Cleveland-Cuyahoga County Port Authority

Basic Financial Statements
December 31, 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
Cleveland-Cuyahoga County Port Authority
1375 East 9th Street, Suite 2300
Cleveland, Ohio 44114-1790

We have reviewed the *Independent Auditors' Report* of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 8, 2008

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Cleveland-Cuyahoga County Port Authority

For the Year Ended December 31, 2007

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Ciuni & Panichi
CPAs and Business Advisors

Independent Auditors' Report

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

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 year then ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our 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, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2007, the Authority implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 44 through 46 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ciuni & Panichi, Inc.

Cleveland, OH
June 23, 2008

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2007

General

As management of the Cleveland-Cuyahoga County Port Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2007. Please read this information in conjunction with the Authority's basic financial statements and footnotes that begin on page 16.

The Authority is an independent political subdivision of the State of Ohio. It has three main business lines: 1) a maritime operation which manages the international docks on the east side of the Cuyahoga River, and a bulk cargo facility on the west side of the river; 2) the development finance operation which manages financing programs involving the issuance of revenue bonds and notes (assets and liabilities associated with the Authority's financing programs are shown in the Statement of Fiduciary Net Assets) and; 3) acts as the administrator and manager of North Coast Harbor.

In 2007, the Board of Directors adopted a long-term strategic plan which contemplates the expansion of maritime operations, as well as the creation of new business line called "business investment". This new line is expected to make property and other investments in key sectors, such as logistics, healthcare, aerospace and advanced manufacturing, throughout the Northeast Ohio region.

Overview

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

The Statement of Net Assets presents the Authority's financial position and reports the resources owned by the Authority (assets), obligations owed by the Authority (liabilities), and Authority net assets (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net Assets present a summary of how the Authority's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Authority's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities. The Statement of Fiduciary Net Assets provides information on the assets and liabilities associated with the Authority's issued debt where third parties are the primary obligor 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. The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2007

Port Activities refers herein to the Authority's core operations, maritime and development finance, including the cost of the administration of the Port's Operating Groups (Maritime, Development Finance and Strategic Development and Administration, including the fees generated by such groups). The annual operating and capital budgets are based on these activities. A fourth category, entitled "Business Investment", was added in late 2007 as a result of the Authority's long-term strategic plan.

North Coast Harbor (NCH) refers herein to activities involving the maintenance and repair of the NCH common areas, funding for which is paid entirely by the NCH Common Area Maintenance (CAM) Agreement participants: the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center, and the Cleveland Browns. Assets, including cash and accounts receivable, are shown as restricted assets on the Authority's Statement of Net Assets. NCH assets are offset by corresponding liabilities on the Authority's Statement of Net Assets. Income and expenses from NCH activities are netted on the statement of revenues, expenses and changes and net assets in the line entitled "Other-net" for fiscal years 2006 and 2007, as they do not reflect the operating results of the Authority.

Statement of Fiduciary Net Assets 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 facilitate private industry 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 for which they issue revenue bonds and notes:

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

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

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

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 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. This $4,000,000 in restricted funds, plus approximately $100,000 in associated interest earnings, is reflected on the Authority's Statement of Net Assets and the earnings on these funds are also recognized as income from investments on the Authority's Statement of Revenues, Expenses and Changes in Net Assets. Any utilization of this reserve fund would result in a charge to the Authority's earnings.

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 where the Authority is obligated to repay the debt.

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2007

Condensed Statement of Net Assets Information

The tables below provide a summary of the Authority's financial position and operations for 2007 and 2006:

	2007	2006
Assets:		
Current assets	$ 15,224,481	$ 13,937,539
Capital assets - net	43,091,599	43,658,795
Restricted and other assets	7,365,898	7,056,189
Total assets	65,681,978	64,652,523
Liabilities and net assets:		
Liabilities:		
Current liabilities	4,465,597	5,032,709
Current liabilities payable from restricted assets	1,583,113	101,952
Other liabilities - including amounts relating to restricted assets	13,345,560	13,791,746
Total liabilities	19,394,270	18,926,407
Net assets:		
Invested in capital assets net of related debt	30,490,273	30,669,932
Restricted for debt service	4,554,318	5,462,858
Unrestricted	11,243,117	9,593,326
Total net assets	$ 46,287,708	$ 45,726,116

***Current Assets**:* Current assets increased from December 31, 2006 to December 31, 2007 by approximately $1.3 million. The largest increase in this classification came from a $1.9 million increase in the Authority's unrestricted cash and investment balances attributable to an increase in net assets, before Special Items, in 2007. This increase was offset by a $515,000 decrease in accounts receivables related to the Flats East Bank project, where the property acquisition portion of the project was nearing completion as of December 31, 2007. These receivables, due from the developer, total $117,000 as of December 31, 2007 and are off-set by a corresponding liability. The Authority does not disburse funds related to this project until a payment has been received by the Authority from the developer.

***Capital Assets**:* The Authority's investment in capital assets as of December 31, 2007 and 2006 amounted to approximately $43.1 million and $43.7 million, respectively (net of accumulated depreciation). Capital assets before accumulated depreciation increased by approximately $647,000 from December 31, 2006 to December 31, 2007. Accumulated depreciation increased approximately $1.2 million during the same period, resulting in the decrease in the net capital assets.

A summary of the activity in the Authority's capital assets during the year ended December 31, 2007, is as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Land and land improvements	$ 19,823,017	$ -	$ -	$ 19,823,017
Buildings, infrastructures and leasehold improvements	33,638,887	628,930	-	34,267,817
Equipment	757,883	56,606	-	814,489
Construction in progress	38,872	-	(38,872)	-
	54,258,659	685,536	(38,872)	54,905,323
Less accumulated depreciation	(10,599,864)	(1,213,860)	-	(11,813,724)
Capital assets - net	$ 43,658,795	$ (528,324)	$ (38,872)	$ 43,091,599

The major events affecting the Authority's capital assets during 2007 are as follows:

- The Authority installed bulkheading at the Old River Property, currently leased by Great Lakes Towing. The construction consisted of the creation of 110 linear feet of new dock face at a cost of approximately $492,000, of which $39,000 was included as construction in progress from the prior year. The bulkheading is being amortized over a 40 year period.

- Other capital improvements included $75,000 in timber curb repairs on certain Authority docks. Timber curbs are used to prevent vehicles from driving into the lake and typically last 10 years. Additionally, the Authority installed 5 roof fans at one of the warehouses currently leased by our terminal operator for $61,000. The last major capital improvement for the Authority's maritime assets was a $25,000 investment in a load cell indicator for the Authority's heavy lift crane, known as the Buckeye Booster. The load cell indicator advises the crane operator what the weight of the lift piece is so that it can be safely handled.

- While most capital repairs relate directly to the Authority's maritime operations, the Authority did capitalize nearly $24,000 in back-office equipment as part of a major technology upgrade that took place in 2007. Additionally, the Authority capitalized nearly $8,000 in telephone equipment as the phone system was also upgraded in 2007.

The $647,000 net increase in capital assets during 2007 was offset by approximately $1.2 million in accumulated depreciation.

***Restricted and Other Assets**:* The $310,000 increase in restricted and other assets from December 31, 2006 to December 31, 2007 is related to a $258,000 increase in the Authority's restricted cash and investments balance. Increases in restricted cash and investments related to a $155,000 increase in the Authority's auxiliary reserve, which totals $1,300,000 at December 31, 2007. These funds are board-restricted and set aside to assist the Bond Fund Program, should a default occur. Other restricted cash and investment increases related to funds held by the Authority for the benefit of NCH. Other asset increases were attributable to the Authority's March 2007 issuance of $5,470,000 in Muli-Mode Variable Rate Refunding Revenue Bonds, Series 2007. The Authority paid service providers $94,000 related to issuance costs, all of which were capitalized on the Authority's Statement of Net Assets. This activity was offset by normal amortization of issuance costs, resulting in a net increase of $59,000. Other increases were in restricted receivables, which increased $20,000 over the previous period. The remaining increase was a result of activity relating to NCH, where receivables increased by $13,000 over their 2006 levels. The increases in the above mentioned accounts were offset by declines in the operating lease receivable due from the tenant at the CBT facility of $41,000.

