issuance costs were defined, by GASB 65, as expenses of the current period. In 2013, the Authority retrospectively expensed deferred issuance costs to the period in which they were incurred and reversed the amortization of expense which had previously occurred.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 25: Restatement of Prior Year Fund Balances (continued)

The table below illustrates these transactions and their effect on net position:

Description	Prior to			Opening Balance
	2011	2011	2012	2013
1997 debt issuance costs – Essroc	\$ 234,630	\$ -	\$ -	\$ 234,630
Reversal of debt issuance amortization	(135,680)	(9,038)	(8,753)	(153,472)
Effect on net position	98,950	(9,038)	(8,753)	81,158
1999 debt issuance costs – Port Improvement	146,707	-	-	146,707
Reversal of debt issuance amortization	(111,265)	(7,002)	(6,350)	(124,617)
Effect on net position	35,442	(7,002)	(6,350)	22,090
2007 debt issuance costs – CBT	251,162	-	-	251,162
Reversal of debt issuance amortization	(50,156)	(15,919)	(15,505)	(81,580)
Effect on net position	201,006	(15,919)	(15,505)	169,582
Total debt issuance costs	632,499	-	-	632,499
Total reversal of debt issuance amortization	(297,102)	(31,959)	(30,608)	(359,669)
Cumulative effect on net position	\$ 335,398	\$ (31,959)	\$ (30,608)	\$ 272,830

Other costs previously recognized as restricted assets were professional service fees incurred in connection with the leasing of property or securing letters of credit. In 2011, the Authority incurred \$107,146 in costs associated with the five-year lease of property owned by the Authority. In 2012, the Authority incurred \$64,300 and \$55,535 in professional service fees to replace the Common Bond Fund and CBT letters of credit, respectively. These costs were deferred and were to be recognized as professional service expense over the life of the various agreements. These costs were also defined by GASB 65 as expenses of the current period. In 2013, the Authority also retrospectively expensed lease and loan costs to the period in which they were incurred and reversed the amortization of these expenses which had previously occurred.

The table below illustrates these transactions and their effect on net position:

Description			Opening Balance
	2011	2012	2013
Lease costs	\$ 107,146	\$ -	\$ 107,146
Reversal of lease cost amortization	(8,929)	(21,429)	(30,358)
Effect on net position	98,217	(21,429)	76,788
Loan costs	-	119,835	119,835
Reversal of loan cost amortization	-	(10,965)	(10,965)
Effect on net position	-	108,870	108,870
Total professional service costs	107,146	119,835	226,981
Total reversal of lease and loan amortization	(8,929)	(32,394)	(41,323)
Cumulative effect on net position	\$ 98,217	\$ 87,441	\$ 185,658

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 26: University Square 2001 Revenue Bonds

The Cleveland-Cuyahoga County Port Authority (the "Authority") issued its \$40,500,000 Senior Special Assessment/Tax Increment Revenue Bonds, Series 2001A (University Heights, Ohio – Public Parking Garage Project) (the "Senior Bonds") and its \$100,000 Taxable Tax Increment Revenue Bonds, Series 2001B (University Heights, Ohio – Public Parking Garage Project) (the "Subordinate Bonds," and together with the Senior Bonds, the "Bonds"), pursuant to the terms of a Trust Indenture, dated as of December 1, 2001, between the Authority and The Bank of New York Mellon Trust Company, N.A., formerly J.P. Morgan Trust Company, National Association (the "Trustee").

The Bonds were issued to fund the costs of acquiring and constructing of a five-level parking garage with approximately 2,260 parking spaces, which serves the adjacent property located at the southeast corner of Cedar and Warrensville Center Roads in University Heights, Ohio (the "Development Site"). Starwood Wasserman University Heights Holding LLC ("Wasserman") constructed on the Development Site a multi-level retail center consisting of a 164,684 square foot retail facility that has been sold to Kaufman's (now Macy's), a 164,590 square foot retail facility that has been sold to Target and approximately 291,726 square feet of additional leasable space (the "Shopping Center").

