Cleveland-Cuyahoga County Port Authority

Basic Financial Statements
December 31, 2014 and 2013

Dave Yost • Auditor of State

Board of Directors
Cleveland-Cuyahoga County Port Authority
1100 W 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, 2014 through December 31, 2014. 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.

Dave Yost
Auditor of State

September 11, 2015

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Cleveland-Cuyahoga County Port Authority

For the Years Ended December 31, 2014 and 2013

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Ciuni & Panichi
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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, 2014 and 2013, 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 Authority'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 Authority'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.

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

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, 2014 and 2013, 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.

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 29 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.

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 24, 2015 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 24, 2015

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2014 and 2013

General

As management of the Cleveland-Cuyahoga Port Authority (the "Authority", the "Port Authority" or the "Port"), 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, 2014. Please read this information in conjunction with the Authority's basic financial statements and footnotes beginning on pages 30 and 36, respectively.

The Authority is an independent political subdivision of the State of Ohio. It has two main business lines: 1) maritime operations which consist of the international docks on the east side of the Cuyahoga River, a bulk cargo facility on the west side of the river, and a regularly scheduled liner service providing container and break-bulk shipping services between the Great Lakes and Europe; 2) development finance operations, which manage 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). The Authority also plays an active role in finding sustainable solutions for maritime infrastructure, a large focus of which is related to dredging the Cuyahoga River.

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 Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, the Statements 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 Statements of Net Position present 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 Statements 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 Statements 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 Statements of Fiduciary Net Position provide 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 17. The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

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).

Statements 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 Statements of Net Position and Statements 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 Statements of Net Position, but are shown on the Authority's Statements of Fiduciary Net Position.

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. In January of 2014, the Authority contributed an additional $548,000 into the system of reserves. This $7.4 million in restricted funds, which includes approximately $350,000 in associated interest earnings and administrative fees, is reflected on the Authority's Statements of Net Position. Interest earned on the original State of Ohio and Authority contributions are recognized as income from investments on the Authority's Statements 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 17.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2014 and 2013

Condensed Statement of Net Position Information

The tables below provide a summary of the Authority's financial position and operations for 2014, 2013, and 2012, respectively.

Comparison of 2014 vs. 2013 Results:

	2014	2013	Change Amount	Change Percent
Assets and deferred outflows of resources:				
Current assets	$ 19,123,175	$ 16,003,096	$ 3,120,079	19.5%
Capital assets – net	43,997,167	46,723,628	(2,726,461)	(5.8%)
Restricted and other assets	9,543,299	8,400,333	1,142,966	13.6%
Deferred outflow of resources	380,176	565,259	(185,083)	(32.7%)
Total assets and deferred outflows of resources	73,043,817	71,692,316	1,351,501	1.9%
Liabilities and deferred inflows of resources:				
Current liabilities	5,106,456	1,752,615	3,353,841	191.4%
Current liabilities payable from restricted assets	230,940	579,328	(348,388)	(60.1%)
Other liabilities – including amounts relating to restricted assets	8,246,066	9,016,778	(770,712)	(8.6%)
Deferred inflow of resources	3,480,176	3,665,259	(185,083)	(5.1%)
Total liabilities and deferred outflows of resources	17,063,638	15,013,980	2,049,658	13.7%
Net position:				
Net investment in capital assets	35,423,871	37,545,564	(2,121,693)	(5.7%)
Restricted for other purposes	8,994,589	7,372,291	1,622,298	22.0%
Unrestricted	11,561,719	11,760,481	(198,762)	(1.7%)
Total net position	$ 55,980,179	$ 56,678,336	$ (698,157)	(1.2%)

Current Assets: Current assets increased by approximately $3.1 million from December 31, 2013 to December 31, 2014. The largest increase in this classification was $2.6 million in accounts receivable which is primarily due to a $2.7 million receivable from Spliethoff Transport B.V., (Spliethoff) for shipping and other revenues collected on the Authority's behalf. In 2014, the Authority entered into a Management and Administrative Agreement with Spliethoff to perform certain services relating to the Cleveland-Europe Express (CEE), (see Note 25). In accordance with the agreement, among other responsibilities, Spliethoff was responsible for maintaining all financial records involving the CEE, including the collection of all sales and disbursement of all expenses. This receivable has an associated liability of $3.6 million recorded on the Authority's Statements of Net Position. This increase was offset by a $150,000 decrease in accounts receivable from other sources, mainly due to timing.

The Authority's unrestricted cash and investment balance also increased by $450,000 from 2013, primarily due to $1.7 million in net proceeds collected from the sale of the building located at 1906 East 40th (see Note 11). The increases in unrestricted cash and investments discussed above were offset by cash utilized in operations, primarily for the CEE.

Other increases in current assets include an $80,000 increase in prepaid expenses, primarily related to healthcare and property insurance premiums.

Capital Assets: The Authority's investment in capital assets as of December 31, 2014 decreased by $2.7 million when compared to 2013 (net of accumulated depreciation). Capital assets before accumulated depreciation decreased approximately $1.5 million from $64.7 million at December 31, 2013 to $63.2 million at December 31, 2014.

Additions to buildings, infrastructures and leasehold improvements totaled $190,000 for 2014, and included $88,000 for ceiling improvements and $12,000 for a new air conditioning unit for the Authority's building located at 1100 W. 9th Street. In addition $44,000 was expended for new security fences and gates at the Port as well as $35,000 for fire system upgrades in various Port warehouses. Finally, an $11,000 investment was made for park benches at the Cleveland Lakefront Nature Preserve (CLNP).

Equipment increased by $55,000 due to the purchase of security assets. These purchases were made with grant revenue awarded from Department of Homeland Security Federal Emergency Management Agency (FEMA) Grants Program.

Additionally, $50,000 is in construction in progress December 31, 2014, primarily related to on-going initiatives involving dredging.

These additions were offset by a $205,000 reduction to land and a $1.6 million reduction to buildings, due to the sale of 1906 East 40th Street in May of 2014, along with $1.2 million in scheduled depreciation.

A summary of the activity in the Authority's capital assets during the year ended December 31, 2014, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 19,664,759	$ -	$ (205,051)	$ 19,459,708
Buildings, infrastructures, and leasehold improvements	43,166,184	190,345	(1,587,023)	41,769,506
Equipment	1,841,959	55,317	-	1,897,276
Construction in progress	-	50,083	-	50,083
	64,672,902	295,745	(1,792,074)	63,176,573
Less accumulated depreciation	(17,949,274)	(1,431,026)	200,894	(19,179,406)
Capital assets – net	$ 46,723,628	$ (1,135,281)	$ (1,591,180)	$ 43,997,167

Restricted and Other Assets: Restricted and other assets increased by approximately $1.1 million from December 31, 2013 to December 31, 2014.

In 2014, the Authority restricted $1.2 million in funds as the 20% local match required to apply for a $4.9 million Congestion Mitigation and Air Quality Improvement (CMAQ) grant that would be used to purchase new cargo handling cranes (see Note 26).

The increase discussed above was primarily offset by a $60,000 decrease in operating lease receivables and other restricted assets.

Deferred Outflow of Resources: Deferred outflow of resources decreased by $185,000 as a result of the change in value related to the interest rate swap the Authority has in place for the Cleveland Bulk Terminal (CBT) bonds.

Current Liabilities: Current liabilities increased by approximately $3.4 million from December of 2013 to December of 2014. This change was primarily due to a $3.6 million payable due to Spliethoff for CEE-related expenses paid on behalf of the Authority in 2014 (see Note 25). This payable has an associated receivable of $2.7 million on the Authority's Statements of Net Position.

The increase related to the CEE service was offset by a reduction of $224,000 in more traditional payables related to capital projects and taxes.

Current Liabilities Payable from Restricted Assets: Current liabilities payable from restricted assets decreased by $348,000 from December 31, 2013 to December 31, 2014. This decrease was the result of releasing $436,000 in retainage payable to the contractor of the Ohio Department of Transportation (ODOT) facility (see Note 21). Additionally, accrued interest payable decreased by $3,000 primarily due to decreased interest rates on the Authority's CBT debt.

These decreases were offset by an increase of $91,000 in restricted accounts payable, due to increased project activity on the riverwalk and Cleveland Public Power (CPP) projects related to the Flats East Bank Project (see Note 22). These liabilities are offset by corresponding assets in the Authority's Statements of Net Position.

Other Liabilities – including amounts relating to restricted assets: This line item decreased by approximately $771,000. The primary reason for the decrease was a $640,000 scheduled reduction in the non-current portion of the Authority's long-term debt obligations. Additionally, a reduction of $131,000 was seen in unearned income as a result of the continued straight-line accounting for the Authority's operating leases.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2014 and 2013

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2014 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	$ 4,520,000	$ -	$ (170,000)	$ 4,350,000
Port Improvements 1999A	2,032,253	821	(325,000)	1,708,074
Essroc 1997A	2,625,811	4,411	(115,000)	2,515,222
Total	$ 9,178,064	$ 5,232	$ (610,000)	$ 8,573,296

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 $185,000 was related to the value of the interest rate swap on the CBT bonds.