***Current Liabilities**:* Current liabilities decreased in 2007 by approximately $567,000, mainly due to a $515,000 decrease in accounts payable related to the Flats East Bank project. Additionally, regular trade payables decreased by $238,000. Trade payables decreased due to $124,000 in payables related to the Authority's various insurance policies which was accrued at December 31, 2006. These payables did not exist at year-end 2007 as the Authority paid its 2007 insurance premiums in 2007. Additionally, the Authority accrued $47,000 in recruitment expenses related to the Board's search for a new President/CEO at the end of 2006. Other decreases resulted from $45,000 less in accrued expenses for the Port Relocation Study and a $30,000 decrease in payables due to the City of Cleveland. The decreases were offset by increases related to the Authority's current portion of debt payable in 2008 of $28,000 and a $70,000 increase in accrued wages and benefits. Additionally, there was a $90,000 increase in deferred income, mainly related to deposits paid to the Authority for financing projects that are expected to close in 2008.

***Current Liabilities Payable from Restricted Assets**:* Current liabilities payable from restricted assets in 2007 increased by $1,481,000 from 2006. The most material change in this account relates to a loan loss reserve booked by the Authority in 2007 related to the financing of the Myers University project, financed through the Authority's Common Bond Fund Program (See Note 14). The Authority has reserved $1,102,500 as the expected loss on this financing. Additional increases related to the Authority's management of North Coast Harbor, which increased their amounts due to the City of Cleveland and other CAM participants by $380,000 to a total of $409,000; of which there was an offsetting restricted cash of $375,000 and receivables of $34,000.

Other Liabilities – including amounts relating to restricted assets: The majority of activity in this category relates to the Port's long-term debt obligations, which are outlined below. In 2007, the Authority issued $5,470,000 in Refunding Bonds which were used to refund the Authority's Taxable Variable Rate Refunding Bonds, issued in 2001. No gain or loss was recognized as the issue amount equaled the amount outstanding on the Series 2001 bonds at the time of issuance. Additional increases came from the $63,000 amortization of the Authority's loss on the defeasance from the Series 2001 Refunding Bonds, which has been fully amortized as of December 31, 2007. The declines in long-term liabilities reflected the normal amortization of the Authority's existing debt obligations and the refunding of the Series 2001 Bonds.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2007 is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
Cleveland Bulk Terminal	$ 5,422,243	$ 5,532,757	$ (5,575,000)	$ 5,380,000
Port Improvements 1999A	3,878,353	1,568	(225,000)	3,654,921
Essroc 1997A	3,240,558	5,444	(80,000)	3,166,002
State of Ohio 166 Loan	447,709	-	(47,306)	400,403
Total	$ 12,988,863	$ 5,539,769	$ (5,927,306)	$ 12,601,326

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

Net Assets*:* Net Assets serves as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $46.3 million at the close of the most recent fiscal year.

The largest portion of the Authority's net assets (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.

Of the $4.6 million in net assets restricted for debt service, the majority represents cash and investments that are reserved for debt service payments on the Authority's own debt issues, as well as the $4.1 million in restricted funds that are designated to support Common Bond Fund issuances. The remainder of the net assets on the Authority's Statement of Net Assets is unrestricted.

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

Cleveland-Cuyahoga County Port Authority

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2007

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

The Authority's operations increased its net assets by $1.67 million in 2007. Key elements of these changes are summarized below:

	2007	2006
Operating revenues:		
Wharfage, dockage and storage	$ 1,129,824	$ 942,363
Property lease and rentals	1,973,482	2,059,031
Financing fee income	1,366,725	1,153,579
Foreign trade zone fees	395,000	430,000
Parking revenues and other	288,312	263,567
Total operating revenues	5,153,343	4,848,540
Operating expenses:		
Salaries and benefits	2,551,828	2,196,591
Professional services	1,351,225	1,345,704
Facilities lease and maintenance	830,748	805,275
Marketing and communications	210,329	548,613
Depreciation expense	1,213,860	1,197,205
Office expense	357,214	281,796
Other expense	219,936	332,551
Total operating expenses	6,735,140	6,707,735
Operating loss	(1,581,797)	(1,859,195)
Nonoperating revenues (expenses):		
Property tax receipts	3,316,311	3,324,337
Income from investments	1,007,887	904,382
Interest expense	(847,355)	(973,971)
Other - net	(230,954)	189,635
Total nonoperating revenues - net	3,245,889	3,444,383
Change in net assets before special item	1,664,092	1,585,188
Special item - loan loss	(1,102,500)	-
Change in net assets	561,592	1,585,188
Net assets - beginning of year	45,726,116	44,140,928
Net assets - end of year	$ 46,287,708	$ 45,726,116

***Operating Revenues**:* Collectively, total operating revenues increased to nearly $5.2 million, up from $4.8 million in 2006. A discussion of the components of operating revenues and the corresponding changes are as follows.

***Wharfage, Dockage, and Storage**:* These revenues are generated from Authority cargo movements and they collectively increased 20% from $942,400 in 2006 to approximately $1,130,000 in 2007. The increase in revenues was attributed to a $345,000 increase in wharfage revenues at CBT, despite a 32% reduction in tonnage at the facility. In December of 2002, an Amendment to the Lease and Operating Agreement with Oglebay Norton Terminals, Inc. was executed. The Lease Amendment provided for increased tonnage rates, beginning on April 1, 2007 and continuing until the lease expiration on March 31, 2017. As an offset to the increased tonnage rates, the base rental amount was reduced to approximately $283,000, from $725,000. The base rent portion of the lease with Oglebay Norton Terminals, Inc. (now part of Carmeuse Lime & Stone, Inc.) is recognized on a straight-line basis over the term of the lease as part of Property Lease and Rentals and was $379,000 for the year-ended 2007. Storage revenues increased at the Authority's international docks by $24,000, as the Terminal Operator did not include storage space in their new Operating Agreement, but required storage facilities throughout 2007. The increase in wharfage revenues at CBT and storage revenues were offset by a $182,000 or 29% reduction in dockage and wharfage revenues by the Authority's sole Terminal Operator. Decreased break-bulk cargoes, primarily related to the steel industry, declined due to weakening economic conditions.

***Property Lease and Rentals**:* The $86,000 or 4% decrease in property lease and rentals is entirely due to the restructuring of the Operating Agreement with the Authority's sole terminal operator, Federal Marine Terminals ("FMT").

In March of 2007, the Authority and the Terminal Operator (Federal Marine Terminals) entered into various Lease Agreements, which contained a Master Fixed Rental and Tonnage Assessment Schedule that covers all the Leases. The Agreement calls for a Fixed Rental of $435,000 per annum, as well as an additional $0.75 per ton Volume Sharing fee.

The new Agreements reduced the base rental amount due from FMT in exchange for a Tonnage Assessment Fee. Due to a 30% decline in tonnage at the docks leased by the Terminal Operator, the Authority received $87,000 less rental income from FMT than in 2006.

***Financing Fee Income**:* Development finance fees increased from $1.2 million in 2006 to $1.4 million in 2007. Development finance fee income is essentially earned in three ways: (1) closing fees, which are one-time fees charged on conduit and Bond Fund projects based on the amount financed 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. The Authority closed on 3 related, but separate, bond issuances for the Cleveland Clinic in 2007, resulting in $250,000 in closing fees. Additionally, the Authority received $352,500 in fees related to the Gospel Press project, which was financed via New Markets Tax Credits and not through Authority bonds or notes. Approximately $733,000 in financing fee income related to existing projects and the administrative fees associated with them, which was $19,000 increase over 2006. The remaining fees were application and acceptance fees, primarily from projects that are expected to close in 2008.

Foreign Trade Zone Income: Foreign trade zone fees declined by $35,000 in 2007 to $395,000 as 2 participants left the program in 2007 and no new participants were added.

Parking Revenues and other: These parking revenues, which total $270,000 in 2007, relate only to revenues which can be utilized by the Authority and are not associated with the CAM Agreement with NCH. These amounts remained consistent with their 2006 levels as a similar number of events were held at or near the Authority's facilities that are used for parking in 2007. Other income items include the Authority's administrative fee for NCH ($10,000) and rental of the Authority's heavy lift crane ($8,000).

Operating Expenses

Operating expenses increased approximately $27,000 (less than 1%) in 2007 compared to 2006. Salaries and benefits increased by $355,000 over their 2006 levels. In February of 2007, the Authority hired a new President and Chief Executive Officer. The Authority also hired additional communications staff for the majority of 2007 and the full-year effect of an additional hire in Development Finance in December of 2006 caused total salaries (and related OPERS and Medicare contributions) to increase by $308,000. The Authority incurred $42,000 in additional health care expenses in 2007, partly due to additional staff and also due to an 11% increase in health care insurance premiums, which took place in June of 2007. The remaining $6,000 increase related to higher costs related to worker's compensation coverage.