Wasserman and the City of University Heights (the "City") established a tax increment financing district (the "TIF District") covering approximately 15 acres, including the Development Site, in order to finance the Project. Under Ohio law, improvements made to property in the TIF District are exempt from real property taxes for a period of thirty years. Owners of properties in the TIF District make service payments in lieu of taxes (the "Service Payments") in amounts equal to the taxes that would have been paid had no such exemption been granted.

The Bonds are special, limited obligations of the Authority, which are payable solely from (a) the Service Payments to be collected by the City; (b) special assessments to be levied by the City to the extent that the Service Payments are insufficient to cover the debt service and administrative expenses on the Bonds (the "Special Assessments", and together with the Service Payments, the "Financing Payments"); and (c) monies in certain funds and accounts held by the Trustee.

Wasserman sold the Shopping Center to Inland Western University Heights University Square, LLC (the "Developer") on May 2, 2005.

Pursuant to (i) the Cooperative Agreement by and among the Authority, the City of University Heights, Ohio (the "City"), and Wasserman, (ii) the Tax Increment Financing Agreement by and among the Authority, the City and Wasserman, the Developer, as successor to Wasserman, agreed to make Service Payments and Special Assessments (as such terms are defined in the agreements) to pay annual debt service charges on the Bonds.

The Developer failed to pay the Service Payments and Special Assessments when due on July 26, 2013. The Developer sold the Shopping Center at auction on October 10, 2013 to University Heights Holding 4, LLC (the "Owner"), at a purchase price of \$175,000.

On October 14, 2013, the Authority provided a Voluntary Disclosure regarding such non-payment and Shopping Center sale to the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 26: University Square 2001 Revenue Bonds (continued)

On December 9, 2013, the Authority disclosed on EMMA that the Developer's failure to make such payments resulted in a draw on the Primary Reserve Fund of \$1,026,168 in order to pay debt service charges on the Senior Bonds on December 1, 2013. The balance in the Primary Reserve Fund after such draw was \$2,708,387, which is below the Reserve Requirement of \$3,633,442. The Trustee was unable to make the debt service payment of \$6,000 due on the Subordinate Bonds on December 1, 2013.

On February 7, 2014, the Authority provided a Voluntary Disclosure on EMMA regarding the failure of the Owner to pay portions of the required Service Payments and Special Assessments when due on January 23, 2014.

The Trustee organized an investor call on March 5, 2014 to determine next steps for the Bonds and bondholders.

The Owner's failure to make such payments resulted in a draw on the Primary Reserve Fund of \$849,528 in order to pay debt service charges on the Senior Bonds on June 2, 2014. The balance in the Primary Reserve Fund after such draw is \$1,933,950, which is below the Reserve Requirement of \$3,633,442. The Trustee was unable to make the debt service payment of \$6,000 due on the Subordinate Bonds on June 2, 2014. The June 2, 2014 draw on the Primary Reserve Fund was disclosed on EMMA on June 9, 2014.

Note 27: Cleveland-Christian Home 2002C Bonds

The Authority issued its \$5,130,000 Bond Fund Program Development Revenue Bonds, Series 2002C (Cleveland Christian Home Incorporated Project) (the "Series 2002C Bonds") on August 7, 2002.

On November 15, 2013, the Authority authorized the Trustee to make an unscheduled draw on the Primary Reserve Fund for the Series 2002C Bonds in the amount of \$215,655. The unscheduled draw was authorized for the purpose of paying the November 15, 2013 principal and interest payments due on the Series 2002C Bonds in the amount of \$215,655 (of which \$120,000 was for principal and \$95,655 was for interest).

The outstanding principal balance on the Series 2002C Bonds was \$3,170,000 as of December 31, 2013, after the November 15, 2013 principal payment was made. The balance in the Primary Reserve Fund for the Series 2002C Bonds was approximately \$297,345 after the November 15, 2013 draw on the Primary Reserve.