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 million at the close of the most recent fiscal year.

The largest portion of the Authority's net position (approximately 63%) 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.

Comparison of 2013 vs. 2012 Results:

	2013	2012	Change Amount	Change 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	565,259	807,435	(242,176)	(30.0%)
Total assets and deferred outflows of resources	71,692,316	73,572,102	(1,879,786)	(2.6%)
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	3,665,259	3,907,435*	(242,176)	(6.2%)
Total liabilities and deferred outflows of resources	15,013,980	19,904,322	(4,890,342)	(24.6%)
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	11,760,481	10,763,370	997,111	9.3%
Total net position	$ 56,678,336	$ 53,667,780*	$ 3,010,556	5.6%

* As restated due to the implementation of GASB 65

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.

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 Statements 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.

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

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 ODOT for the Euclid Facility Project, for which the Authority was the developer (see Note 21). 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 16). 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 10).

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 CLNP (see Note 16). 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 12). 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.

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 CPP projects, all of which are related to the Flats East Bank Project (see Note 22). The bulkhead project was completed in June of 2013. The riverwalk project slowed during the second half of 2013 and is expected to be completed during the second quarter of 2015. 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 10) 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 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 22). 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.

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	2,731,222	4,589	(110,000)	2,625,811
Total	$ 9,752,528	$ 5,536	$ (580,000)	$ 9,178,064

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 Years Ended December 31, 2014 and 2013

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

The Authority's operations decreased its net position by $698,000 in 2014. Key elements of these changes are summarized below:

	2014	2013	Change Amount	Change %
Operating revenues:				
Wharfage, dockage, and storage	$ 1,905,361	$ 1,453,180	$ 452,181	31.1%
Liner service revenue	6,197,409	-	6,197,409	100.0%
Property lease and rentals	1,956,233	2,037,696	(81,463)	(4.0%)
Financing fee income	3,442,167	1,967,861	1,474,306	74.9%
Foreign trade zone fees	80,932	80,000	932	1.2%
Dredge disposal fees	417,544	58,100	359,444	618.7%
Parking revenues	280,645	306,577	(25,932)	(8.5%)
Contract revenue	-	7,573,801	(7,573,801)	(100.0%)
Other	44,099	114,707	(70,608)	(61.6%)
Total operating revenues	14,324,390	13,591,922	732,468	5.4%
Operating expenses:				
Salaries and benefits	2,233,546	2,385,827	(152,281)	(6.4%)
Cost of liner service	11,881,789	-	11,881,789	100.0%
Professional services	878,531	890,765	(12,234)	(1.4%)
Sustainable infrastructure services	395,987	530,388	(134,401)	(25.3%)
Contractual services	-	7,038,471	(7,038,471)	(100.0%)
Facilities lease and maintenance	707,036	786,305	(79,269)	(10.1%)
Marketing and communications	269,213	332,430	(63,217)	(19.0%)
Depreciation expense	1,431,026	1,380,029	50,997	3.7%
Office expense	112,911	436,923	(324,012)	(74.2%)
Other expense	169,224	187,658	(18,434)	(9.8%)
Total operating expenses	18,079,263	13,968,796	4,110,467	29.4%
Operating loss	(3,754,873)	(376,874)	(3,377,999)	(896.3%)
Nonoperating revenues (expenses):				
Flats East Bank Project grant revenue	1,078,299	1,583,174	(504,875)	(31.9%)
Flats East Bank Project grant expenses	(1,078,299)	(1,583,174)	504,875	31.9%
Nonoperating grant revenue	44,615	-	44,615	100.0%
Property tax receipts	3,063,631	3,043,682	19,949	0.7%
Income from investments	309,198	258,057	51,141	19.8%
Interest expense	(556,479)	(596,754)	40,275	6.7%
Gain (loss) on disposal of fixed assets	96,045	(62,405)	158,450	253.9%
Loss on note receivable	-	(162,500)	(162,500)	(100.0%)
Other expense	(10,861)	(67,379)	56,518	83.9%
Total nonoperating revenues - net	2,946,149	2,412,701	533,448	22.1%
Change in net position before capital grants	(808,724)	2,035,827	(2,844,551)	(139.7%)
Capital grants	110,567	974,729	(864,162)	(88.7%)
Change in net position	(698,157)	3,010,556	(3,708,713)	(123.2%)
Net position – beginning of year, restated	56,678,336	53,667,780	3,010,556	5.6%
Net position – end of year	$ 55,980,179	$ 56,678,336	$ (698,157)	(1.2 %)

Operating Revenues*:* Collectively, total operating revenues increased 5.4% or $732,000, to $14.3 million in 2014, from $13.6 million in 2013. The largest components of this increase was $6.2 million in liner service revenue for 2014 and an increase in financing fee income of $1.5 million, countered by a $7.6 million decline in contract revenue, related to the development and sale of the Euclid Garage Facility Project to ODOT in 2013.

Wharfage, Dockage, and Storage*:* These revenues are generated from Authority cargo operations and collectively increased 31% from $1,453,000 in 2013 to $1,905,000 in 2014. Overall tonnage handled by our primary break-bulk terminal operator increased by 96,460 tons or 24% to 501,872 tons. This tonnage increase resulted in a $265,000 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 23% for a total of approximately 3.9 million in billable tons of iron ore and limestone. This increased wharfage revenues at the CBT facility by $147,000 as compared to the previous year. With the addition of the liner service, other revenue sources such as security fees and storage increased by $35,500 in 2014.

Liner Service Revenue: In April of 2014 the Authority started the Cleveland-Europe Express offering shippers the only scheduled service for containerized and break-bulk freight between the Great Lakes, Europe and connecting points worldwide. In 2014, The Spliethoff Group, a large ship owner and operator in the Netherlands, was contracted to manage and operate the CEE service (see Note 25).

The CEE operated from April of 2014 through early January of 2015 with sixteen port calls over the course of the season. The service generated $7.1 million in gross freight revenue, before commissions. After accounting for Spliethoff and third party commissions of $540,000 and $400,000 respectively, the new service resulted in an additional $6.2 million in net revenues to the Port's maritime operations.

Property Lease and Rentals: Property lease and rentals decreased by approximately $81,000 or 4% in 2014. The decrease was primarily due to the sale of the building the Authority owned which is located at 1906 E. 40^{th} St. in May 2014, decreasing rental revenue by $125,000. Additional decreases included a $60,000 decline in additional rental and operating expense reimbursements due to the termination of a tenant lease at the Authority's headquarters in 2013.

These decreases were offset by an increase of $70,000 in terminal usage fees as a result of increased throughput at our primary break-bulk terminal. Additional increases relate to an increase in submerged land leases for $8,400 and operating agreement adjustments totaling $18,800.

Financing Fee Income: Financing fee income increased by $1.5 million in 2014, to approximately $3,440,000. 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 2014, closing fees increased by $1,120,000 to $2,254,000 as the Authority assisted in issuing bonds for seventeen (17) transactions versus five (5) in the previous year. Financing for large economic development projects such as The Flats East Bank – Phase II, The 9, Crocker Park, the American Greetings headquarters and the County Convention Center Hotel was the main driver of this increase in 2014.

The Authority also received $200,500 in application and acceptance fees in 2014 from eight projects, seven of which closed in 2014, and one which closed in 2015. The increase in activity during 2014 resulted in an additional $10,000 in application and acceptance fees as compared to 2013.

The Authority also collected $988,000 in bond service fees related to existing projects, and a $297,000 one-time reserve fee, which was a $345,000 increase from 2013.

Foreign Trade Zone Income: Foreign trade zone fees remained similar at $80,932 in 2014, compared to $80,000 in 2013, the increase due to application fees collected.

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 2014, 25,000 cubic yards were privately dredged and stored compared to 4,500 cubic yards in 2013 which resulted in increased disposal fees of $359,000.

Parking Revenues: Parking revenue decreased by $26,000 compared to 2013. A parking agreement was executed between the Authority and the Cleveland Browns in 2012. This agreement set an annual flat rate of $225,000. In 2014 the Authority and the Browns agreed to a reduced parking flat rate of $187,500 for the season due to a reduction in parking capacity. This resulted in a decrease of $37,500 in revenue which was offset by an increase in parking revenue at a lot managed by the Authority of $11,600.

Other Revenues: Other operating revenues decreased by $70,600 in 2014. Other revenues include the Authority's office sublease, equipment rentals and other charges. The main components of this decrease included $50,400 in rent for the Authority's office sub-lease that ended in January 2014 and a decrease of $25,200 from scrap metal recycling that was done in 2013. Additionally there was a decrease in the premium dividend received by the Bureau of Workers Compensation of $1,700 in 2014. These decreases were offset by a $6,700 increase in crane rental due to increased activity at the Authority's docks.