The remaining operating expenses represent the cost of operating the Authority which includes facilities lease and maintenance (includes maintenance of the port facilities and lease payments to the City of Cleveland for Docks 24-30), professional services (legal, insurance, etc.), marketing and communications, office expense, other expense (which includes employee business expenses, seminars and education, and Authority dues and memberships) and depreciation.

The increase in these operating expenses during 2007 is detailed below:

- Although Professional Services remained relatively consistent, there were significant changes in these line items compared to 2006. The Authority continued the Port Relocation Study, which is examining the feasibility of moving the international docks, current located downtown, to a new location. This expense totaled $349,000 in 2007, which was an increase of $30,000 over the previous year. Additionally, the Authority paid for another feasibility study, titled the "Port Competitiveness Study", which looked at the feasibility of bringing containerized cargo into the Great Lakes at a cost of $75,000. These increases were offset by a $55,000 decrease in legal expenses, as an arbitration case settled in 2006 did not exist in 2007. Additional decreases came from lower insurance, banking and audit expenses, totaling $14,000. An additional $15,000 decrease resulted from little activity as it relates to the Authority's Ferry Feasibility project, which is currently on-hold as the Canadian government examines the divestiture of certain ports.

- Facilities lease and maintenance expense increased by $25,000 over their 2006 levels. While the types of maintenance done to Authority facilities are relatively consistent from year to year, the Authority did spend an additional $23,000 on paving in order to patch some of the areas of the docks that needed improvement.

- Marketing and communication expenses decreased by $338,000 or 61% in 2007. Marketing and communications expenditures are largely a discretionary item and were scaled back as the Authority underwent the process of adopting a long-term strategic plan in 2007. In 2006, the Authority spent a significant amount of money on television advertisements, print ads and billboards promoting the Authority's maritime and development finance capabilities. These expenditures exceeded $250,000 in 2006 and were relatively non-existent in 2007. Additional savings of approximately $50,000 were realized from reduced sponsorships of area events and the elimination of the Authority's annual holiday party, which did not take place in 2007.

- Office expenses increased by $75,000 or 27% in 2007 as the Authority overhauled its information technology systems in May of 2007. A significant investment in upgraded software and computer equipment resulted in a $44,000 increase in technology expenditures over their 2006 levels. Additional increases of $18,000 related to increased utility bills and a scheduled rent increase for the Authority's office space at One Cleveland Center. The remaining increases were attributable to phone and data services, which increased by $7,000, as the Authority rolled out the utilization of mobile technology devices as part of the information technology upgrade and a $6,000 increase in office supplies.

- Other expenses decreased by $113,000 in 2007, primarily related to a $75,000 decrease in dues and memberships, as the Authority evaluated the various groups and associations in which the Authority belongs. There was an additional decrease of $21,000 in employee expenses and travel, as the Authority did less international travel than what took place in 2006. The remaining decrease of $17,000 related to less money spent on continuing education for employees.

Nonoperating Revenues (Expenses)

Net nonoperating revenues remained fairly consistent from 2006. The most significant changes were:

- ***Property tax receipts***: The largest portion of nonoperating revenues results from the Authority's .13 mil property tax levy. This amount remained relatively consistent with its 2006 levels as the millage relating to this levy did not change and property values and collection rates remained consistent with their 2006 levels.

- ***Income from investments:*** The $104,000 increase in this line item is due to several, mainly macroeconomic issues. The yield on the Authority's investment portfolio continues to improve as interest rates rose for the majority of 2007. The Authority changed their depository relationship to a different financial institution in 2006, and had their checking account indexed to LIBOR, rather than the Federal Funds Rate. LIBOR consistently outperformed the Federal Funds Rate throughout 2007. Additionally, as rates improve, the Authority realizes more income from their Bond Fund financing activities, where the Authority receives one-half of the interest on the borrower's monthly payments.

- ***Interest expense**:* The $127,000 decrease in interest expense results from a $61,000 decrease in interest expense relating to the Authority's 2002 Tax Anticipation Notes, which were retired in November 2006. An additional $47,000 decrease in interest expense resulted from the Authority issuing Refunding Revenue Bonds in March of 2007, relating to the Cleveland Bulk Terminal debt. These bonds are tax-exempt and have an interest rate (via a swap agreement) that is fixed at 4.83%. The previous bonds, issued in 2001, were taxable and carried a fixed rate of 5.81%. Additional decreases in interest expense of $19,000 were a result of the continued payment of principal on Authority related debt, thereby reducing annual interest costs.

- ***Other-net***: The $421,000 decrease in other-net non operating revenues and expenses relate to an accounting reclassification of revenues and expenses related to North Coast Harbor. In 2006 and in previous periods, the Authority showed the income and expenses of North Coast Harbor, even though the Authority simply acts as the financial agent and is not a participant of the Common Area Maintenance Agreement which governs North Coast Harbor. In order to reflect changes to the CAM, in 2007, the Authority booked $233,000 in accrued expenses that are potentially due to the CAM participants. This resulted in a other-net expense of $230,000, whereas in 2006, this resulted in an increase of net assets of $190,000.

- ***Special item**:* See Note 14 to the basic financial statements for information relating to the $1,102,500 Special Item relating to the anticipated loss of financing from the Myers University project.

Net Assets

The following chart details the Authority's net assets at December 31, 2007:

	2007	2006
Total	$ 46,287,708	$ 45,726,116

Total net assets increased by $562,000 (or less than 1%) in 2007. In 2007, the Authority generated approximately $1.7 million of the increase through their normal operating and nonoperating activities. This increase in net assets was reduced by a $1,102,000 Special Item as it relates to the anticipated loss from the Myers University financing.

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

After a disappointing cargo year in 2007 compared to 2006, the Authority expects a small rebound in tonnage-dependent revenues in 2008. Additionally, both the CBT and Terminal Operator Agreements have been restructured to become more tonnage dependent, so cargo is a more important driver of revenues than in previous periods. Revenues relating to Development Finance projects are expected to be at similar levels in 2008. Other revenues, such as parking revenues and Foreign Trade Zone fees are also expected to be consistent with previous periods. Investment income is expected to decline, as interest rates continue to drop and turbulent credit markets are reducing returns on safe investments, such as government agencies.

Contacting the Authority's Finance Department

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

Cleveland-Cuyahoga County Port Authority

Statement of Net Assets

December 31, 2007

Assets:	
Current assets:	
Cash and investments	$ 11,176,317
Accounts receivable	502,607
Interest receivable	72,031
Prepaid expenses	173,526
Property taxes receivable	3,300,000
Total current assets	15,224,481
Non-current assets:	
Capital assets:	
Land and land improvements	19,823,017
Buildings, infrastructures, and leasehold improvements	34,267,817
Equipment	814,489
Total	54,905,323
Less: accumulated depreciation	(11,813,724)
Net book value of capital assets	43,091,599
Restricted and other assets:	
Restricted cash and investments	6,341,246
Operating lease receivable	472,273
Debt issuance costs	443,045
Other	109,334
Total restricted and other assets	7,365,898
Total assets	65,681,978

(continued)

The notes to the basic financial statements are an integral part of this statement

Cleveland-Cuyahoga County Port Authority

Statement of Net Assets (continued)

December 31, 2007

Liabilities:	
Current liabilities:	
Accounts payable	$ 216,487
Accrued wages and benefits	241,819
Deferred income	3,523,058
Current portion of bonds to be repaid by the Authority:	
Cleveland Bulk Terminal Project	120,000
Port Capital Improvements (1999A Bonds)	235,000
Essroc (1997A Bonds)	80,000
State of Ohio 166 Loan	49,233
Total current liabilities	4,465,597
Current liabilities payable from restricted assets:	
Accounts payable	408,610
Accrued interest payable	72,003
Loan loss reserve	1,102,500
Total current liabilities payable from restricted assets	1,583,113
Other liabilities - including amounts relating to restricted assets:	
Deferred income	1,228,467
Revenue bonds and notes, net of current portion:	
Cleveland Bulk Terminal Project	5,260,000
Port Capital Improvements (1999A Bonds)	3,419,921
Essroc (1997A Bonds)	3,086,002
State of Ohio 166 Loan	351,170
Total other liabilities	13,345,560
Total liabilities	19,394,270
Net assets:	
Invested in capital assets, net of related debt	30,490,273
Restricted for debt service	4,554,318
Unrestricted	11,243,117
Total net assets	$ 46,287,708