On April 11, 2014, the Cleveland Christian Home ("CCH") completed the sale of a non-essential piece of real property. The \$90,934 in proceeds from the property sale were forwarded to a Collateral Fund Reserve, held at the Trustee, to be utilized to pay debt service for the Bonds.

On May 15, 2014, the Authority authorized the Trustee to make an unscheduled draw in the amount of \$90,934 and \$126,571 on the Collateral Fund Reserve and Primary Reserve Fund, respectively, for the Series 2002C Bonds. The unscheduled draw was authorized for the purpose of paying the May 15, 2014 principal and interest payments due in the amount of \$217,505 (of which \$125,000 was for principal and \$92,505 was for interest). Such principal and interest payments were timely made in both cases.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 27: Cleveland-Christian Home 2002C Bonds (continued)

Following such May 15, 2014 payment, there remains an outstanding principal balance on the Series 2002C Bonds of \$3,045,000 and the current balance in the Primary Reserve Fund for the Series 2002C Bonds is approximately \$171,217.

The unscheduled draws were necessary because CCH failed to make timely payments to the Trustee under the Loan Agreement between the Authority and CCH and the corresponding Note executed by CCH. The obligations of CCH under the Loan Agreement and Note are secured by a Mortgage on real property owned by CCH.

No further loan payments have been received by the Trustee since the May 15, 2014 draw on the Primary Reserve Fund for the Series 2002C Bonds, other than \$90,934 deposited in the Collateral Fund Reserve from the sale of a non-essential parcel of real property. CCH has submitted a business recovery plan to the Authority with the goal of once again becoming current with its scheduled payments.

Note 28: Cleveland-Europe Express Liner Service

In January of 2012, the Authority's Board of Directors approved a consulting engagement which provided technical and analytical support for the development of a direct scheduled ocean freight service between Cleveland and Europe (the "Liner Service"). The resultant feasibility analysis indicated that sufficient market demand existed and that a custom-designed Liner Service appeared feasible based on projected costs and rates. The primary objective of the Liner Service initiative is to increase international cargo flows between the Cleveland region and worldwide locations, especially Northern Europe, in order to grow general cargo volumes. The service also represents a major economic development tool for the region and state by providing Ohio importers and exporters with a more cost-effective, efficient, and environmentally sustainable alternative to East Coast freight routings.

The Authority determined that the best opportunity for a Liner Service to commence was to enter into a Charter Agreement with a vessel owner and to provide funds to cover the initial costs of the service. The Authority solicited interest directly from ocean carriers in the trans-Atlantic trade best positioned to partner with the Port to launch the service. The Authority identified The Spliethoff Group as the most qualified and interested vessel owner. The Spliethoff Group is a large ship owner and operator in the Netherlands with a fleet of more than 100 ships moving virtually all cargo types.

On November 21, 2013, the Authority's Board of Directors approved a Time Charter Agreement (the "Agreement") between the Authority and Spliethoff Transport B.V. Amsterdam ("Spliethoff") which provide for the establishment of a regularly scheduled Liner Service. On April 1, 2014, a Time Charter Agreement was entered into between the Authority ("Charterer") and Spliethoff ("Owner") under the following terms: (1) the Owner provides the vessel and crew, including certain management and operating expenses, at a cost of \$550,000 per month plus actual fuel costs. The Authority does not pay for the Time Charter when the Seaway is closed; (2) the term of the Agreement is 12 months, with an option if mutually agreeable to extend for an additional 12 months. The Agreement also contains a 30 day cancellation clause. (3) The Authority is to receive all revenues per the Agreement for both breakbulk and container cargo on vessels; (4) the Authority has an option to add a second vessel from The Spliethoff Group to service.