Operating Expenses: Operating expenses increased by approximately $4.1 million (29%) in 2014 compared to 2013. The largest component of this increase was approximately $12.1 million in costs associated with the new CEE liner service for 2014, offset by a $7.0 million decline in contract revenue, related to the development and sale of the Euclid Garage Facility Project to ODOT in 2013.

Salaries and Benefits: Salary and benefit costs decreased approximately $152,000 or 6.4% from 2013. Salaries decreased by approximately $121,000 primarily as the result of two late year vacancies from 2013 that continue to remain open. This was offset by the Authority adding one new position in February of 2014, performance increases and other personnel costs.

Benefit costs decreased by approximately $31,000, primarily due to decreases in healthcare and pension costs which were the result of two open staff positions in 2014.

Cost of Liner Service: Direct costs of operating the liner service totaled $11.9 million in 2014, and included $5.1 million in charter expense to lease the vessel, $2.6 million in fuel costs, $2.0 million in stevedoring expenses, and $1.6 million for inland, transshipment, and loading transportation expenses. An additional $600,000 was expended for equipment rental and other shipping related expenses. Finally, the Authority incurred approximately $251,000 in indirect expenses in support of the liner services. Indirect costs included $77,000 in professional service fees, $75,000 in marketing costs, $55,000 in personnel costs, and $42,000 in facilities maintenance costs.

Professional Services: Professional services expense decreased by $12,000 or 1.4% compared to 2013. Legal expense decreased from 2013 levels by $155,000 as various lease and contract negotiation issues were completed in 2013. This decrease was offset by an increase of $85,000 in contracted services related to maritime and grant planning in 2014. Additionally government relations and insurance fees increased by $21,000 and $40,000 respectively.

Sustainable Infrastructure Services: Investments in sustainable infrastructure services decreased by $134,000 in 2014 to $396,000. 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." In 2014, these initiatives continued with $152,000 being expended to complete the specialized engineering services needed to assess the stability of the Franklin Hill area along the Cuyahoga River, an increase of $39,000 over 2013. Other increases include an additional $14,000 in operational costs for the Authority's two debris harvester vessels, and $36,000 in legal fees related to dredge material management and disposal issues.

These increases were offset by a $115,000 decrease in costs related to bulkhead assessment services on the Cuyahoga River as the project was completed in 2013. Expenditures related to dredge material management also decreased by $108,000 in 2014 as certain projects started in 2013 were completed.

Facilities Lease and Maintenance: Facilities lease and maintenance expense decreased by approximately $79,000 from 2013 to $707,000. This decrease was primarily due to a $63,000 decrease in property tax expense as compared to 2013. In 2013, a complaint was filed by the local school board seeking to increase the assessed value of the Authority's headquarters for the tax year 2011. The County Board of Revisions revised the 2011 assessed value and the additional tax was included on the Authority's tax bill for 2013.

Additionally, maintenance costs at the Port docks decreased by $27,000 and by $15,000 at the Port office building. These decreases were offset by new expenses of $25,000 to get the liner service operational at the docks and in setting up a location for the U.S. Customs and Boarder Protection.

Marketing and Communications: Marketing and communication expense decreased by $63,000 to $269,000 in 2014 as compared to 2013, primarily because certain costs that occurred in 2013 such as sponsoring the Tall Ships Festival at a cost of $80,000 and the purchase of new materials with the Authority's new logo and address at a cost of $29,000, did not reoccur in 2014. This decrease was offset by $46,000 that was spent on ads and business development items to market the CEE liner service.

Office Expense: Office expense decreased by approximately $324,000 to $113,000 in 2014. In January of 2014 the Authority's office lease at the previous office location ended, resulting in a decrease of office lease rental expense of $230,000. Additional decreases in 2014 resulted from the elimination of employee parking expense of $21,000 and a policy change in phone and data expense resulting in a savings of $14,000. This was offset by a slight increase in copier equipment expenses of $2,000.

Additionally, 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 in 2013. 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 decrease of $8,000 was primarily due to expenses related to supplying the new administrative offices and an increase in the cost of utilities in 2013.

Other Expense: Other expenses decreased by $18,000 to $169,000 in 2014, mainly due to decreases in staff training costs of $35,000 and employee business expenses of $3,000. These decreases were offset by an increase in dues and memberships of $20,000.

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 $1,078,299 were recognized in 2014 in relation to this project (see Note 22).

- ***Nonoperating Grant Revenue:*** In 2014 the Authority received $44,600 in nonoperating grant revenue for 2014. $40,000 was awarded from Ohio & Erie Canalway for use on the Franklin Hill Irishtown Bend Stabilization and Restoration Study. In addition, $4,600 was received from Department of Homeland Security FEMA Grants Program as part of the grant awarded to improve overall security at the Port.

- ***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 $20,000 in 2014 to $3,064,000.

- ***Income from Investments:*** Investment income increased $51,000 from $258,000 in 2013 to $309,000 in 2014. Approximately $49,000 of this increase is an unrealized gain as a result of an increase in the market value of some investments. In addition, total investment income increased by $2,000 in 2014 to $282,000.

- ***Interest Expense****:* The $40,000 decrease is the result of continued reduction of principal of the Authority's existing direct debt obligations.

- ***Gain on Disposal of Fixed Assets:*** In February of 2014, the Authority entered into an agreement to sell property at 1906 E. 40th St. The sale agreement had a purchase price of $1,825,000. From this sale, the Authority recognized a gain of $96,000.

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.

- ***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.

- ***Other Revenue (Expense):*** The $10,861 represents the Authority's additional share of election expenses as determined by the Cuyahoga County Board of Elections related to the November 2013 property tax levy that were incurred in 2014.

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Capital Grants and Contributions: In 2014, $110,500 in capital grants and contributions were recognized. $90,500 in grant funds were received from the Department of Homeland Security FEMA Grants Program for security enhancements and improvements. The Authority also received a capital contribution of $20,000 from a building tenant toward the installation of a ceiling insulation system for the lower level of the building located at 1100 W. 9th Street.

In 2013, $974,800 in capital grant revenue was recognized. $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 also awarded the Authority a grant for $42,000 which the Authority used to construct a public overlook plaza on the CLNP (see Note 16).

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2014 and 2013

Statement of Revenues, Expenses, and Changes in Net Assets 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	Change %
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	13,591,922	5,110,226	8,481,696	166.0%
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	13,968,796	7,055,703	6,913,093	98.0%
Operating loss	(376,874)	(1,945,477)	1,568,603	80.6%
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	2,412,701	2,686,351	(273,650)	(10.2%)
Change in net position before capital grants	2,035,827	740,874	1,294,953	174.8%
Capital grants	974,729	3,550,510	(2,575,781)	(72.5%)
Change in net position	3,010,556	4,291,384*	(1,280,828)	(29.8%)
Net position – beginning of year, restated	53,667,780	49,376,396*	4,291,384	8.7%
Net position – end of year	$ 56,678,336	$ 53,667,780*	$ 3,010,556	5.6 %

*As restated due to the implementation of GASB 65

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 fee 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.

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 21) to finance and construct a maintenance garage in Euclid, Ohio. The project was completed 4^{th} 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.

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 13), 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.

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 22).

- ***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 10). 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.

- ***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 13). 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 16).

Net Position

The following chart details the Authority's net position at December 31, 2014, 2013 and 2012:

	2014	2013	2012
Total	$ 55,980,179	$ 56,678,336	$ 53,667,780*

* As restated

Total net position decreased by $698,000 in 2014, primarily due to the large operational investment made by the Authority in launching the Cleveland-Europe Express service. The operational results of the service reduced the Authority's net position by $5.7 million. This decrease was offset by a continued increase in traditional maritime cargoes, as well as a record year in Development Finance revenues, which offset nearly $1.9 million of the operating loss generated by the liner. An improvement in some nonoperating revenues, as well as the award of some capital grants, accounted for the remainder of the improvement in net position ($3.1 million), after accounting for the loss on the liner service.

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

The Authority was able to launch an entirely new venture in 2014 with the Cleveland-Europe Express. While the results of the service were not as good as expected, the organization was able to grow its traditional revenues to offset the liner service losses, while decreasing nearly all other operational expenses.

Looking ahead to 2015, the Authority restructured its agreement with Spliethoff in order to generate a more frequent service into Cleveland and the Great Lakes. Rather than assume all the operational and financial risk of the service, the Authority agreed to pay Spliethoff $2.75 million to run the Cleveland-Europe Express for 2015 and double the amount of port calls. This agreement also allows the Authority to recoup approximately $250,000 if certain revenue targets are met. The agreement provides certainty that was lacking in 2014 and limits the organization's exposure.

The "core" operations of maritime are forecasted to increase again in 2015, as the regional economy continues to rebound. Development finance revenues, while forecasted to be less than the all-time highs that were seen in 2014, are still expected to exceed $3 million in 2015.