The notes to the basic financial statements are an integral part of this statement

Cleveland-Cuyahoga County Port Authority

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended December 31, 2007

Operating revenues:	
Wharfage, dockage and storage	$ 1,129,824
Property lease and rentals	1,973,482
Financing fee income	1,366,725
Foreign trade zone fees	395,000
Parking revenues	269,962
Other	18,350
Total operating revenues	5,153,343
Operating expenses:	
Salaries and benefits	2,551,828
Professional services	1,351,225
Facilities lease and maintenance	830,748
Marketing and communications	210,329
Depreciation expense	1,213,860
Office expense	357,214
Other expense	219,936
Total operating expenses	6,735,140
Operating loss	(1,581,797)
Nonoperating revenues (expenses):	
Property tax receipts	3,316,311
Income from investments	1,007,887
Interest expense	(847,355)
Other - net	(230,954)
Total nonoperating revenues (expenses)	3,245,889
Change in net assets before special item	1,664,092
Special item - loan loss	(1,102,500)
Change in net assets	561,592
Net assets - beginning of year	45,726,116
Net assets - end of year	$ 46,287,708

The notes to the basic financial statements are an integral part of this statement

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows

For the Year Ended December 31, 2007

Operating activities:	
Receipts from customers	$ 5,983,714
Payments to suppliers for goods and services	(3,500,314)
Payments to employees	(1,957,988)
Payments of employee benefits	(579,887)
Net cash used in operating activities	(54,475)
Noncapital financing activities:	
Net proceeds from property tax collections	3,316,311
Other nonoperating expenses	(191,907)
Net cash provided by noncapital financing activities	3,124,404
Capital and related financing activities:	
Bond issuance	5,470,000
Issuance costs paid	(94,071)
Principal paid on debt	(5,927,306)
Interest paid on debt	(741,106)
Acquisition and construction of capital assets	(646,663)
Net cash used in capital and related financing activities	(1,939,146)
Investing activities:	
Purchase of investment securities	(14,670,036)
Proceeds from sale and maturity of investment securities	16,879,408
Interest on investments	960,083
Net cash provided by investing activities	3,169,455
Net increase in cash and cash equivalents	4,300,238
Cash and cash equivalents - beginning of year	2,677,677
Cash and cash equivalents - end of year	$ 6,977,915

(continued)

The notes to the basic financial statements are an integral part of this statement

Cleveland-Cuyahoga County Port Authority

Statement of Cash Flows (continued)

For the Year Ended December 31, 2007

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (1,581,797)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,213,860
Changes in assets and liabilities:	
Accounts receivable	554,301
Operating lease receivables	40,990
Prepaid expenses and other assets	13,470
Accounts payable	(431,104)
Deferred income and other	64,640
Accrued wages and benefits	71,165
Net cash used in operating activities	$ (54,475)
Reconciliation cash and investments reported on the Statement of Net Assets to cash and cash equivalents reported on the statements of cash flows:	
Statement of Net Assets cash and investment amounts:	
Included in current assets	$ 11,176,317
Included in restricted and other assets	6,341,246
Total	17,517,563
Investments included in the balances above that are not cash equivalents	(10,539,648)
Cash and cash equivalents reported in the statements of cash flows	$ 6,977,915
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	$ (69,769)
Amortization of bond issuance costs on debt issues Classified as interest expense	$ 57,208

The notes to the basic financial statements are an integral part of this statement

Cleveland-Cuyahoga County Port Authority

Statement of Fiduciary Net Assets
Fiduciary Funds (in thousands)

December 31, 2007

Assets:		
Cash and cash equivalents	$	126,385
Notes and loans receivable		485,890
Financing lease receivable		33,422
Capital assets, net of accumulated depreciation		119,142
Total assets	$	764,839
Liabilities:		
Revenue bonds and notes payable	$	764,839

The notes to the basic financial statements are an integral part of this statement

Note 1 Summary of Significant Accounting Policies

Definition of Entity and Basis of Accounting - The accompanying financial statements of the Cleveland-Cuyahoga County Port Authority (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 Government Accounting Standards Board ("GASB"). The Authority has no component units.

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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the GASB.

Basis of Presentation - The Authority's basic financial statements consist of a statement of net assets, statement of revenue, expenses and changes in net assets, statement of cash flows, and statements of fiduciary net assets. 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 assets, 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. Fiduciary fund reporting focuses on net assets and changes in net assets. 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 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.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. 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.

Note 1 Summary of Significant Accounting Policies (continued)

Conduit Debt **-** As part of its efforts to promote economic development within northeastern Ohio, over the past several years, 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 Assets.

Investments **-** 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 fixed assets over their estimated useful lives 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 deferred and recognized as interest cost over the period the related debt is outstanding using the interest method.

Interest Cost **-** Interest cost incurred by the Authority in connection with a construction project which 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. There is no liability for unpaid, accumulated sick leave since employees do not receive payment for unused sick time. Employees accrue vacation monthly based on years of service. Unused vacation leave may be carried forward a maximum of two years; 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.

Note 1 Summary of Significant Accounting Policies (continued)

Nonexchange Transactions - GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues (an amendment of GASB Statement No. 33*), establish accounting and financial reporting standards which address when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving value in return. Cash received or receivables recognized with respect to property taxes, grants and other nonexchange transactions that do not meet the revenue recognition criteria under GASB Statement Nos. 33 and 36 are recorded as deferred income.

The Authority records a receivable and deferred income for the estimated amount of property taxes that has been levied for the Authority during the year but will not be received and available for appropriation by the Authority until the succeeding year.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 assets are 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 assets for debt service, none of which is restricted by enabling legislation. The Authority applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

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

Lease Accounting - The Authority classifies leases at the inception of each lease in accordance with Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, except for leases which 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 which 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 deferred income in the accompanying statement of net assets.

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.

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, and investing activities.

Extraordinary and Special Items – Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Authority and that are either unusual in nature or infrequent in occurrence. The Authority recorded a special item during 2007; see Note 14 for further discussion.

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

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

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 capital expenditures and amounts charged to individual expense categories to exceed their respective appropriations without amendment of appropriations by the Board of Directors.

New Accounting Standards – During 2007, the Authority implemented GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. GASB Statement No. 43 establishes uniform financial reporting standards for Other Postemployment Benefit (OPEB) plans and supersedes guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The standards in Statement No. 43 apply to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties that administer them. The implementation of this Statement had no impact on the Authority's financial statements or disclosures.

GASB Statement No. 48 establishes criteria for ascertaining whether certain transactions should be regarded as sales or collateralized borrowings. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006. The implementation of this Statement had no impact on the Authority's financial statements or disclosures.

Comparative Data/Reclassifications **-** Prior year data presented in Management's Discussion and Analysis has been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2006 financial statements in order to conform to the 2007 presentation.

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, 2007 the carrying amounts of the Authority's deposits were $6,796,427 and the related bank balances were $7,260,940 of which $100,000 were covered by federal depository insurance and $7,160,940 were 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 which 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 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.

***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 5 years or less, which is in accordance with Ohio law. All of the Authority's investments at December 31, 2007 have effective maturity dates of less than 5 years.

***Credit Risk* -** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policies authorize investments obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest bearing demand or time deposits, State Treasury Asset Reserve of Ohio ("Star Ohio"), 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. Star Ohio is an investment pool created pursuant to Ohio statutes and is managed by the Treasurer of the State of Ohio.

Note 2 Deposits and Investments (continued)

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.

The following table presents fair value, length of maturity and the credit ratings of the Authority's investments at December 31, 2007:

Investment Type	Fair Value	AAA and A-1	Less than 1 year	1 to 5 Years	Percentage of Investments
Money market fund	$ 181,488	$ 181,488	$ 181,488	$ -	2%
Commercial paper	4,365,510	4,365,510	4,365,510	-	41
Federal Home Loan Bank obligations	3,974,500	3,974,500	900,124	3,074,376	37
Federal Home Loan Mortgage Corporation obligations	799,508	799,508	399,464	400,044	7
Federal National Mortgage Association obligations	1,400,130	1,400,130	1,300,067	100,063	13
Total	$ 10,721,136	$ 10,721,136	$ 7,146,653	$ 3,574,483	100%

Deposits and investments of approximately $126,385,000 relating to the conduit debt were held by trustees and other third parties at December 31, 2007.