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 28: Cleveland-Europe Express Liner Service (continued)

On April 4, 2014, the new Liner Service (the “Cleveland-Europe Express”) commenced operation and sailed from Antwerp, Belgium to the Port of Cleveland on its maiden voyage. The Cleveland-Europe Express is the first regularly scheduled container service on the Great Lakes. The Cleveland-Europe Express continues to sail directly between Port Cleveland and Antwerp with approximate transit time of 12 to 16 days.

Note 29: Subsequent Events

Transportation Investment Economic Recovery Grant Commitment – In April of 2014, the Board of Directors authorized the application of a \$13.0 million grant to The Transportation Investment Generating Economic Recovery (“TIGER”) grant program and the restriction of \$3.0 million of unrestricted cash as a cost share contribution to the TIGER grant. The TIGER grant program is highly competitive and requires a minimum local match share of 20%. The local match was required to be encumbered by the TIGER program and will revert back to the unrestricted cash and investment classification should the Authority not be awarded a TIGER grant. If an award is granted acceptance is contingent on approval by the Authority’s Board of Directors. The grant is to be used for a terminal improvement project, which would include rebuilding the Port main access road, providing overweight and oversize load entrance and egress, improving gate facilities, resurfacing, paving and adding certain terminal handling equipment.

Congestion Mitigation and Air Quality Improvement Grant Commitment - In May of 2014, the Board of Directors authorized the application of a \$7.0 million grant to the Congestion Mitigation and Air Quality Improvement (“CMAQ”) grant program and the restriction of \$1.4 million of unrestricted cash as a cost share contribution to the CMAQ grant. The program requires a 20% local match. The Authority will apply for funds to build, construct and deliver two cranes to the Port of Cleveland docks to replace two cranes nearing the end of their useful life. If the grant is not awarded, the \$1.4 million which was restricted as the Authority’s cost share will revert back to unrestricted cash. If the grant is awarded acceptance is contingent on approval by the Authority’s Board of Directors.

Cleveland-Cuyahoga County Port Authority

Common Bond Funds

December 31, 2013

The following are the approximate balances held and the principal amount of outstanding Common Bond Fund bonds as of December 31, 2013:

<u>SERIES</u>	<u>Contracting Party</u>	<u>Original Bond Amount</u>	<u>Outstanding Principal Balance</u>	<u>Required Primary Reserve Balance</u>	<u>Final Maturity</u>
1997A	Essroc /Port Authority (1)	\$ 3,795,000	\$ 2,665,000	\$ 366,641	5/15/27
1998A	Jergens, Inc. (4)	5,720,000	-	-	11/15/13
1998B	NOACA	3,345,000	1,115,000	324,472	5/15/18
1999A	Port Authority (1)	5,230,000	2,035,000	520,385	5/15/19
1999B	Universal Heat Treating, Inc.	1,480,000	190,000	148,000	11/15/14
2001A	Council for Economic Opportunities in Greater Cleveland	4,440,000	1,090,000	444,000	5/15/16
2002A	Community Assessment and Treatment Services, Inc. (5)	2,090,000	-	-	6/29/12
2002C	Cleveland Christian Home, Inc. (7)	5,130,000	3,170,000	513,000	5/15/22
2003A	Heidtman Steel Products (6)	4,250,000	-	-	5/15/13
2004A	Luigino's, Inc.	5,000,000	2,450,000	500,000	5/15/19
2004B	City of Cleveland	2,965,000	55,000	296,500	11/15/27
2004C	Tru-Fab Technology, Inc.	1,060,000	720,000	106,000	11/15/23
2004D	City of Garfield Heights (8)	8,850,000	5,820,000	885,000	5/15/23
2005A	Goodyear Tire & Rubber Co.	4,125,000	665,000	412,500	5/15/14
2005B	Fairmount Montessori Associates	3,375,000	2,575,000	337,500	5/15/25
2005C	Avery Dennison Corp.	6,000,000	6,000,000	600,000	11/15/15
2005D	Columbia National Group, Inc.	6,020,000	3,370,000	602,000	5/15/20
2006A	Cavaliers Practice Facility	9,500,000	7,590,000	950,000	5/15/26
2008A	Brush Wellman, Inc.	5,155,000	4,170,000	515,500	5/15/23
2009A	Eaton World Headquarters	2,000,000	1,915,000	200,000	11/15/20
2011A	City of Cleveland - Forest Bay Tower (9)	2,520,000	2,450,000	252,000	5/15/34
2011B	Flats East Development	8,800,000	8,800,000	880,000	5/15/40
2011A	UC Marriott	2,000,000	1,910,000	200,000	11/15/45
2013A	OMNOVA Solutions	<u>7,500,000</u>	<u>7,500,000</u>	<u>750,000</u>	11/15/33
Total		<u>\$110,350,000</u>	<u>\$ 66,255,000</u>	<u>\$ 9,803,498</u>	