As mentioned earlier, the Authority's .13 mill replacement levy was approved by the voters of Cuyahoga County in November of 2013. The levy generates $3 million in tax receipts to the organization through 2018 and is unencumbered and available to fund organizational initiatives.

The Authority will continue to pursue additional funds from other sources, which has the potential to increase nonoperating revenues. The Authority is expected to be awarded several million dollars in grants and forgivable loans in 2015 to fund capital initiatives.

In summary, 2015 is expected to be similar to 2014, without the large exposure to liner-related revenues and expenses. Underlying this initiative are positive financial results and a strong balance sheet.

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 R. Leslie.

Cleveland-Cuyahoga County Port Authority

Statements of Net Position

December 31, 2014 and 2013

	2014	2013
Assets:		
Current assets:		
Cash and investments	$ 12,604,524	$ 12,156,661
Accounts receivable, less allowance for doubtful accounts of $65,194 (2014) and $52,558 (2013)	3,112,570	514,756
Interest receivable	3,813	9,697
Prepaid expenses	302,268	221,982
Property taxes receivable	3,100,000	3,100,000
Total current assets	19,123,175	16,003,096
Non-current assets:		
Capital assets:		
Construction in progress	50,083	-
Land and land improvements	19,459,708	19,664,759
Buildings, infrastructures, and leasehold improvements	41,769,506	43,166,184
Equipment	1,897,276	1,841,959
Total	63,176,573	64,672,902
Less: accumulated depreciation	(19,179,406)	(17,949,274)
Net book value of capital assets	43,997,167	46,723,628
Restricted and other assets:		
Restricted cash and investments	9,235,349	8,185,975
Grants and other receivables	173,336	19,681
Operating lease receivable	84,705	146,198
Other	49,909	48,479
Total restricted and other assets	9,543,299	8,400,333
Deferred outflow of resources		
Derivative instrument	380,176	565,259
Total assets and deferred outflow of resources	73,043,817	71,692,316

(continued)

Cleveland-Cuyahoga County Port Authority

Statements of Net Position (continued)

December 31, 2014 and 2013

	2014	2013
Liabilities:		
Current liabilities:		
Accounts payable	$ 4,235,182	$ 893,372
Accrued wages and benefits	150,277	183,846
Unearned income	75,997	65,397
Current portion of bonds and loans to be repaid by the Authority:		
Cleveland Bulk Terminal Project	180,000	170,000
Port Capital Improvements (1999A Bonds)	345,000	325,000
Essroc (1997 A Bonds)	120,000	115,000
Total current liabilities	5,106,456	1,752,615
Current liabilities payable from restricted assets:		
Retainage payable	74,033	509,855
Accounts payable	110,597	19,995
Accrued interest payable	46,310	49,478
Total current liabilities payable from restricted assets	230,940	579,328
Other liabilities - including amounts relating to restricted assets:		
Unearned income	317,770	448,714
Long-term bonds and loans, net of current portion:		
Cleveland Bulk Terminal Project	4,170,000	4,350,000
Port Capital Improvements (1999A Bonds)	1,363,074	1,707,253
Essroc (1997 A Bonds)	2,395,222	2,510,811
Total other liabilities	8,246,066	9,016,778
Deferred inflow of resources		
Property taxes	3,100,000	3,100,000
Derivative instrument	380,176	565,259
Total deferred inflow of resources	3,480,176	3,665,259
Total liabilities and deferred inflow of resources	17,063,638	15,013,980
Net position:		
Net investment in capital assets	35,423,871	37,545,564
Restricted for other purposes	8,994,589	7,372,291
Unrestricted	11,561,719	11,760,481
Total net position	$ 55,980,179	$ 56,678,336

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues:		
Wharfage, dockage, and storage	$ 1,905,361	$ 1,453,180
Liner service	6,197,409	-
Property lease and rentals	1,956,233	2,037,696
Financing fee income	3,442,167	1,967,861
Foreign trade zone fees	80,932	80,000
Dredge disposal fees	417,544	58,100
Parking revenues	280,645	306,577
Contract revenue	-	7,573,801
Other	44,099	114,707
Total operating revenues	14,324,390	13,591,922
Operating expenses:		
Salaries and benefits	2,233,546	2,385,827
Cost of liner service	11,881,789	-
Professional services	878,531	890,765
Sustainable infrastructure services	395,987	530,388
Contractual services	-	7,038,471
Facilities lease and maintenance	707,036	786,305
Marketing and communications	269,213	332,430
Depreciation expense	1,431,026	1,380,029
Office expense	112,911	436,923
Other expense	169,224	187,658
Total operating expenses	18,079,263	13,968,796
Operating loss	(3,754,873)	(376,874)
Nonoperating revenues (expenses):		
Flats East Bank Project grant revenue	1,078,299	1,583,174
Flats East Bank Project grant expenses	(1,078,299)	(1,583,174)
Nonoperating grant revenue	44,615	-
Property tax receipts	3,063,631	3,043,682
Income from investments	309,198	258,057
Interest expense	(556,479)	(596,754)
Gain (loss) on disposal of fixed assets	96,045	(62,405)
Loss on note receivable	-	(162,500)
Other expense	(10,861)	(67,379)
Total nonoperating revenues (expenses)	2,946,149	2,412,701
Change in net position before capital grants	(808,724)	2,035,827
Capital grants	110,567	974,729
Change in net position	(698,157)	3,010,556
Net position – beginning of year	56,678,336	53,667,780
Net position – end of year	$ 55,980,179	$ 56,678,336

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statements of Cash Flows

For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating activities:		
Receipts from customers	$ 11,619,262	$ 13,761,161
Payments to suppliers for goods and services	(11,332,483)	(10,787,192)
Payments to employees	(1,701,845)	(1,758,821)
Payments of employee benefits	(565,270)	(584,103)
Net cash (used in) provided by operating activities	(1,980,336)	631,045
Noncapital financing activities:		
Net proceeds from property tax collections	3,063,631	3,043,682
Cash received from insurance recovery	-	30,221
Cash used for other nonoperating expenses	(78,240)	-
Cash received from other sources	4,822	162,173
Net cash provided by noncapital financing activities	2,990,213	3,236,076
Capital and related financing activities:		
Cash received from capital grants	110,567	626,073
Proceeds from the sale of capital assets	1,712,426	1,920
Principal paid on debt	(610,000)	(580,000)
Interest paid on debt	(553,621)	(615,495)
Acquisition and construction of capital assets	(484,873)	(2,053,518)
Net cash provided by (used in) capital and related financing activities	174,499	(2,621,020)
Investing activities:		
Purchase of investment securities	(9,429,687)	(13,862,618)
Proceeds from sale and maturity of investment securities	10,370,284	15,112,616
Interest on investments	284,557	288,105
Net cash provided by investing activities	1,225,154	1,538,103
Net increase in cash and cash equivalents	2,409,530	2,784,204
Cash and cash equivalents – beginning of year	12,179,809	9,395,605
Cash and cash equivalents – end of year	$ 14,589,339	$ 12,179,809

(continued)

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statements of Cash Flows (continued)

For the Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	$ (3,754,873)	$ (376,874)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	1,431,026	1,380,029
Changes in assets and liabilities:		
Accounts receivable	(2,621,077)	57,415
Cost in excess of billing	-	186,199
Operating lease receivables	36,293	31,731
Prepaid expenses and other assets	(80,286)	(49,357)
Accounts payable	3,598,316	(169,487)
Unearned income and other	(120,344)	(106,106)
Accrued wages and benefits	(33,569)	42,903
Retainage payable	(435,822)	509,855
Other liabilities	-	(875,263)
Net cash (used in) provided by operating activities	$ (1,980,336)	$ 631,045
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	$ 12,604,524	$ 12,156,661
Included in restricted and other assets	9,235,349	8,185,975
Total	21,839,873	20,342,636
Investments included in the balances above that are not cash equivalents	(7,250,534)	(8,162,827)
Cash and cash equivalents reported in the Statement of Cash Flows	$ 14,589,339	$ 12,179,809
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	$ (5,232)	$ (5,536)
Increase in capital assets due to accounts payable	$ 189,128	$ 58,641
Increase in capital assets due to capital grants	$ -	$ 444,340
Increase in nonoperating expenses due to accounts payable	$ -	$ 67,379

See Accompanying Notes to the Basic Financial Statements

Cleveland-Cuyahoga County Port Authority

Statements of Fiduciary Net Position
Fiduciary Funds (in thousands)

For the Years Ended December 31, 2014 and 2013

	2014	2013
Assets:		
Cash and cash equivalents	$ 309,973	$ 89,026
Notes and loans receivable	757,972	711,935
Financing lease receivable	536,083	79,942
Capital assets, net of accumulated depreciation	362,322	386,924
Total assets	$ 1,966,350	$ 1,267,827
Liabilities:		
Revenue bonds and notes payable	$ 1,966,350	$ 1,267,827

See Accompanying Notes to the Basic Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity – The Cleveland-Cuyahoga County Port Authority (the "Authority", the "Port Authority" or the "Port") 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.