Note 3 Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance at January 1, 2007	Additions	Deletions	Balance at December 31, 2007
Capital assets not being depreciated:				
Land and land improvements	$ 19,823,017	$ -	$ -	$ 19,823,017
Construction in progress	38,872	-	(38,872)	-
Total capital assets not being depreciated	19,861,889	-	(38,872)	19,823,017
Capital assets being depreciated:				
Buildings, infrastructures and leasehold improvements	33,638,887	628,930	-	34,267,817
Equipment	757,883	56,606	-	814,489
Total capital assets being depreciated	34,396,770	685,536	-	35,082,306
Less accumulated depreciation:				
Buildings, infrastructures and leasehold improvements	10,231,999	1,108,487	-	11,340,486
Equipment	367,865	105,373	-	473,238
Total accumulated depreciation	10,599,864	1,213,860	-	11,813,724
Total capital assets being depreciated, net	23,796,906	(528,324)	-	23,268,582
Capital assets, net	$ 43,658,795	$ (528,324)	$ (38,872)	$ 43,091,599

Note 4 Retirement and Postemployment 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 (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.50 percent of their annual covered salary to fund pension obligations. The Authority contributed 13.85 percent of covered payroll, of which 5.00 to 6.00 percent was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans (excluding the amount relating to postretirement benefits) for the years ended December 31, 2007, 2006, and 2005 were $154,892, $158,425 and $153,205, respectively, equal to the required contributions for each year. The full amount has been contributed for all three years and includes contributions for a single employee who is paid for by the CAM participants at NCH, but is considered a public employee.

Postemployment Benefits **-** OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by the Retirement System meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. The 2007 employer contribution rate was 13.85 percent of covered payroll; 5.00 percent from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007 were the portions that were used to fund health care.

Note 4 Retirement and Postemployment Benefit Plans (continued)

Benefits are advance-funded on an actuarially determined basis. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 5.00 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12.00 percent corridor.

At December 31, 2007, the number of active contributing participants in the Traditional and Combined Plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The Authority's actual contributions for 2007, 2006 and 2005, which were used to fund postemployment benefits, were $99,912, $77,490 and $64,170, respectively. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were $12.0 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were $30.7 billion and $18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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, public utility and tangible (used in business) property located in Cuyahoga County. The 2006 levy (collected in 2007) was based upon an assessed valuation of approximately $31.7 billion. The current levy will be collected through fiscal year 2008. In November of 2007, the voters of Cuyahoga County approved a renewal of the Authority's .13 mill property tax levy. The levy is effective commencing in 2008 and first due for collection in calendar year 2009, continuing for 5 years through 2012 for collection in calendar year 2013.

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 Auditor at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). Tangible personal property is assessed at 25% of the true value of the property.

Note 5 Property Taxes (continued)

Beginning in 2006, personal property taxes will be reduced 25% per year for each of the next four years through 2009 at which point the tax will be eliminated. Telephone companies will switch from being public utility to general business taxpayers beginning in 2007. Over the next five years beginning in 2007, telephone property will phase out and be eliminated from taxation in 2011. The revenue from the personal property tax will be reimbursed to the local governments beginning in 2006 from a new Commercial Activity Tax (CAT) collected by the State of Ohio. The Authority does not expect to suffer any significant negative impact in its tax receipts over the next five years as a result of this change. The County Treasurer 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 Auditor 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 North Coast Harbor

Effective June 1, 1996, the Authority entered into an agreement known as the Common Area Maintenance ("CAM") Agreement with the City of Cleveland ("City"), Rock and Roll Hall of Fame and Museum and the Great Lakes Museum of Science, Environment and Technology ("Great Lakes Museum") pertaining to the City's waterfront area and related facilities known as North Coast Harbor ("NCH"). The purpose of the CAM Agreement is to provide for the ongoing operation, maintenance, insurance and security of the common areas of the NCH. Currently, the CAM participants are the Great Lakes Science Center, the Rock and Roll Hall of Fame and Museum, the Cleveland Browns, the Goodtime III (a passenger touring boat), and the Steamship William G. Mather Museum. Common area maintenance is funded through the contributions of the CAM participants as defined under the CAM Agreement and the cash and investments held pursuant to the CAM Agreement are classified as restricted assets in the accompanying statement of net assets. Assets and liabilities of NCH are reflected on the Authority's Statement of Net Assets and income and expense items are reflected in "Other - net". In 2008, revenues and expenses will have no effect on the Authority's income statement, other than a small administrative fee.

Note 7 Long-Term Obligations

Changes in the Authority's long-term obligations for the year ended December 31, 2007 are as follows:

	Balance January 1, 2007	Increase	Decrease	Balance December 31, 2007	Due Within One Year
State of Ohio 166 Loan	$ 447,709	$ -	$ (47,306)	$ 400,403	$ 49,233
Cleveland Bulk Terminal Project	5,422,243	5,532,757	(5,575,000)	5,380,000	120,000
Essroc (1997A)	3,240,558	5,444	(80,000)	3,166,002	80,000
Port Improvements (1999A)	3,878,353	1,568	(225,000)	3,654,921	235,000
Total	$ 12,988,863	$ 5,539,769	$ (5,927,306)	$ 12,601,326	$ 484,233

Note 7 Long-Term Obligations (continued)

***Port Improvements 1999(A)* -** 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 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 debt service on the Series 1999A Bonds is paid by the Authority directly to the Bond Fund trustee.

The bonds outstanding at December 31, 2007 are payable as follows:

Year	Principal	Interest	Total
2008	$ 235,000	$ 193,903	$ 428,903
2009	250,000	181,003	431,003
2010	265,000	167,431	432,431
2011	275,000	153,053	428,053
2012	295,000	138,003	433,003
2013 – 2017	1,730,000	431,478	2,161,478
2018 – 2019	615,000	33,325	648,325
Total payments	3,665,000	$ 1,298,196	$ 4,963,196
Unamortized original issue discount	(10,079)		
Total	$ 3,654,921		

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

See Notes 8, 9 and 10 for additional information on the State of Ohio 166 Loan, Cleveland Bulk Terminal and the Essroc Project (1997A Bonds and Lease), respectively.

Note 8 State of Ohio 166 Loan

In January 2000, the Authority received the proceeds of a $725,000 State of Ohio 166 Loan to reimburse the Authority for a portion of the $2 million cost of the acquisition of approximately 15 acres of land adjacent to the Cuyahoga River, commonly referred to as the Old River Property. Six acres were subsequently leased to a private business under an operating lease.

The loan bears interest at the rate of 4.25% per annum, and is payable in 180 consecutive monthly installments of $5,363 (including interest) through 2015. The loan is secured by an assignment of the six acre lease, and is payable from the operating funds of the Authority.

The loan outstanding at December 31, 2007 is payable as follows:

Year	Principal	Interest	Total
2008	$ 49,233	$ 15,120	$ 64,353
2009	51,239	13,114	64,353
2010	53,326	11,027	64,353
2011	55,499	8,854	64,353
2012	57,760	6,593	64,353
2013 – 2014	133,346	6,084	139,430
Total payments	$ 400,403	$ 60,792	$ 461,195

A Second Amended and Restated Lease were executed in March of 2006. The future base rental payments required under the Lease are as follows:

Year	Amount
2008	$ 80,363
2009	82,774
2010	85,257
2011	87,815
2012	90,449
2013 – 2017	494,614
2018 – 2022	573,393
2023 – 2027	264,994
2028 – 2032	241,409
2033 – 2037	143,920
Total	$ 2,144,988

During 2007, the Authority recorded $72,160 of rental income (on a straight-line basis) under the Lease.

Note 9 Cleveland Bulk Terminal

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

The Authority has 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. As a result, the original bonds are considered defeased and were removed from the Authority's Statement of Net Assets in 2001. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $582,550. This difference, previously reported on the Statement of Net Assets as a deduction from bonds payable, was charged to operations through the year 2007 using the effective-interest method. At December 31, 2007, the difference had been fully amortized.