Summary of Reserves:

Primary Reserve Funds	\$ 9,803,498
LESS: Draw on CCH Primary Reserve (7)	(215,655)
Program Development Fund (2,3)	223,414
Program Reserve (3)	4,000,002
Program Reserve - Ohio Manufacturers Association	2,483,333
Program Reserve LOC	<u>9,000,000</u>
Total Reserve Funds	<u>\$ 25,294,592</u>
Total Reserves/Outstanding Bonds	<u>38.17%</u>

- (1) Assets and liabilities associated with these issuances are reflected on the Authority's Statement of Net Position.
- (2) One-half the monies in the Program Development Fund are transferred to the Authority for its general purposes in June and December of each year as long as no deficiency in the required primary reserve exists.
- (3) Balances in the Program Development Fund and the Program Reserve are shown as restricted cash and investments on the Authority's Statement of Net Position.
- (4) Jergens bonds were redeemed in full on 11/15/13.
- (5) Community Assessment and Treatment Services, Inc. bonds were redeemed in full on 6/29/12.
- (6) Heidtman bonds were redeemed in full on 5/15/13.
- (7) CCH had to draw on the primary reserve fund in the amount of \$215,655 to make the 11/15/13 debt service payment.
- (8) Excess service payments were used to establish an additional reserve in the amount of \$762,900 on these bonds.
- (9) Excess service payments were used to establish an additional reserve in the amount of \$528,800 on these bonds.

Cleveland-Cuyahoga County Port Authority

Stand Alone Issuances

December 31, 2013

The following are the listing of Stand Alone debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2013:

	<u>Stand Alone Debt Issuances</u>	<u>Year</u>	<u>Type of Debt Issued</u>	<u>Original Issuance</u>	<u>Principal Outstanding</u>
1	Applied Industrial Technologies	1996	Revenue Bonds	\$ 18,835,000	\$ 7,343,203
2	University Square	2001	Revenue Bonds (Special Assessment)	40,600,000	33,880,000
3	Carnegie/96th Research Building LLC	2003	Revenue Bonds	32,000,000	29,300,000
4	OSF Properties	2004	Taxable Development Revenue Bonds	16,000,000	-
5	City of Brecksville	2004	Tax-Exempt Revenue Bonds	2,195,000	455,000
6	RITA	2004	Development Revenue Bonds	20,990,000	12,375,000
7	Marine Mechanical	2004	Taxable Economic Development Lease Revenue Bond	8,470,000	4,175,008
8	Playhouse Square Foundation	2004	Variable Rate Cultural Facility Revenue Bonds	18,000,000	9,550,000
9	Euclid Avenue Housing Corp.	2005	Student Housing Facility Revenue Bonds	34,385,000	30,150,000
10	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	30,765,000
11	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
12	Judson	2005	Development Revenue Refunding Bonds	31,500,000	-
13	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	9,305,000
14	St. Clarence-GEAC, LLC Project	2006	Senior Housing Revenue Bonds	17,120,000	16,125,000
15	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	143,175,000
16	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	32,085,000
17	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	41,710,000
18	Laurel School	2008	Variable Rate Educational Facility Revenue Bonds	16,000,000	16,000,000
19	Euclid A venue Housing	2008	Variable Rate Demand Revenue Bonds	14,500,000	14,110,000
20	Veterans Development Office/Parking	2009	Revenue Bonds	115,000,000	109,620,000
21	Nehst Creations, LLC	2010	Revenue Bonds	5,200,000	-
22	Eaton World Headquarters	2009	Capital Lease Bonds	143,338,610	143,338,610
23	Cleveland Museum of Art	2010	Cultural Facility Revenue Bonds	70,430,000	70,430,000
24	Independence Research Park - Cleveland Clinic	2010	Development Revenue Refunding Bonds	46,000,000	41,580,000
25	Hospice of Western Reserve, Inc.	2010	Refunding Bonds	21,565,000	20,921,250
26	Oriana Services, Inc.	2010	Tax-Exempt Revenue Refunding Bonds	2,505,000	1,125,000
27	City of Cleveland - Flats East Bank	2010	City Appropriation Bonds	11,000,000	10,525,000
28	Flats East Development	2010	First Mortgage Lease Revenue Bonds	52,053,516	52,053,516
29	Medical Center Company	2011	Revenue Bonds	77,470,000	75,560,000
30	St. Johns Medical	2011	Revenue Bonds	40,000,000	37,000,000
31	Magnificat	2012	Revenue Bonds	7,565,000	7,290,000
32	Cuyahoga County Headquarters	2013	Development Lease Revenue Bonds	75,465,000	75,465,000
33	Beaumont	2013	Revenue Bonds	8,160,000	8,160,000
34	Judson	2013	Development Revenue Refunding Bonds	32,700,000	32,700,000
			Total	\$ <u>1,356,037,126</u>	\$ <u>1,206,271,587</u>

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Cleveland-Cuyahoga County Port Authority (the "Authority"), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 16, 2014, wherein we noted that the Authority adopted *Governmental Accounting Standards Board Statement No. 65*, as disclosed in Note 25.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cini & Paricki, Inc.

Cleveland, Ohio
June 16, 2014

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Directors
Cleveland-Cuyahoga County Port Authority

Report on Compliance for Each Major Federal Program

We have audited the Cleveland-Cuyahoga County Port Authority’s (the “Authority”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended December 31, 2013. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

Management’s Responsibilities

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibilities

Our responsibility is to express an opinion on compliance for each of the Authority’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Directors
Cleveland-Cuyahoga County Port Authority

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the remaining fund information of the Authority as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated June 16, 2014, which contained unmodified opinions on those financial statements, wherein we noted that the Authority adopted *Governmental Accounting Standards Board Statement No. 65*, as disclosed in Note 25. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cioni & Paricki, Inc.

Cleveland, Ohio
June 16, 2014

Cleveland-Cuyahoga County Port Authority

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:			
Passed-Through the Ohio Department of Transportation:			
Highway Planning and Construction:			
CUY-Cleveland Riverwalk	20.205	PID 88443	\$ 73,051
CUY-Cleveland Bulkhead	20.205	PID 80969	<u>1,383,257</u>
Total U.S. Department of Transportation			<u>1,456,308</u>
U.S. Environmental Protection Agency			
Passed-Through Cuyahoga County:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		<u>487,519</u>
Total Federal Financial Assistance			<u>\$ 1,943,827</u>

The accompanying notes are an integral part of this schedule

Cleveland-Cuyahoga County Port Authority

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2013

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of the Authority’s federal award programs. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

Note 2: Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

Cleveland-Cuyahoga County Port Authority

Schedule Of Findings

OMB Circular A-133 Section .505

For the Year Ended December 31, 2013

1. Summary of Auditor’s Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Was there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs’ Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510(a)?	No
(d)(1)(vii)	Major Programs	Highway Planning and Construction Grant - CFDA # 20.205; Brownfields Assessment and Cleanup Cooperative Agreements – CFDA # 66.818
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.

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Dave Yost • Auditor of State

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2014**