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, 2014, the Authority has a deferred outflow of resources related to the interest rate swap agreement (see Note 8).

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, 2014, but which were levied to finance fiscal year 2015 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 (see Note 8). 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.

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.

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 and Liner Service Revenues– Maritime-related 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, Board actions and other agreements require portions of debt proceeds as well as other internal 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.

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 a 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, 2014, but which were levied to finance fiscal year 2015 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 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*

GASB Statement No. 69 establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. The implementation of this Statement did not result in any change in the Authority's financial statements.

GASB Statement No. 70 establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e. nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. These changes were incorporated into the Authority's financial statements; however, there was no effect on the beginning net position/fund balance.

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, if any, that this Statement will have on its financial statements or disclosures.

Note 1: Summary of Significant Accounting Policies (continued)

Comparative Data/Reclassifications – Certain reclassifications have been made to the 2013 financial statements in order to conform to the 2014 presentation.

Subsequent Events – In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 24, 2015, 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, 2014 the carrying amounts of the Authority's deposits were $11,509,359 and the related bank balances were $11,541,767, of which $250,519 was covered by federal depository insurance and $11,291,248 was uninsured and collateralized with securities held by the pledging institutions trust department, not in the Authority's name. 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.

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.

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 unless an investment is matched to a specific obligation, which is in accordance with Ohio law. All of the Authority's investments at December 31, 2014 and 2013 have effective maturity dates of less than five years, with the exception of $484,680, which was deposited with a trustee in 2014 as an additional reserve for the Common Bond Fund (See Note 17).

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, 2014:

	Fair value	Rating*	Less than one year	One to five years	More than five years	Percentage of investments
Money market fund	$ 2,986,230	AAA	$ 2,986,230	$ -	$ -	28.9%
Federated Government Obligations	74,034	AAA	74,034	-	-	0.7%
First American Treasury	6,311	AAA	6,311	-	-	0.1%
Federal Home Loan Bank Obligations	379,538	AAA	-	142,863	236,675	3.7%
Federal National Mortgage Association	1,626,588	AAA	-	1,378,583	248,005	15.7%
Guaranteed Investment Contract	4,364,364	N/A	4,364,364	-	-	42.3%
Federal Home Loan Mortgage Corporation	893,449	AAA	130,170	763,279	-	8.6%
Total	$ 10,330,514		$ 7,561,109	$ 2,284,725	$ 484,680	100.0%

*Moody's Investor Service

Cleveland-Cuyahoga County Port Authority

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 2: Deposits and Investments (continued)

Deposits and investments at December 31, 2014 and 2013 relating to the conduit debt were held by trustees and other third parties and were approximately $309,973,000 and $89,026,000, respectively.

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

Investment Type	Fair value	Rating*	Less than one year	One to five years	Percentage of investments
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	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	1,834,558	AAA	260,096	1,574,462	16.0
Federal Farm Credit Bank Obligations	300,615	AAA	300,615	-	2.5
Total	$ 11,447,233		$ 4,093,403	$ 7,353,830	$ 100%

* 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, 2014 and 2013

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance at January 1, 2014	Additions	Deletions	Balance at December 31, 2014
Capital assets not being depreciated:				
Land and land improvements	$ 19,664,759	$ -	$ (205,051)	$ 19,459,708
Construction in progress	-	50,083	-	50,083
Total capital assets not being depreciated	19,664,759	50,083	(205,051)	19,509,791
Capital assets being depreciated:				
Buildings, infrastructures, and leasehold improvements	43,166,184	190,345	(1,587,023)	41,769,506
Equipment	1,841,959	55,317	-	1,897,276
Total capital assets being depreciated	45,008,143	245,662	(1,587,023)	43,666,782
Less accumulated depreciation:				
Buildings, infrastructures, and leasehold improvements	16,966,574	1,290,128	(200,894)	18,055,808
Equipment	982,700	140,898	-	1,123,598
Total accumulated depreciation	17,949,274	1,431,026	(200,894)	19,179,406
Total capital assets being depreciated, net	27,058,869	1,185,364	(1,386,129)	24,487,376
Capital assets, net	$ 46,723,628	$ 1,135,281	$ (1,591,180)	$ 43,997,167

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

	Balance at January 1, 2013	Additions	Deletions	Balance at December 31, 2013
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	18,823,764	929,665	(88,670)	19,664,759
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	43,465,756	1,715,504	(173,117)	45,008,143
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	16,678,037	1,380,029	(108,792)	17,949,274
Total capital assets being depreciated, net	26,787,719	335,475	(64,325)	27,058,869
Capital assets, net	$ 45,611,483	$ 1,265,140	$ (152,995)	$ 46,723,628

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 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. 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 that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, 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 visiting https://www.opers.org/investments/cafr.shtml, 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 employer contributions. For 2014 and 2013, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2014 and 2013, the members of all three plans were required to contribute 10% of their annual earnable salary to fund pension obligations. The Authority contributed 14% of earnable salary.

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, 2014, 2013 and 2012 were $196,223, $204,537 and $153,374, respectively; 91.2% of the required contributions have been contributed for 2014 and 100% of the required contributions have been contributed for 2013 and 2012.

Post-Employment Benefits – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

In order to qualify for post-employment 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 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, 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 visiting https://www.opers.org/investments/cafr.shtml, 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 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 earnable salary of active members. In 2014, the Authority contributed at a rate of 14% of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of earnable salary 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 section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by 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 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, 2014, 2013 and 2012 were $32,704, $15,734, and $85,872, respectively; 91.2% of the required contributions have been contributed for 2014 and 100% of the required contributions have been contributed for 2013 and 2012.

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 2013 levy (collected in 2014) and the 2012 levy (collected in 2013) were both based upon assessed valuations of approximately $27.7 billion.

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 tangible personal property currently is assessed at varying percentages of true value.

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.

Note 6: Long-Term Obligations

Changes in the Authority's long-term obligations for the year ended December 31, 2014 are as follows:

	Balance January 1, 2014	Increase	Decrease	Balance December 31, 2014	Due Within One Year
Cleveland Bulk Terminal Project	$ 4,520,000	$ -	$ (170,000)	$ 4,350,000	$ 180,000
Essroc (1997A)	2,625,811	4,411	(115,000)	2,515,222	120,000
Port Improvements (1999A)	2,032,253	821	(325,000)	1,708,074	345,000
Total	$ 9,178,064	$ 5,232	$ (610,000)	$ 8,573,296	$ 645,000

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)	2,341,306	947	(310,000)	2,032,253	325,000
Total	$ 9,752,528	$ 5,536	$ (580,000)	$ 9,178,064	$ 610,000

See Notes for additional information on the above obligations.

Note 7: 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.

The bonds outstanding at December 31, 2014 are payable as follows:

Year	Principal	Interest	Total
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	210,000	5,644	215,644
Total payments	1,710,000	$ 237,844	$ 1,947,844
Unamortized original issue discount	(1,926)		
Total	$ 1,708,074		

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

Note 8: 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 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 project. The proceeds of the bonds were used to refund the Authority's Taxable Variable Rate Refunding Bonds, Series 2001.

Note 8: Cleveland Bulk Terminal (continued)

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.

The letter of credit which 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 letter of credit has a covenant that the Authority meets an annual Global Fixed Charge Coverage Ratio of 1.05 or greater. In 2014, the Authority did not meet this calculation and a waiver of this covenant was received on May 06, 2015.

The Authority receives rental payments from its tenant and operator under the Lease and Operating Agreement (the “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 0.10% and .17%, respectively on December 31, 2014 and December 31, 2013. 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.

Note 8: Cleveland Bulk Terminal (continued)

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	$ 4,335,000	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.

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.

	Classification	Amount	Classification	Amount	Notional
Cash flow hedge; Pay-fixed interest rate swap	Deferred outflow	$ (185,088)	Debt	$ (380,176)	$ 4,335,000

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, 2014, 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, 2014, 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.

Note 8: Cleveland Bulk Terminal (continued)

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, 2014, 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.

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, 2014, 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):

Year	Principal	Interest	Total
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	220,000	168,605	388,605
2020 – 2024	1,235,000	678,480	1,913,480
2025 – 2029	1,580,000	341,702	1,921,702
2030 - 2031	555,000	23,612	578,612
Total payments	$ 4,350,000	$ 1,986,628	$ 6,336,628

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:

Year	Amount
2015	$ 282,783
2016	282,783
2017	60,814
Total	$ 626,380

Note 8: Cleveland Bulk Terminal (continued)

The Authority recorded $378,782 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2014 and 2013. In addition, the cost and carrying amount of the Authority's property subject to this Lease was $13.8 million and $10.9 million, respectively at December 31, 2014.