On March 1, 2007, the Authority issued $5,470,000 in Multi-Mode Variable Rate Refunding Revenue Bonds, Series 2007 ("Refunding Bonds") in relation to the Cleveland Bulk Terminal (CBT) project. The proceeds of the bonds were used to refund the Authority's Taxable Variable Rate Refunding Bonds, Series 2001. The Series 2007 Bonds are tax-exempt, whereas the 2001 Bonds were taxable, as those proceeds were to defease bonds issued in 1997 used to acquire the Cleveland Bulk Terminal. The Bonds are secured by an irrevocable direct pay letter of credit, which expires on March 1, 2012, 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 1, 2012, provides assurance that funds will be available through the financial institution to redeem any non-marketable bonds prior to their maturity.

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

In addition, Oglebay Norton Company ("ONC"), the parent company of Oglebay Norton Terminals, Inc., entered into a Guaranty Agreement to guarantee the base rent under the Lease which was extended on December 16, 2002. Under the Guaranty Agreement, ONC guaranteed the payments of what was defined as Base Rent and Additional Rent under the Lease.

In November of 2007, the shareholders' of Oglebay Norton Company 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.

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 rate on the Refunding Bonds was 3.58% on December 31, 2007. 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 2007 and the other remains in place until 2017. 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. The notional amount of the swaps at December 31, 2007 approximated the outstanding balance on the Refunding Bonds.

The bonds outstanding at December 31, 2007, 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
2008	$ 120,000	$ 256,798	$ 376,798
2009	140,000	250,833	390,833
2010	140,000	244,090	384,090
2011	145,000	236,862	381,862
2012	155,000	234,468	389,468
2013 – 2017	895,000	1,032,690	1,927,690
2018 – 2022	1,120,000	788,912	1,908,912
2023 – 2027	1,435,000	487,229	1,922,229
2028 – 2031	1,230,000	115,099	1,345,099
Total payments	$ 5,380,000	$ 3,646,981	$ 9,026,981

Note 9 Cleveland Bulk Terminal (continued)

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
2008	$ 282,783
2009	282,783
2010	282,783
2011	282,783
2012	282,783
2013 – 2017	1,191,946
Total	$ 2,605,861

During 2007, the Authority recorded $378,782 of rental income (on a straight-line basis) under the Lease. In addition, the cost and carrying amount of the Authority's property subject to this Lease at December 31, 2007 was $13.8 million and $12.7 million, respectively.

Note 10 Essroc Project (1997A Bonds)

In 1997, the Authority issued $3,975,000 of Development Revenue Bonds through the Authority's Bond Fund Program. The bonds were issued tax-exempt, mature on May 15, 2017 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 certain real property and bulkheading located on Dock 20 from the Authority.

The bonds outstanding at December 31, 2007 are payable as follows:

Year	Principal	Interest	Total
2008	$ 80,000	$ 185,753	$ 265,753
2009	90,000	181,009	271,009
2010	90,000	175,834	265,834
2011	100,000	170,515	270,515
2012	100,000	164,765	264,765
2013 – 2017	615,000	727,081	1,342,081
2018 – 2022	815,000	524,899	1,339,899
2023 – 2027	1,345,000	244,325	1,589,325
Total payments	3,235,000	$ 2,374,181	$ 5,609,181
Unamortized original issue discount	(68,998)		
Total	$ 3,166,002		

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

As additional security, the Authority has agreed that the amount of "Available Moneys" (as defined in the Series 1997A 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 1997A Bonds.

The Series 1997A 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 $2.5 million, respectively, at December 31, 2007. Essroc has also agreed in the Ground Lease and Operating Agreement to pay the Authority certain land rentals, improvement rentals (relating to the original improvement of the property) and dockage and wharfage fees. The future minimum rental payments to be received under the Ground Lease and Operating Agreement, which is accounted for as an operating lease, are as follows (assuming no annual CPI increase):

Year	Amount
2008	$ 396,600
2009	400,725
2010	396,113
2011	399,633
2012	394,417
2013 – 2017	1,983,046
2018 – 2022	1,970,966
2023 – 2027	1,810,665
Total	$ 7,752,165

During 2007, the Authority recorded $263,509 of rental income (on a straight-line basis) under the Improvement Rental under the Ground Lease and Operating Agreement. The Authority recognized an additional $126,666 in rental income attributable to the Land Rental portion of the Ground Lease and Operating Agreement.

Note 11 Other Leases

Authority as Lessee **-** The Authority leases various docks from the City of Cleveland (the "City"). On August 15, 2004, the Authority returned Dock 32 to the City and, in October 2004, the lease agreement was amended to reduce the Authority's annual rental payments from $500,000 to $400,000 through the expiration of the lease in December 2028. Under the amended lease, the City has the right to remove Dock 30, and a portion of Dock 28 from the lease upon five years written notice. If either of these docks were returned to the City, the annual rental payments required under the lease would be reduced based on the number of square feet eliminated from the lease. The maximum reduction in the annual lease payments would aggregate $150,000 if both of these docks were returned to the City. Rental expense in 2007 under the operating lease with the City was $400,000.

Note 11 Other Leases (continued)

The Authority has leased office space at One Cleveland Center since January 2000. Pursuant to a lease agreement with MRI Asset Management, L.L.C., the Authority leased 8,798 square feet of office space at a base rental expense of $175,287 for 2004. In early 2005, the Authority amended the lease agreement to expand into an adjacent 1,929 square feet of office space and to extend the lease to January 14, 2009. The annual future base rentals (including the 2005 amendment) are $209,000 in 2008.

Authority as Lessor - The Authority subleases a portion of the property leased from the City of Cleveland, specifically known as Docks 24 and 26. Total rental income from these operating leases, which expired on March 31, 2007, amounted to $95,324 for the year ended December 31, 2007.

The Authority is also the lessor of certain real property under operating leases which also expired on March 31, 2007. Total rental income from these leases amounted to $129,015 for the year ended December 31, 2007.

Effective April 1, 2007, the Authority entered into several Lease Agreements for docks and warehouses owned by the Authority or leased from the City of Cleveland. Rather than assigning specific rents to the different properties, the Authority and the Terminal Operator agreed to a Master Fixed Rental and Tonnage Assessment Schedule for the period April 1, 2007 through March 31, 2008 that cover docks and warehouses both subleased by the Authority from the City of Cleveland and owned by the Authority. The Terminal Operator is required to pay the Authority $435,000 in base rentals over the 12-month period and an additional $0.75 per ton handled by the Terminal Operator across the docks. In 2007, the Authority recognized $315,000 in base rental income from the new Lease Agreements and $275,433 in income associated with the Tonnage Assessment Schedule.

In total, the Authority recognized $814,772 in rental income from property leased or subleased to the Terminal Operator. The future fixed rentals the Authority is scheduled to receive under the new Lease Agreements, via the Master Fixed Rental and Tonnage Assessment Schedule total $120,000, all of which are due in 2008. On April 1, 2008, the Lease Agreement with the Terminal Operator was entered into under the same terms as the Agreement referenced above.

Effective April 1, 2005, the Authority entered into an Operating Agreement for approximately 6 acres of property commonly referred to as Dock 20 and directly north of property leased by Essroc. The Agreement automatically renews for one-year terms until March 31, 2010 and is subject to an annual CPI increase. The Authority recorded approximately $219,150 in rental income from this agreement in 2007.

Note 12 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 acts of God. 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.

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.
Settled claims have not exceeded the Authority's commercial insurance coverage for any of the past three years.

Note 13 No-Commitment Debt

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

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

The Common Bond Fund Program 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 ten percent 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 Common Bond Fund Program are reflected on the Authority's Statement of Net Assets as the Authority is ultimately liable for both bond issuances. Additionally, approximately $4.1 million (Program Development Fund and Program Reserve Fund) in restricted cash and investments are also shown on the Authority's Statement of Net Assets, which primarily represents the Authority's initial investment in the Program and associated interest earnings. 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.

Additionally, in 2004, the Authority's Board of Directors began establishing an Auxiliary Reserve which could be utilized in the event of a default. As of December 31, 2007, the Reserve had a balance of approximately $1.3 million, which is shown as restricted cash and investments on the Authority's Statement of Net Assets. The Auxiliary Reserve is Board-restricted and is not part of the Trust Indenture which governs the Common Bond Fund Program

Note 13 No-Commitment Debt (continued)

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 Net Assets.

The primary reserve deposits, which totaled $9.9 million at December 31, 2007, 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 is maintained to collateralize all of the obligations outstanding under the Program. The Program Reserve at December 31, 2007 was composed of a $4.1 million cash reserve and a $9 million irrevocable, nonrecourse letter of credit from a financial institution, which expires on March 1, 2014.

In January of 2008, Fitch Ratings affirmed their 'BBB+' rating on the Common Bond Fund Program, but revised their Rating Outlook to Negative from Stable. The Outlook revision was a result of uncertainty surrounding Myers University (discussed in Note 13) and economic pressures throughout the region that could negatively affect other borrower's in the portfolio.

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

Conduit Financings - Conduit Financings represent bonds and notes issued for project financings which are collateralized by the related amounts to be received under leases and loan agreements with properties 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 Conduit Financing obligations, and as such the related assets and liabilities to the extent of asset balances are reported in the statement of fiduciary net assets. The aggregate amount of outstanding debt for the Common Bond Fund Program was $77,205,000 (excluding the 1997A and 1999A bonds that are obligations of the Authority) and Conduit Financing Obligations was $687,634,461 as of December 31, 2007.

In both programs, the debt is secured by the property financed, 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 Assets.

Note 14 Myers University

At December 31, 2007, one of the issuances through the Common Bond Fund Program was for Myers University, an organization that has negative working capital and has recently been experiencing significant operating losses. On December 1, 2006, the organization made an unscheduled draw on a $300,000 credit enhancement which helped secure the bonds. The draw was replenished on December 13, 2006. A second unscheduled draw occurred on May 1, 2007, which was again replenished on June 15, 2007. On May 29, 2007, the $300,000 credit enhancement that was held by another financial institution was transferred to the Trustee for the Common Bond Fund Program. In addition, the Trustee holds the Primary Reserve Fund in the amount of $572,500. The Bonds are further secured by a first mortgage on the property that was acquired and improved with the proceeds of the Bond Fund financing.

An action was filed on December 10, 2007 in the Cuyahoga County Common Pleas Court by certain donors and former trustees of Myers University who sought to prevent the University from closing. An emergency motion for temporary restraining order was granted on December 12, 2007, keeping Myers University open as an operating entity. As part of that order, the Court also appointed a Special Master and issued a restraining order limiting the disbursement or transfer of funds or accounts of the University without prior approval of the Court. The Court subsequently extended the tenure of the Special Master who remains in control of Myers University.

Since December 31, 2007, Myers University has made its monthly payments of interest due on the Bonds as provided in the Loan Agreement with the Authority. During this time, the Special Master has sought an infusion of capital or an alternate buyer of Myers University to continue its operation.

On February 16, 2008, the Authority moved to intervene in court action and such intervention was granted.

Subsequently, an Offer in principal to purchase substantially all of the assets of the University was entered into between the University/Special Master and a newly formed entity named “Myers 160”, and was later approved by the Court. The purchaser is now conducting due diligence prior to closing. The total consideration for the purchase is $5,250,000, through a combination of cash considerations and a secured note.

Because the total consideration represents less than the total debt owed by the University to various creditors, the Authority believes that the net proceeds realized by the Authority from the sale will not be sufficient to pay off the outstanding principal on the 2004E bonds. Because of this anticipated shortfall, the Authority has recorded an estimated loan loss reserve of $1,102,500 and a corresponding charge on the Statement of Revenues, Expense and Net Assets. The Authority believes that the Bond Fund Program’s system of cash reserves and the Authority’s Auxiliary Reserve would be sufficient to insure the timely repayment of the related bonds issued under the program.

Note 15 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 was able to obtain an allocation of new market tax credits in 2004. 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 the New Market Tax Credit Program, but receives certain fees and other monies from investments made by NEODF and related organizations under the program. The Authority recognized fees under the program of $352,532 during the year ended December 31, 2007 from tax credit investments made by NEODF and related organizations.

Note 16 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 and others has been working for the past several years with Scott Wolstein, through Flats East Development LLC ("Developer"), on a major redevelopment project in the City of Cleveland known as the Flats East Bank Project. This is an approximately $500,000,000 redevelopment of the East Bank of the Flats in Cleveland, Ohio which will include a residential and commercial development contemplated to include for-sale and rental residential units, supporting retail and commercial office development, parking facilities and other public improvements including streets, sidewalks, street lights, public utilities, a promenade along the Cuyahoga River, public park, marina and other public spaces (the "Project").

In order to facilitate the implementation of the property acquisition phase of the Project, in November 2005, the Authority entered into an Agreement for Acquisition, Disposition and Redevelopment of Property ("Acquisition Agreement") with the Developer. The Acquisition Agreement provides that the Authority obtain appropriate appraisals, title and other relevant information and negotiate with the various landowners for the purchase of the property to be acquired for the Project which the Developer has not acquired. The Developer deposited a letter of credit in escrow with a title company, for the benefit of the Authority, for the appraised value of the properties to be acquired. If the Authority was unable to negotiate the purchase of the needed properties, the Authority then commenced eminent domain proceedings to acquire the property. On May 23, 2006, the first of such actions was filed.

Since there are federal funds allocated to the Project, the Developer and the Authority are required to comply with federal law, including the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (the "Relocation Act"). In order to comply with the Relocation Act, the Authority is required to follow certain guidelines relating to property acquisition which include the retention of a relocation consultant and an appraiser, which it has done. All acquisition costs, including relocation experts and appraisers, are to be paid by the Developer pursuant to the Acquisition Agreement.

Note 16 Flats East Bank Project (continued)

Additionally, the City of Cleveland, the Authority and the Developer negotiated and executed 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.

The Development Agreement references a piece of property, commonly referred to as the "Loop" site. The Developer has an option to purchase the approximately 3 acres parcel under 2 circumstances. If the "Loop" is developed to house the commercial offices of the Federal Defense Finance and Accounting Service (DFAS), the developer shall be conveyed the site for nominal consideration. If DFAS does not occupy the site, then the purchase price shall be an amount mutually agreeable to the Authority and the Developer. In 2007, the Developer and the Authority began negotiations on the "Loop" site, plus additional property north of the Loop, for a tenant other than DFAS. It is expected that any sale of current Authority property would result in a significant gain on any disposition of real estate.

In 2007, the Authority paid $2.5 million in expenses related to the Flats East Bank project, all of which was paid by the Developer. Additionally, the Authority had $117,000 of accounts payable associated with the transaction and booked a corresponding receivable that was due from the Developer as of December 31, 2007.

In 2007, the Authority negotiated agreements to purchase properties from Flats East Bank property owners with title transferring to the Developer immediately after the Authority's acquisition. Settlement negotiations and court proceedings with remaining property owners continued in 2007.

During 2007, settlement agreements were reached with all remaining property owners in the appropriation action filed by the Authority. All settlement costs and the cost of litigation are being paid by the Developer, which obligation is secured by a Letter of Credit to the Authority.

To date, all of the property acquisitions have occurred and property ownership for the entire site is in the title of the Developer, except for one parcel upon which the Authority has an option to purchase. It is anticipated that the option to purchase will be exercised in 2008 and the final property will be transferred to the Developer of the Project.

Note 17 Subsequent Events

In April of 2008, the Authority issued $16,000,000 in Variable Rate Educational Facility Revenue Bonds for Laurel School, an independent, college preparatory day school for girls with two campuses in Northeast Ohio. The proceeds from the bonds issuance will be used to 1) refinance the Series 2004 bonds issued by the Authority for Laurel School; 2) to finance the construction of a new physical fitness and wellness center and renovation; and 3) to finance the completion of other capital improvements. The bonds are secured by an irrevocable, direct pay letter of credit issued by a local financial institution and are classified as "conduit debt" for the Authority's reporting purposes.

Note 17 Subsequent Events (continued)

In May of 2008, the Board of Directors of the Authority formally pledged $1.3 million of the Authority's Auxiliary Reserve to the Common Bond Fund Program in order to increase the Authority's capacity to continue to issue bonds under the Program. The pledge will remain in place until the 2004E bonds are called, redeemed, defeased or assumed and until the Authority maintains sufficient reserves in order to maintain a "BBB+" rating, from Fitch Ratings, for the Program.

Cleveland-Cuyahoga County Port Authority

Common Bond Funds

For the Year Ended December 31, 2007

The following are the approximate balances held and the principal amount of outstanding Common Fund Bonds as of December 31, 2007:

SERIES	Contracting Party	Original Bond Amount	Outstanding Principal Balance	Primary Reserve Balance	Final Maturity
1997A	Essroc /Port Authority (1)	$ 3,795,000	$ 3,235,000	$ 366,641	5/15/2027
1998A	Jergens	5,720,000	3,795,000	572,000	5/15/2018
1998B	NOACA	3,345,000	2,255,000	324,472	5/15/2018
1999A	Port Authority (1)	5,230,000	3,665,000	520,385	5/15/2019
1999B	Universal Heat	1,480,000	715,000	148,000	11/15/2014
2000B	RITA	5,000,000	2,290,000	500,000	11/15/2010
2001A	CEOGC	4,440,000	3,090,000	444,000	5/15/2016
2001B	Cleveland Bottle	1,500,000	1,240,000	150,000	11/15/2021
2002A	CATS	2,090,000	1,775,000	209,000	5/15/2022
2002C	CCH	5,130,000	4,415,000	513,000	5/15/2022
2003A	Centaur/Heidtman Steel	4,250,000	2,865,000	425,000	5/15/2013
2004A	Luigino's	5,000,000	4,320,000	500,000	5/15/2019
2004B	City of Cleveland	2,965,000	2,045,000	296,500	5/15/2030
2004C	Tru-Fab	1,060,000	960,000	106,000	11/15/2023
2004D	Garfield Heights	8,850,000	8,850,000	885,000	5/15/2023
2004E	Myers University	5,725,000	5,725,000	572,500	5/15/2025
2005A	Goodyear	4,125,000	3,455,000	412,500	5/15/2014
2005B	Fairmount Montessori	3,375,000	3,280,000	337,500	5/15/2025
2005C	Avery Dennison	6,000,000	6,000,000	600,000	11/15/2015
2005D	Columbia National Group	6,020,000	5,570,000	602,000	5/15/2020
2006A	Cleveland Cavaliers	9,500,000	9,500,000	950,000	5/15/2026
2006B	City of Perrysburg	5,060,000	5,060,000	506,000	11/15/2035
Total		$ 99,660,000	$ 84,105,000	$ 9,940,498	

Summary of Reserves:	
Primary Reserve Funds	$ 9,940,498
Program Development Fund (2,3)	3,911
Program Reserve (3)	4,111,729
Program Reserve LOC	9,000,000
Total Reserve Funds	$ 23,056,138
Total Reserves / Outstanding Bonds	27.41%

(1) Assets and liabilities associated with these issuances are reflected on the Authority's Statement of Net Assets

(2) One-half the monies in the Program Development Fund are transferred to the Authority for its general purposes in June and December of each year as long as no deficiency 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 Assets.

Cleveland-Cuyahoga County Port Authority

Non-Bond Fund Issuances

For the Year Ended December 31, 2007

The following are the listing of non-Bond Fund debt issuances undertaken by the Authority for which there is still principal outstanding as of December 31, 2007:

	Non-Bond Fund Debt Issuances	Year	Type of Debt Issued	Original Issuance	Principal Outstanding
1	Applied Industrial Technologies	1996	Revenue Bonds	$ 18,835,000	$ 14,201,477
2	Metro Health	1999	Revenue Notes (Public Improvements)	10,973,006	10,973,006
3	University Square	2001	Revenue Bonds (Special Assessment)	40,600,000	40,600,000
4	TRW Automotive	2003	Governmental Loan	650,000	364,707
5	Carnegie/96th Research Building LLC	2003	Revenue Bonds	32,000,000	31,400,000
6	Euclid/93rd Garage and Office LLC	2003	Revenue Bonds	48,415,000	45,580,000
7	Rock and Roll Hall of Fame	2004	Refunding Revenue Bonds	18,555,000	11,965,000
8	OSF Properties	2004	Taxable Development Revenue Bonds	16,000,000	13,913,000
9	Laurel School	2004	Variable Rate Educational Facility Revenue Bonds	10,000,000	9,175,000
10	City of Brecksville	2004	Tax-Exempt Revenue Bonds	2,195,000	1,685,000
11	RITA (2)	2004	Development Revenue Bonds	20,990,000	19,530,000
12	Swagelok	2004	Taxable Development Revenue Bonds Series	21,000,000	7,927,310
13	Marine Mechanical	2004	Taxable Economic Development Lease Revenue Bond	8,470,000	7,599,961
14	Playhouse Square Foundation	2004	Variable Rate Cultural Facility Revenue Bonds	18,000,000	15,500,000
15	Euclid Avenue Housing Corp.	2005	Student Housing Facility Revenue Bonds	34,385,000	33,930,000
16	Avery Dennison Corp.	2005	Taxable Development Lease Revenue Bonds	39,785,000	38,070,000
17	Cleveland Museum of Art	2005	Cultural Facility Revenue Bonds	90,000,000	90,000,000
18	Judson	2005	Development Revenue Refunding Bonds	31,500,000	30,645,000
19	Park Synagogue	2006	Multi-Mode Variable Rate Revenue Bonds	9,995,000	9,995,000
20	St.Clarence-GEAC, LLC Project	2006	Senior Housing Revenue Bonds	17,120,000	17,120,000
21	St.Clarence-GEAC, LLC Project	2006	Taxable Senior Housing Revenue Bonds	250,000	250,000
22	Carnegie/89th Garage and Service Center, LLC	2007	Revenue Bonds	156,920,000	156,920,000
23	SPC Buildings 1 & 3, LLC	2007	Revenue Bonds	34,590,000	34,590,000
24	Science Park Cleveland, LLC	2007	Taxable Convertible Revenue Bonds	45,700,000	45,700,000
			Total	$ 726,928,006	$ 687,634,461

Stadium Financing

During 1996, the Board of Directors of the Authority, by motion, declared its intent to participate in certificates of participation financing to be undertaken by the City of Cleveland (the "City") for the financing of the construction of a new football stadium. A Cooperative Agreement between the Authority, Cuyahoga County, the National Football League and the City was executed which set forth an agreement in relation to the financing and building of a new football stadium. Under this Cooperative Agreement, the Authority agreed to: 1) enter into a ground lease with the City for the stadium property; 2) lease the stadium back to the City; and 3) assign certain of its rights under the leases to a trustee to enable the issuance of certificates of participation in the City's payments of rent to the trustee pursuant to the leases. On March 7, 1997, the Board of Directors of the Authority adopted a resolution authorizing and approving the execution, delivery and performance of certain documents in connection with the financing, including the ground lease, lease and assignment. During 1997 and 1999, City of Cleveland certificates of participation in the amounts of $139.3 million and $20.5 million, respectively, were sold by the trustee.

Simultaneously with the issuance of the certificates of participation, the Authority assigned to the trustee, with concurrence of the City, substantially all of its rights under the ground lease and leaseback to the City. The certificates of participation do not represent obligations of the Authority and the Authority has no significant rights or responsibilities with respect to the leases. Accordingly, no amounts have been recorded in the accompanying financial statements with respect to this transaction.

In February 2003, the City entered into a swap option with an investment bank in which the bank paid for the right to enter into a floating-to-fixed interest rate swap 90 days prior to the bonds' call date (November 15, 2007). If the bank exercises its option, the City will issue variable rate bonds to refund the outstanding Series 1997 Certificates of Participation. Because the Authority is a party to the Trust Indenture and the leases, its consent to this refunding structure was required and granted. This transaction was non-recourse to the Authority and the Authority maintains the protections it received in the original transaction.

Stadium Financing (continued)

In March and May of 2008, the City of Cleveland requested that the Authority Board of Directors authorize and approve the signing and delivery of various documents in connection with the refinancing of the Cleveland Brown's Stadium, including supplements to the Lease-Purchase Agreement and Trust Agreement, providing for the issuance of additional certificates under the Trust Agreement to refund the outstanding 2007 Certificates of Participation or to convert certain of the 2007 Certificates of Participation from one interest rate period to another interest rate period, thus enabling the City of Cleveland to obtain savings or to minimize risks of increased interest expense on the 2007 Certificates of Participation and the City of Cleveland's corresponding base rent payments under the Lease Agreement.

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

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited 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, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 23, 2008, wherein we noted that the Authority adopted *Government Accounting Standards Board Statements No. 43 and 48.* We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Cleveland-Cuyahoga County Port Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors and the Auditor of State's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 23, 2008

Mary Taylor, CPA
Auditor of State

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 22, 2008