Note 9: 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.

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, 2014 are payable as follows:

Year	Principal	Interest	Total
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	155,000	114,596	269,596
2020 – 2024	915,000	426,280	1,341,280
2025 – 2027	945,000	105,270	1,050,070
Total payments	2,550,000	$ 1,184,888	$ 3,734,888
Unamortized original issue discount	(34,778)		
Total	$ 2,515,222		

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, 2014.

Note 9: Essroc Project (1997A Bonds) (continued)

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.

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):

Year	Amount
2015	$ 362,752
2016	365,290
2017	366,390
2018	363,728
2019	364,754
2020 – 2024	1,808,715
2025 – 2027	928,442
Total	$ 4,560,071

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, 2014 and 2013. The Authority recognized additional rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement of $104,609 and $102,964 for the years December 31, 2014 and 2013, respectively.

Note 10: 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.

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, subsequently 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.

Note 10: Chancellor University (continued)

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 11).

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 11: 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.

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 and net proceeds after broker commissions were $1,712,426. The sale closed on May 13, 2014 and the Authority recognized a gain of approximately $96,000 in 2014 as a result of the transaction.

The Authority recorded $71,794 and $196,800 of rental income (on a straight-line basis) under the Lease for the years ended December 31, 2014 and 2013, respectively.

Note 12: 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:

Year	Amount
2015	$ 209,259
2016	209,259
2017	209,259
2018	137,264
2019	68,694
2020 – 2021	40,000
Total	$ 873,735

The Authority recorded $203,914 and $234,477 of rental income (on a straight-line basis) under the various leases for the years ended December 31, 2014 and 2013, 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. The Authority recorded $30,451 and $53,723 in additional rent in 2014 and 2013, respectively.

In addition, the cost and carrying amount of the Authority's property subject to this Lease was $4.3 million and $4.0 million, respectively.

Note 13: Other Leases

Authority as Lessee

City of Cleveland

The Authority leases various docks from the City of Cleveland (the "City"). Under a third amendment to the lease, executed on October 1, 2012, the Authority leases certain City-owned docks, referred to as Docks 24, 26 and 28A. The lease expires in 2058 and calls for an annual lease payment of $250,000 to be made.

Also on October 1, 2012, a cooperative agreement between the City of Cleveland and the Authority was executed. 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. These services were fully performed by the Authority and full rent abatement was realized for both 2014 and 2013 and no rental expense was recognized.

Note 13: Other Leases (continued)

Office Lease

The Authority leased office space at One Cleveland Center since January of 2000, with subsequent extensions terminating on January 31, 2014. Rental expense, recognized on a straight-line basis, related to the Authority's lease at One Cleveland Center totaled $20,936 and $251,234 for the years ended December 31, 2014 and 2013. The Authority moved to its new headquarters located at 1100 West 9th (see Note 12) and no further expense is expected.

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 its 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 $4,590 in 2014 and $54,990 in 2013.

Authority as Lessor

General Cargo Docks (22-26)

Effective April 1, 2012, the Authority entered into a Lease Agreement 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, had 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 $0.725 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 rail switching services agreement has a base rent of $12,000 annually. In March of 2013 and 2014, the Port Authority entered into new Agreements from April 1, 2013 through March 31, 2014 and April 1, 2014 through March 31, 2015, on substantially the same economic terms as the prior Agreement.

The Authority recognized $396,410 and $392,000 in base rental income from the Lease Agreements for the years ended December 31, 2014 and 2013, respectively. The Authority also recognized $256,357 in 2014 and $186,424 in 2013 in income associated with the Tonnage Assessment Schedule.

In total, the Authority recognized $652,767 and $578,424, respectively, in rental income from property leased or subleased to the Terminal Operator for the years ended December 31, 2014 and 2013. 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 $104,000, all of which are due in 2015.

Dock 20

The Authority entered into one-year Operating Agreements on April 1, 2012, 2013, and 2014, for approximately 5.5 acres of property commonly referred to as Dock 20 located north of the property leased to Essroc. The terms of the Agreements were for one-year, with no renewal option and a base rental of $147,000 for 2012 and 2013 and $149,205 for 2014.

Note 13: Other Leases (continued)

On February 20, 2015, in accordance with the Lease Agreement, the tenant notified the Authority of its intent to terminate the Operating Agreement and vacate the premises effective August 31, 2015. On April 1, 2015, the Authority entered into a five-month Operating Agreement with the tenant with the same economic terms as the 2014 Operating Agreement. The terms of the Agreement provided an option for early termination which was exercised by the tenant on April 30, 2015.

The Authority recorded $148,654 and $141,500 in rental income from the Dock 20 Operating Agreements in 2014 and 2013, respectively. The future fixed rentals the Authority is scheduled to receive under the Operating Agreement total $49,735 in 2015.

Dock 22

On September 1, 2014, the Authority entered into a Lease Agreement with C-Port for the use of Dock 22 to handle cargo operations related to the Cleveland-Europe Express at the Port of Cleveland.

The Agreement, effective September 1, 2014 through March 31, 2015, had a base rental of $100 per month. On April 1, 2015, the Authority entered into a new Agreement from April 1, 2015 through December 31, 2015, on substantially the same economic terms as the prior Agreement. The Authority recognized $400 in 2014 in rental income associated with this Lease Agreement.

Parking

In July of 2012, the Authority entered into a five-year Operating Agreement with the Cleveland Browns (the "Browns") to provide for parking on property owned or leased by the Authority for each NFL game hosted at First Energy Stadium 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 terms also provide for a reduction in the annual fee if there is a material change in the amount of spots available, based on port operational needs.

In 2014, the Operating Agreement between the Authority and the Browns was amended. As a result of increased operational needs, certain parking spaces previously available for game-day parking were no longer available. Parking capacity was reduced by approximately 16.5%, resulting in a prorated parking fee of $187,500 for the 2014 season.

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

In 2014 and 2013, the Authority recognized $280,645 and $306,557, respectively, in parking revenues, $187,500 and $225,000 of which related to the operating agreement with the Browns.

Note 14: 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.

Note 15: 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, 2014. Investment income earned on amounts deposited under the MOU are paid semi-annually to the OMA.

Note 16: Capital and Operating Grant and Contribution Activity

In August, 2012 the Authority was awarded a $600,000 sub-grant 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.

Note 16: Capital and Operating Grant and Contribution Activity (continued)

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.

In 2013, the Authority also 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.

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. No grant funds were expended during the 2012 or 2013 fiscal year. In 2014, $90,567 and $4,617 of these funds were expended for capital improvements and operating enhancements respectively.

In 2013, the Authority engaged a professional services engineering firm to provide bulkhead assessment services, specifically relating to the Franklin Hill (Irishtown Bend) area along the Cuyahoga River. The Authority received a grant from the Ohio & Erie Canalway through the National Park Service which provided $40,000 towards the project which was expended in full in 2014.

The Authority received a contribution of $20,000 from a tenant, towards a building improvement for the 1100 West 9th Street building. The $88,040 capital improvement was for ceiling improvements in the basement floor of the building.

The Authority received two grants from the State of Ohio through the Ohio Healthy Lake Erie Fund totaling $2,650,000. The grants are administered by the Ohio Department of Natural Resources and are in the amounts of $1,450,000 to be used for implementing a sediment processing center on CDF 12 and $1,200,000 for implementing a bed load sediment interception and harvesting project. No grant revenue was recognized with respect to these grants in the 2014 financial statements and grant funds are expected to be expended during the 2015 fiscal year.

Note 17: 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 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, as amended and supplemented. 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.

Note 17: 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 $7.4 million (Program Development Fund, Program Reserve Fund, and the OMA funds) in restricted cash and investments are also shown on the Authority's Statements 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 Statements 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 and is reflected in the reserve balances as of December 31, 2014.

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 $11.6 million at December 31, 2014, 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.

Note 17: No-Commitment Debt (continued)

The Program Reserve and Program Development funds, including funds received from OMA, at December 31, 2014 were composed of a $7.4 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 $87,205,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Stand Alone Financing Obligations were $1,879,144,758 as of December 31, 2014. 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 the Conduit Financing Obligations were $1,206,271,587 as of December 31, 2013.

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.

Note 18: 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 2014. 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 19: 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 20: 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.

Note 20: 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 had been sufficient PILOT payments to pay debt service (except as noted below), 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.

On November 21, 2014, the Authority disclosed to the Electronic Municipal Market Access (EMMA) that the 2014 real estate tax and PILOTS collected by the Cuyahoga County Treasurer (the "Treasurer") office fell below expected levels on certain parcels within the development as a result of reductions of the values of those parcels and refunds from the Treasurer to parcel owners.

As a result of the refunds from the Treasurer to parcel owners, a shortfall in PILOTS received by the trustee resulted in a draw on the Additional Reserve in the amount of $54,668 on November 15, 2014.

The City has certified an assessment of $244,910 against the parcels for collection in 2015, for debt service payments on the Bonds.

On May 28, 2015, The Authority disclosed on EMMA that 2014 real estate tax and PILOTS collected by the Treasurer, again fell below expected levels on certain parcels within the development as a result of reductions of the values of those parcels and refunds from the Treasurer to parcel owners. As a result, on May 15, 2015 a draw in the amount of $341,574 was made from the Additional Reserve in order to pay principal and interest due on the bonds. The bonds have a Primary Reserve of $885,000 held with the trustee and the balance of the Additional Reserve is $370,701 after the May 15, 2015 draw.

Note 21: 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. At December 31, 2014 $74,033 remains in escrow pending the resolution of some outstanding items.

Note 22: 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 (the “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 first phase of 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.

Financing for the second phase of the Project, including the bonds issued by the Authority, occurred in 2014. The bonds issued in 2014 provided partial funding for the second phase of the Project and involved, in total, approximately $147 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.

Note 22: Flats East Bank Project (continued)

In January, 2012 the Ohio Department of Transportation awarded the Authority two Federal Highway Administration grants for improvements to be made on the Project. Grant funds in the amount of approximately $3.6 million were awarded for the design and improvement of bulkheading on the Project. Grant funds of approximately $1.7 million were 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 bulkhead project was completed in the second quarter of 2013. The riverwalk project is expected to be completed during the second quarter of 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 2014 and 2013 for infrastructure improvements to the Project totaled $1,054,886 and $126,866 respectively.

Note 23: 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 UMB Bank, N.A. (successor trustee to 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.

Note 23: University Square 2001 Revenue Bonds (continued)

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.

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.

The Owner’s continued failure to make such Service Payments and Special Assessment 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 was $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.

In addition, as a result of prior non-payments, the Trustee had insufficient funds to pay debt service charges on the Bonds when due on December 1, 2014. Therefore, bondholders did not receive any payment on the Bonds on December 1, 2014.

On February 4, 2015, a Complaint for Breach of Contract, Foreclosure, and Appointment of Receiver (the “Complaint”), was filed in the Court of Common Pleas, Cuyahoga County, Ohio as Case No. 15-839988.

Note 23: University Square 2001 Revenue Bonds (continued)

The Complaint was filed with respect to property given permanent parcel numbers 721-01-001 and 721-01-003 by the Cuyahoga County, Ohio, Fiscal Officer. The Complaint was initiated by the Plaintiffs: UMB Bank, N.A. as successor Trustee of the Bonds and the City. The Complaint was filed against the defendants: the Owner and University Square Parking, LLC (the "Delinquent Parcel Owners") and the Cuyahoga County Fiscal Officer.

The matter involves the foreclosure of certain parcels within the Tax Increment Financing (TIF) District that encompasses the University Square Commons Shopping Center in University Heights, Ohio. The Complaint alleges the Delinquent Parcel Owners have breached agreements by failing to make Service Payments and Special Assessment payments and failing to cure these defaults following notice.

A hearing on the motion to appoint a receiver was held on March 3, 2015, and on March 25, 2015, the Court entered an order appointing Visconsi Realty Advisors, Inc. and its President, Bradley A. Goldberg, as receiver to take charge of and manage the TIF Parcels. On February 23, 2015, the Trustee and City filed an amended complaint (the "Amended Complaint") adding counts for avoidance of fraudulent transfers against the Delinquent Parcel Owners.

On March 27, 2015, the Defendants filed a motion to dismiss (the "Motion to Dismiss") the Amended Complaint on the grounds that it fails to state a claim for which relief may be granted. The Trustee and the City each filed timely responses in opposition to the Motion to Dismiss, and on May 13, 2015, a Magistrate's Order denying the Motion to Dismiss was issued. In addition, the Trustee has served discovery requests on the Defendants and issued subpoenas to other parties who might have information or documents related to the Foreclosure Litigation.

On June 1, 2015 the Trustee disclosed on EMMA that a partial interest payment was made to bondholders. The payment was made pursuant to a direction and indemnity from the holder of a majority in principal amount of the outstanding bonds. The Trustee made a payment of approximately $617,011 from the Primary Reserve Fund on June 1, 2015 which consisted of interest that had accrued in the ninety days prior to June 1, 2015.

Note 24: 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.

Note 24: Cleveland-Christian Home 2002C Bonds (continued)

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.

Following such May 15, 2014 payment, there was an outstanding principal balance on the Series 2002C Bonds of $3,045,000 and the balance in the Primary Reserve Fund for the Series 2002C Bonds was 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.

CCH made a payment of $350,000 to the Trustee in October of 2014 which was used for the November 15, 2014 principal and interest payment on the bonds and to partially replenish prior draws on the Primary Reserve Fund. After the partial replenishment, the balance of the Primary Reserve Fund as of December 31, 2014 was about $307,000. The principal and interest payments were made on November 15, 2014. CCH began making regularly scheduled monthly payments in December of 2014 and the principal and interest payments due on May 15, 2015 were made without a draw on the Primary Reserve Fund.

Note 25: 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 look for potential partners in the service 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.

Note 25: Cleveland-Europe Express Liner Service (continued)

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 provides 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.

On April 4, 2014, a 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 (CEE) is the first regularly scheduled container service on the Great Lakes.

On September 17, 2014, the Authority's Board of Directors approved and ratified an Administrative and Management Services Agreement between the Authority and Spliethoff to provide for certain management and administrative services relating to the Cleveland-Europe Express. Under the terms of the Agreement Spliethoff would be responsible for: (1) provide marketing and sales activities in both the U.S. and Europe specifically dedicated to the Cleveland-Europe Express; (2) establish and operate a designated account segregated on Spliethoff's books; (3) provide Port staff access to the booking information system (Multi-modal system); (4) provide credit checks when necessary for bookings done on credit; (5) generate bills of lading, waybills, and manifests upon request from the Port; (6) generate invoices for bookings; (7) collect and deposit payments from customers into the designated account; (8) convert payments made in currencies other than USD, to USD, and provide backup for the conversion rate; (9) submit payments, via wire transfer, on a monthly basis to the Port; (10) Maintain all financial records involving the CEE and allow the Port to inspect and audit the records for the Services mentioned in (1) through (9).

The Agreement further provides that Spliethoff would be responsible for the operational, technical, crewing and commercial management of the Cleveland-Europe Express..

In exchange for the above mentioned Administrative and Management services, Spliethoff would be paid, retroactive to April 1, 2014: (1) a $25,000 monthly management fee; (2) a monthly commission of 7.5% for all gross freight revenues, independent of any other standard commissions paid to companies, third party logistics providers or other divisions of Spliethoff; (3) a one-time payment for certain startup expenses incurred since the execution of the charter agreement in an amount not to exceed $145,000. Commissions and monthly payments would be made only when the vessel was under hire.

As required under the Management Services Agreement, Spliethoff collected all revenues and paid all direct expenses on behalf of the Authority for the CEE service. At December 31, 2014, the Authority recorded a $2,747,000 receivable from Spliethoff for revenues collected but not yet remitted to the Authority. This receivable balance was offset on the Authority's Statement of Net Position by a liability of $3,566,000 to Spliethoff for CEE expenses that were paid by Spliethoff but not reimbursed by the Authority as of December 31, 2014. On January 6, 2015, the Authority remitted payment to Spliethoff in the amount of $778,500 reducing the net liability to Spliethoff to approximately $40,000.

Note 26: Subsequent Events

Cleveland-Europe Express **-** Prior to the start of the 2015 shipping season the Authority worked to restructure the aforementioned arrangements with Spliethoff in order to lessen the Authority's financial exposure and align Spliethoff's financial incentives with the Authority's goal to make the CEE a self-sustaining operation. In March of 2015, the Authority and Spliethoff entered into a Service Agreement for 2015. Under the terms of the 2015 agreement, Spliethoff agreed to operate two ships in the service and make a minimum of 18 port calls in Cleveland. The Authority agreed to make a fixed investment of $2.75 million in the service in order to ensure its continued operation. The Authority will have no further financial responsibility for the expenses associated with the service other than separate expenses related to terminal operation in Cleveland. The Authority will receive 1.25% of gross revenues on the first $20 million collected, for a maximum of $250,000 in revenues. The term of the agreement is for the 2015 shipping season with an option to renew for the 2016 season with the mutual consent of the parties.

Congestion Mitigation and Air Quality Improvement Grant – In January of 2015, the Authority received notification it had been awarded, and the Board of Directors subsequently approved, a $4.9 million Congestion Mitigation and Air Quality Improvement (CMAQ) Grant to purchase two new cargo handling cranes. The CMAQ Grant Program is being administered through the Northeast Ohio Area Coordinating Agency (NOACA) and requires a 20% matching commitment from the Authority which will be provided through a State of Ohio Logistics & Distribution Loan in the amount of $3,000,000.

Development Services Agency Logistics and Distribution Stimulus Loan – In April of 2015, the Authority was awarded, and the Board of Directors subsequently approved, a $3.0 million forgivable Logistics and Distribution Stimulus Loan (Loan) administered through the State of Ohio's Development Services Agency. The Loan is being used as the matching contribution for the CMAQ grant and proceeds will be used to assist in the procurement of the new cargo handling cranes, as well as construct a warehouse on the Port. The Loan is forgivable if job creation requirements and other conditions of the Loan agreement are met.

Cleveland-Cuyahoga County Port Authority

Common Bond Funds

December 31, 2014

The following are the approximate balances held and the principal amount of outstanding Common Bond Fund bonds as of December 31, 2014:

SERIES	Contracting Party	Original Bond Amount	Outstanding Principal Balance	Required Primary Reserve Balance	Final Maturity
1997A	Essroc /Port Authority (1)	$ 3,795,000	$ 2,550,000	$ 368,281	5/15/27
1998B	NOACA (4)	3,345,000	-	-	5/15/14
1999A	Port Authority (1)	5,230,000	1,710,000	520,385	5/15/19
1999B	Universal Heat Treating, Inc. (4)	1,480,000	-	-	11/15/14
2001A	Council for Economic Opportunities in Greater Cleveland	4,440,000	675,000	444,000	5/15/16
2002C	Cleveland Christian Home, Inc. (5)	5,130,000	2,920,000	513,000	5/15/22
2004A	Luigino's, Inc. (9)	5,000,000	2,065,000	500,000	5/18/15
2004B	City of Cleveland (4)	2,965,000	-	-	5/15/14
2004C	Tru-Fab Technology, Inc.	1,060,000	670,000	106,000	11/15/23
2004D	City of Garfield Heights (6)	8,850,000	5,380,000	885,000	5/15/23
2005A	Goodyear Tire & Rubber Co. (4)	4,125,000	-	-	5/15/14
2005B	Fairmount Montessori Associates	3,375,000	2,435,000	337,500	5/15/25
2005C	Avery Dennison Corp. (9)	6,000,000	6,000,000	600,000	5/22/15
2005D	Columbia National Group, Inc.	6,020,000	2,925,000	602,000	5/15/20
2006A	Cavaliers Practice Facility	9,500,000	7,185,000	950,000	5/15/26
2008A	Brush Wellman, Inc.	5,155,000	3,860,000	515,500	5/15/23
2009A	Eaton World Headquarters	2,000,000	1,740,000	200,000	11/15/20
2010A	City of Cleveland - Forest Bay Tower (7)	2,520,000	2,410,000	252,000	5/15/34
2010B	Flats East Development	8,800,000	8,745,000	880,000	5/15/40
2011A	UC Marriott	2,000,000	1,890,000	200,000	11/15/45
2013A	OMNOVA Solutions	7,500,000	7,500,000	750,000	11/15/33
2014A	Flats Phase II	7,000,000	7,000,000	700,000	11/15/40
2014B	Shoppes at Parma (8)	10,000,000	10,000,000	1,000,000	11/15/43
2014C	OneCommunity	9,305,000	9,305,000	1,000,000	11/15/26
2014D	Babcock & Wilcox	4,500,000	4,500,000	450,000	11/15/19
Total		$ 129,095,000	$ 91,465,000	$ 11,773,666	

Summary of Reserves:	
Primary Reserve Funds	$ 11,773,666
LESS: Draw on CCH Primary Reserve (7)	(206,450)
Program Development Fund (2,3)	357,007
Program Reserve (3)	4,546,785
Program Reserve - Ohio Manufacturers Association (3)	2,483,350
Program Reserve LOC	9,000,000
Total Reserve Funds	$ 27,954,358
Total Reserves/Outstanding Bonds	30.56%

(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, excluding administrative fees, 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. Administrative fees in the Program Development Fund are transferred to the Authority for its general purposes in 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) Bonds were redeemed in 2014.
(5) CCH had to draw on the primary reserve fund in the amount of $215,655 to make the 11/15/13 debt service payment. A partial replenishment was made to the reserve in November of 2014. A shortfall of $206,450 remains on the primary reserve.
(6) Excess service payments were used to establish an additional reserve in the amount of $762,900 on these bonds. See Footnote 20.
(7) Excess service payments were used to establish an additional reserve in the amount of $528,800 on these bonds.
(8) At closing, an additional reserve of $870,985 was established with the trustee.
(9) Bonds were paid off in May of 2015.

Cleveland-Cuyahoga County Port Authority

Stand Alone Issuances

December 31, 2014

The following are Stand Alone debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2014:

	Stand Alone Debt Issuances	Year	Type of Debt Issued	Original Issuance	Principal Outstanding
1	Applied Industrial Technologies	1996	Revenue Bonds	$ 18,835,000	$ -
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	28,800,000
4	City of Brecksville	2004	Tax-Exempt Revenue Bonds	2,195,000	-
5	RITA	2004	Development Revenue Bonds	20,990,000	10,995,000
6	Marine Mechanical	2004	Taxable Economic Development Lease Revenue Bond	8,470,000	-
7	Playhouse Square Foundation	2004	Variable Rate Cultural Facility Revenue Bonds	18,000,000	-
8	Euclid Avenue Housing Corp.	2005	Student Housing Facility Revenue Bonds	34,385,000	-
9	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	29,590,000
10	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
11	Judson	2005	Development Revenue Refunding Bonds	31,500,000	-
12	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	8,940,000
13	St. Clarence-GEAC, LLC Project	2006	Senior Housing Revenue Bonds	17,120,000	-
14	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	139,495,000
15	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	31,495,000
16	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	40,785,000
17	Laurel School	2008	Variable Rate Educational Facility Revenue Bonds	16,000,000	16,000,000
18	Euclid Avenue Housing	2008	Variable Rate Demand Revenue Bonds	14,500,000	-
19	Veterans Development Office/Parking	2009	Revenue Bonds	115,000,000	106,725,000
20	Eaton World Headquarters	2009	Capital Lease Bonds	143,338,610	143,338,610
21	Cleveland Museum of Art	2010	Cultural Facility Revenue Bonds	70,430,000	70,430,000
22	Independence Research Park - Cleveland Clinic	2010	Development Revenue Refunding Bonds	46,000,000	39,160,000
23	Hospice of Western Reserve, Inc.	2010	Refunding Bonds	21,565,000	20,385,000
24	Oriana Services, Inc.	2010	Tax-Exempt Revenue Refunding Bonds	2,505,000	665,000
25	City of Cleveland - Flats East Bank	2010	City Appropriation Bonds	11,000,000	10,280,000
26	Flats East Development	2010	First Mortgage Lease Revenue Bonds	52,053,516	45,000,000
27	Medical Center Company	2011	Revenue Bonds	77,470,000	-
28	St. Johns Medical	2011	Revenue Bonds	40,000,000	35,000,000
29	Magnificat	2012	Revenue Bonds	7,565,000	7,085,000
30	Optima Sage Hotel	2012	First Mortgage Lease Revenue Bonds	36,000,000	36,000,000
31	Cuyahoga County Headquarters	2013	Development Lease Revenue Bonds	75,465,000	75,465,000
32	Beaumont	2013	Revenue Bonds	8,160,000	7,956,000
33	Judson	2013	Development Revenue Refunding Bonds	32,700,000	31,498,148
34	OneCommunity	2014	Revenue Bonds	6,500,000	6,500,000
35	Maltz Museum	2014	Cultural Facilities Revenue Refunding Bond	6,300,000	6,300,000
36	Crocker Park TIF	2014	Public Improvement Revenue Bonds	6,435,000	6,435,000
37	Crocker Park	2014	Mortgage Revenue Bonds	111,077,000	111,077,000
38	American Greetings	2014	Lease Revenue Bonds	95,000,000	95,000,000
39	The 9	2014	First Mortgage Lease Revenue Bonds	41,750,000	41,750,000
40	Cuyahoga County Convention Hotel	2014	Certificates of Participation	230,885,000	230,885,000
41	Flats East Bank Phase 2	2014	First Mortgage Lease Revenue Bonds	85,060,000	85,060,000
42	Constellation Schools	2014	Community School Lease Revenue Bonds	30,790,000	30,790,000
43	Euclid Avenue	2014	Development Revenue Bonds	88,945,000	88,945,000
44	Emerald Village	2014	Senior Housing Revenue Refunding Bonds	15,000,000	15,000,000
45	Playhouse Square	2014	Cultural Facility Revenue and Refunding Bonds	28,000,000	28,000,000
46	Medical Center Company	2014	Revenue Bonds	74,435,000	74,435,000
			Total	$ 2,191,014,126	$ 1,879,144,758

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*

To the Board of Directors of
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 year ended December 31, 2014, 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 24, 2015.

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.

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

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

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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 24, 2015

Dave Yost • Auditor of State

CLEVELAND-CUYAHOGA 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
SEPTEMBER 24, 2015

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov