Cleveland-Cuyahoga County Port Authority

Single Audit Report
for the Year Ended
December 31, 2003
and Independent Auditors' Reports

Auditor of State
Betty Montgomery

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have reviewed the Independent Auditor's Report of the Cleveland-Cuyahoga County Port Authority, Cuyahoga County, prepared by Deloitte & Touche LLP for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 10, 2004

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CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited the financial statements of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of December 31, 2003 and 2002, and for the years then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland-Cuyahoga County Port Authority as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, during 2003, the Authority changed its policy concerning which short-term, highly liquid investments it considers to be cash equivalents for purposes of the statements of cash flows and, retroactively, restated the statement of cash flows for the year ended December 31, 2002 for the change.

As described in Note 23 to the financial statements, during 2003, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the GASB. This supplementary information is 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 such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying supplemental schedules of balance sheet information and revenue and expense information by activity as of and for the years ended December 31, 2003 and 2002, listed in the foregoing table of contents, are presented for the purpose of additional analysis rather than to present financial information regarding the individual activities and are not a required part of the basic financial statements. The accompanying supplemental schedule of expenditures of federal awards for the year ended December 31, 2003 is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

May 28, 2004 (June 16, 2004 as to
Laurel School Project described in Note 24)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the Cleveland-Cuyahoga County Port Authority (the "Authority" or the "Port"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2003. Please read this information in conjunction with the Authority's basic financial statements and footnotes that begin on page 12.

The Authority is an independent political subdivision of the State of Ohio. It has two Operating Groups: 1) the Maritime Group which manages the international docks on the east side of the river, and a bulk cargo facility on the west side of the river and 2) the Development Finance Group which manages financing programs involving the issuance of revenue bonds and notes.

OVERVIEW

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Authority activities include both the core Port Authority operations and development finance projects (specific projects which are financed through the Authority's Development Finance Group). Because these activities are so distinctly different, the financial statement discussion herein makes reference to them separately. Supplemental schedules are presented on this basis beginning on page 47.

Port Activities refers herein to the Authority's core maritime assets and related liabilities, and income and expense generated from the Port's Operating Groups (Maritime, Development Finance, Strategic Development, and Administration). The annual operating and capital budgets are based on these activities. Port Activities also includes activities related to the operation of the Authority's Cleveland Bulk Terminal (CBT), as well as activities relating to North Coast Harbor (NCH). NCH activities involve 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.

Stand Alone and/or Bond Fund Financings/Projects refers herein to the development finance projects in which the Port is involved.

Stand Alone Projects include the following projects, detailed descriptions of which can be found in the notes to the basic financial statements:

- Applied Industrial Technologies
- MetroHealth
- MTD Consumer Group
- Parma Community General Hospital (Parma or Parma Hospital)
- University Square
- TRW Automotive (TRW)

Bond Fund Projects include the following projects issued through the Authority's Port of Cleveland Bond Fund. A detailed description of each project can be found in the notes to the basic financial statements.

- ESSROC Infrastructure Improvements (ESSROC)
- Jergens
- Northeast Ohio Area Coordinating Agency (NOACA)
- Universal Heat Treating
- Playhouse Square

- Regional Income Tax Agency (RITA)
- Council for Economic Opportunities in Greater Cleveland (CEOGC)
- Cleveland Bottle & Supply
- Community Assessment & Treatment Services (CATS)
- International Steel Group (ISG)
- Cleveland Christian Home (CCH)
- Heidtman Steel Products

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

1. For all stand alone financing transactions, the lender may look only to the borrower's lease payments and certain other specified revenue sources and cash reserves to provide funds for debt service payments.

2. 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 in the Bond Fund will make the debt service payments to the extent sufficient funds are available.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Authority as of December 31, 2003 and 2002:

	2003	2002	Increase/ (Decrease)
Assets:			
Current assets	$ 11,772,011	$ 11,179,074	$ 592,937
Capital assets	145,485,367	135,375,213	10,110,154
Restricted assets	96,846,156	116,281,883	(19,435,727)
Total assets	$ 254,103,534	$ 262,836,170	$ (8,732,636)
Liabilities and Net Assets:			
Liabilities:			
Current liabilities	$ 7,041,520	$ 6,321,212	$ 720,308
Current liabilities payable from restricted assets	21,583,332	15,457,986	6,125,346
Other liabilities including revenue bonds and notes	185,712,025	201,148,763	(15,436,738)
Total liabilities	214,336,877	222,927,961	(8,591,084)
Net assets:			
Invested in capital assets, net of related debt	20,018,997	17,069,357	2,949,640
Restricted for debt service	12,760,204	15,915,668	(3,155,464)
Unrestricted	6,987,456	6,923,184	64,272
Total net assets	39,766,657	39,908,209	(141,552)
Total liabilities and net assets	$ 254,103,534	$ 262,836,170	$ (8,732,636)

Assets: The major change in assets is due to a decrease in restricted cash and investments, offset by an increase in capital assets and a corresponding decrease in total liabilities. This is due primarily to certain construction activities and the repayment of indebtedness described below.

Capital Assets: The Authority's investment in capital assets as of December 31, 2003 amounted to $145,485,367 (net of accumulated depreciation). Capital assets before accumulated depreciation increased $14 million (9.5%). Accumulated depreciation increased nearly $4 million, resulting in a net capital asset increase of $10 million.

A summary of the activity in the Authority's capital assets during the year ended December 31, 2003 follows:

	January 1, 2003	Additions	Reductions	December 31, 2003
Land and land improvements	$ 28,322,094	$ -	$ -	$ 28,322,094
Buildings, infrastructures and leasehold improvements	75,525,595	42,931,946		118,457,541
Equipment	4,805,142	3,924,311	(2,460)	8,726,993
Construction in progress	38,742,356	13,563,942	(46,376,838)	5,929,460
	147,395,187	60,420,199	(46,379,298)	161,436,088
Less: total accumulated depreciation	(12,019,974)	(3,933,207)	2,460	(15,950,721)
Capital assets, net	$ 135,375,213	$ 56,486,992	$ (46,376,838)	$ 145,485,367

Major events during the current fiscal year affecting the Authority's capital assets included the following:

- $6 million of construction costs were incurred for an ore loader at the Authority's Cleveland Bulk Terminal. This amount is in construction in progress at year-end. The ore loader was put into service early in 2004.

- The construction of two stand alone finance projects, Parma Hospital and University Square, was completed. Total capitalized costs for the projects were $15.5 million for the Parma Hospital medical office building and ambulatory surgery center, and $25 million for the University Square parking garage, $8 million of which was incurred in 2003. The Parma project also included an additional $4 million related to equipment costs for the ambulatory surgery center. These two projects accounted for $44 million of the reduction in the construction in progress during 2003.

- The Authority also completed construction of a new entrance to its facilities. The $7.2 million project was funded in part ($4.8 million) by federal and state grants. The balance of $2.4 million was funded from a combination of Authority bond proceeds and cash reserves. This project was put into service during the year and represents $2.4 million of the construction in progress reduction. Only the Authority's contribution was capitalized, and the balance was included in construction in progress at the beginning of the year. The portion of the costs of the project that related to improvements made on property that was not owned by the Authority and for which the Authority is not responsible for ongoing maintenance were expensed as incurred.

Restricted Assets: The $19.4 decrease in restricted assets is almost entirely related to restricted cash and investments:

- The Cleveland Bulk Terminal ore loader construction decreased cash and investments by $6 million.

- $13 million of the decrease is attributable to the Parma Hospital and University Square construction projects; $8 million reflects current year expenses, while $5 million was included in accounts payable at December 31, 2002, and paid in 2003.

- A $2 million increase in Bond Fund cash and investments is the net result of activities in four different projects. The funding of the Heidtman Steel project closed late in the year, adding $4 million of bond proceeds to restricted cash and investments. A $2 million reduction in restricted cash and investments resulted from the completion of three projects (CATS, CCH, and CEOGC).

Current Liabilities: The $720,000 increase in current liabilities is mainly due to two factors:

- A $560,000 liability recognized for the final construction bill (retainage) pertaining to the new Port entrance project.
- A $192,000 increase in the current portions of four Authority debt issues (Cleveland Bulk Terminals bonds, Port Capital Improvements bonds, Tax Anticipation Notes, and the State of Ohio 166 loan).

***Current Liabilities Payable from Restricted Assets**:* This category includes accounts payable, interest payable, and the current portion of revenue bonds and notes. The increase of $6.1 million primarily resulted from:

- An increase of nearly $11 million related to the classification of the MetroHealth revenue notes (due December 1, 2004) as a current liability as of December 31, 2003.
- Partially offset by a decrease of $5.2 million in accounts payable related to the Stand Alone Financing - $3.3 million of the decrease was related to the Parma Hospital project and $1.9 million to the University Square project.

Other Liabilities Including Revenue Bonds and Notes: This line item includes deferred income, a lease deposit, and revenue bonds and notes payable, net of the current portion. Collectively, the total decreased $15.4 million from the prior year. Principally due to the classification of approximately $21.1 million of revenue bonds and notes due in 2004 as current liabilities at December 31, 2003 partially offset by the issuance of $5 million of additional bonds and notes.

The activity in the Authority's debt obligations outstanding during the year ended December 31, 2003 is summarized below (unamortized premiums and discounts have been combined into the appropriate increase/decrease columns):

	Balance January 1, 2003	Increase	Decrease	Balance December 31, 2003	Due Within One Year
Rock & Roll Hall of Fame and Museum	$ 26,200,000	$ -	$ (1,720,000)	$ 24,480,000	$ 1,810,000
Applied Industrial Technologies	32,105,631		(950,593)	31,155,038	1,049,425
Cleveland Bulk Terminal	5,293,429	100,270	(40,000)	5,353,699	60,000
Bond Fund Activities	42,992,921	4,250,000	(2,815,259)	44,427,662	3,270,000
Tax Anticipation Notes	7,811,313		(1,807,095)	6,004,218	1,965,000
MetroHealth	10,973,006			10,973,006	10,973,006
MTD Consumer Group	19,505,748		(5,994,252)	13,511,496	994,252
Hospital	23,150,000		(691,774)	22,458,226	922,368
University Square	40,396,695	9,823		40,406,518	
TRW Automotive		650,000	(15,650)	634,350	64,295
State of Ohio 166 Loan	619,123		(40,322)	578,801	41,965
Total	$ 209,047,866	$ 5,010,093	$ (14,074,945)	$ 199,983,014	$ 21,150,311

Additional information on the Authority's long-term debt can be found in the notes to the Port'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 $39.8 million at the close of the most recent fiscal year.

The largest portion of the Authority's net assets (50% at December 31, 2003) 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.

Further analysis reveals that at December 31, 2003, net capital assets related to Port Activities approached $27 million, while they totaled a negative $6.9 million for the Stand Alone and Bond Fund financing projects. This dichotomy exemplifies the two distinctly different natures of the Authority's business lines:

- The maritime operations of the core Port Activities are heavily dependent upon capital assets to generate income.

- The development finance function is dependent upon the *financing* portion of the projects, *not* any resulting capital assets, to generate fee income. Capital assets (which are only recorded in connection with the financing projects that involve operating leases with third parties) are often depreciated at a faster rate than principal payments are required under the related debt, which generates the negative amount. All development finance projects are structured so that the third party lease payments cover 100% of the debt service costs. The Authority's fee income is net of these components.

- Of the net assets restricted for debt service, roughly $1.4 million of the December 31, 2003 amount and $2.6 million of the December 31, 2002 amount relates to Port Activities and primarily represents cash that is reserved for debt service payments on the Authority's own debt issues. The remainder of the net assets restricted for debt service relates to the Authority's development finance projects.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION

The Authority's operations decreased its net assets by $141,552 in 2003 and increased its net assets by $864,197 in 2002. Key elements of these changes are summarized below:

	2003	2002	Increase/ (Decrease)
Operating revenues			
Wharfage, dockage and storage	$ 704,947	$ 457,166	$ 247,781
Property lease and rentals	7,239,954	6,639,002	600,952
Other fee and rental income	1,301,801	644,922	656,879
Third party contributions and other	608,084	304,859	303,225
Total operating revenues	9,854,786	8,045,949	1,808,837
Operating expenses	8,822,249	6,827,388	1,994,861
Operating income (loss)	1,032,537	1,218,561	(186,024)
Nonoperating revenues (expenses)			
Property tax receipts	3,261,779	3,266,756	(4,977)
Tax increment revenues	1,024,612		1,024,612
Income from investments, financing leases and notes receivable	3,425,650	2,845,420	580,230
Interest expense	(8,893,244)	(6,503,148)	(2,390,096)
Other—net	7,114	36,608	(29,494)
Total nonoperating revenues (expenses)—net	(1,174,089)	(354,364)	(819,725)
Increase (decrease) in net assets	(141,552)	864,197	(1,005,749)
Net assets—beginning of year	39,908,209	39,044,012	864,197
Net assets—end of year	$ 39,766,657	$ 39,908,209	$ (141,552)

Operating Revenues: Collectively, operating revenues increased 22% from $8,045,949 in 2002 to $9,854,786 in 2003. Port Activities operating revenues, which are the revenues that represent the Port Authority's core maritime and development finance administrative activities, increased over 36% from $3,006,000 in 2002 to $4,108,000 in 2003. Operating revenues from Stand Alone Projects and Bond Fund activities increased by 14% in 2003 to $5,747,000 from $5,040,000 in 2002. A discussion of the components of operating revenues follows.

Wharfage, Dockage, and Storage: These revenues are generated from Port cargo movements. They collectively increased 54% from $457,000 in 2002 to $705,000 in 2003 as we experienced an uptick in international steel cargo movements and an increase in iron ore throughput at the Authority's Cleveland Bulk Terminal.

Property Lease and Rentals: Port Activities income in 2003 was generated from Port warehouse, office and property leases ($743,000); ESSROC's land lease ($114,600); the Great Lakes Towing lease of the Old River Property ($93,400); Kenmore Construction's lease of a portion of Dock 20 ($162,600); and Oglebay Norton's lease of Cleveland Bulk Terminal ($378,800). This revenue decreased collectively by 12% ($207,000). The decrease is entirely attributable to the extension of the Oglebay Norton lease through 2017, as permitted in the original lease. As a result of the extension, the annual base rentals will drop from $725,000 to $283,000 in 2008, which decreased the rental income recognized in 2003 using the straight-line method from $607,500 to $379,000. Excluding the impact of the Oglebay Norton lease, property lease and rental income during 2003 increased slightly from the prior year.

The balance of the property lease and rental income is related almost entirely to the Stand Alone Financings and represents operating lease income from five Stand Alone projects (Applied, TRW, MTD, MetroHealth, and Parma Hospital). The 17% increase of $808,000 is due to a $1.1 million increase from the Parma project (placed in service in 2003) and a $21,000 increase from the TRW project (closed and put into service in 2003), partially offset by a $313,000 decrease on the MTD project resulting from their $5 million debt reduction in 2003 which reduced the rentals due under the related operating lease.

Other Fee and Rental Income: This income is derived almost entirely from Port Activities. The most significant component is development finance fees, which increased from $68,000 in 2002 to $807,000 in 2003. Development finance fee income is earned four different ways: (1) closing fees, which are one-time fees charged on Stand Alone projects based on the amount financed; (2) bond service fees, which are ongoing annual fees charged on all projects based on the outstanding principal; (3) Bond Fund application fees; and (4) Bond Fund acceptance fees. The increase in these fees in 2003 was primarily due to the closing of two Cleveland Clinic transactions. Additional revenues from development finance activities of approximately $375,000 in 2003 and $358,000 in 2002 are not reflected in this line item. This portion of the development finance revenues is included in property lease and rental revenues.

Other components of the Other Fee and Rental Income line include parking revenue (decreased 26% in 2003 to $272,000 due to fluctuations in special events and closing of West Third Street lot as a result of the Port entrance project), and Foreign Trade Zone fees (up 120% in 2003 to $220,000 due to General Purpose Zone expansions coupled with increased fees).

Third Party Contributions and Other –This line item includes three activities:

- *Ferry feasibility grant* – In late 2002, the Authority received a commitment from the federal Ferry Boat Program for a grant in the amount of $800,000 for the Cleveland-Cuyahoga County Port Authority Ferry Feasibility Study and Implementation Project (the "Study"). The Study, which has just been completed, updates and expands data from a 1999 study which was previously commissioned by the Authority, and also incorporates Canadian industry, tourism & governmental feasibility data. The grant required a 20% ($200,000) local match from the Authority. Approximately $336,000 of the grant was recognized in 2003. Related expenditures of $519,000 are included in Professional Services expenses.

- *North Coast Harbor* **-** $239,000 of the 2003 amount and the entire 2002 amount relates to the North Coast Harbor component of Port Activities. It represents required contributions to the Common Area Maintenance (CAM) and Capital Repairs Funds from the CAM Agreement participants (Rock & Roll Hall of Fame and Museum, Great Lakes Science Center, and Cleveland Browns). These contributions fund the North Coast Harbor maintenance and repair expenses. Fluctuations from year to year are dependent upon the annual maintenance cost and capital projects that the group undertakes each year.

- *Crane rental* – $33,000 of the 2003 amount is rental income from the Port's heavy lift crane, the Buckeye Booster. Heavy lifts usually consist of large pieces of machinery for manufacturing facilities. Poor economic conditions have deterred many such capital investments over the past few years. But activity picked up in 2003 as compared to 2002, when the Port had no heavy lift activities.

OPERATING EXPENSES

Operating expenses increased $2 million (29%) from the prior year. The largest change ($1.18 million, or 43%) occurred in depreciation expense, four-fifths of which was related to the Authority's development finance operating lease projects.

With the exception of $3.27 million of depreciation expense related to development finance projects, and $203,000 of North Coast Harbor expenses, the remaining Port Activities operating expenses represent the cost of operating the Port Authority which includes *salaries and benefits* (Port Authority personnel and board expenses), *facilities lease and maintenance* (includes maintenance of the Port facilities and a $500,000 per year lease payment to the City of Cleveland for Docks 24-32), *professional services* (legal, insurance, etc.), *marketing and communications*, *office expense*, and *other expense* (which includes employee business expenses, seminars and education, and Port Authority dues and memberships).

Excluding the impact of depreciation ($665,000), Port *operating expenses* increased $820,000, or 20% in 2003. The most significant changes occurred in three line items:

- A 12 % ($171,000) increase in salaries and benefits resulted from the addition of two positions in 2003 (Corporate Finance Manager-Development Finance Group, and Project Manager-Administration Group), and the first full year for the Communications Manager-Administration Group position.

- A 68%, or $529,000 increase in professional services is primarily due to $519,000 of expenses related to the Ferry Feasibility Study, as previously discussed under the Operating Revenues section.

- Marketing and communications, although a relatively small line item, increased 57% ($86,000) as the result of a stronger emphasis on communications.

OPERATING INCOME (LOSS)

The following chart provides a comparison 2003 versus 2002 operating income (loss) by category:

	2003	2002	Increase/ (Decrease)
Port Activities	$ (1,328,911)	$ (1,576,325)	$ 247,414
Stand Alone Financings	2,203,311	2,636,749	(433,438)
Port of Cleveland Bond Fund	158,137	158,137	-
Total	$ 1,032,537	$ 1,218,561	$ (186,024)

Port Activities have historically shown an operating loss, largely due to two major revenue flows, investment income and property tax receipts, being classified as nonoperating revenues under generally accepted accounting principles. The 2003 Operating Loss decreased by 16% from 2002 as a result of a combination of factors previously discussed.

Operating income in the other two classifications is a function of operating lease income less depreciation expense. Interest expense on the projects is classified as a nonoperating expense.

NONOPERATING REVENUES (EXPENSES)

Net nonoperating expenses increased $820,000 to $1.174 million (231%) from the prior year. The most significant changes were:

- *Tax increment revenues* – 2003 was the first year for this revenue stream. These revenues will be used to service the debt on the University Square Tax Increment Financing project.

- *Income from investments, financing leases and notes receivable* – The largest component of this line is by far the interest income recognized on Bond Fund financing leases and notes receivable. The $580,000 (20%) increase is a function of the CATS, ISG, CCH and Heidtman Steel Products projects.

- *Interest expense* – The single largest change ($2.39 million or 37%) occurred as the result of the Parma, University Square, and aforementioned Bond Fund projects transitioning from their construction phases (where interest expense is capitalized) to their debt service phases, where interest expense is recognized.

INCREASE (DECREASE) IN NET ASSETS

The following chart provides a comparison of the increase/(decrease) in net assets during 2003 versus 2002 by category:

	2003	2002	Increase/ (Decrease)
Port Activities	$ 1,809,541	$ 1,599,745	$ 209,796
Stand Alone Projects	(2,173,670)	(859,347)	(1,314,323)
Port of Cleveland Bond Fund	222,577	123,799	98,778
	$ (141,552)	$ 864,197	$ (1,005,749)

Port Activities reflects an increase in Net Assets in 2003 of $1.8 million, up 13% from 2002. The most significant change occurred in connection with the Stand Alone Financings which decreased $1.3 million and clearly had the largest impact on the bottom line. This change is almost entirely attributable to the University Square project, which is financed by tax increment revenues. Due to the ramp up period for the receipt of the tax increment revenues, typical of tax increment financing projects (“TIFs”), the debt service is paid from debt proceeds for roughly four years. From an accounting standpoint, this means that significantly more interest expense than income is being recorded in the beginning years of the project. Coupled with depreciation expense, the result is net losses in the early years of the project. This trend will reverse itself as the project proceeds, ultimately increasing net assets.

FACTORS EXPECTED TO IMPACT THE AUTHORITY'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Maritime revenues and expenses are expected to remain relatively flat in 2004. The Development Finance Group is projecting income of $1.9 million in 2004, up from $1.35 million in 2003. Four stand alone projects have already closed during 2004, earning $605,000 of the $1 million budgeted for closing fees. In addition, three bond fund projects have closed, with two more in the pipeline. It is expected that Port Activities results will remain stable or show a slight increase in 2004.

Consolidated financial results will continue to be negatively impacted by the accounting effects of certain development finance projects, particularly TIFs. But as mentioned earlier, the negative effect of the early years of these transactions will turn around to have a positive impact on the financial statements in later years.

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and investments	$ 7,786,328	$ 7,289,617
Accounts receivable	507,533	376,241
Property taxes receivable	3,300,000	3,300,000
Other receivables	26,500	73,429
Prepaid expenses	151,650	139,787
Total current assets	11,772,011	11,179,074
CAPITAL ASSETS:		
Land and land improvements	28,322,094	28,322,094
Buildings, infrastructures, and leasehold improvements	118,457,541	75,525,595
Equipment	8,726,993	4,805,142
Construction in progress	5,929,460	38,742,356
Total	161,436,088	147,395,187
Less accumulated depreciation	15,950,721	12,019,974
Net book value of capital assets	145,485,367	135,375,213
RESTRICTED AND OTHER ASSETS:		
Restricted cash and investments	25,347,265	42,392,053
Lease receivable, Rock and Roll Hall of Fame and Museum	24,480,000	26,200,000
Financing lease receivables	9,047,260	9,040,849
Operating lease receivables	4,759,498	4,709,021
Notes receivable	23,098,772	23,029,474
Debt issuance costs	5,564,454	6,207,777
Prepaid ground lease	4,453,600	4,570,800
Other	95,307	131,909
Total restricted and other assets	96,846,156	116,281,883
TOTAL	$ 254,103,534	$ 262,836,170

(Continued)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

LIABILITIES AND NET ASSETS	2003	2002
CURRENT LIABILITIES:		
Accounts payable	$ 752,102	$ 191,836
Deferred income	3,903,083	3,946,849
Accrued wages and benefits	129,370	117,205
Current portion of bonds to be repaid by the Authority:		
Cleveland Bulk Terminal Project	60,000	40,000
Bond Fund Activities—Port Capital Improvements	190,000	180,000
Tax Anticipation Notes	1,965,000	1,805,000
State of Ohio 166 Loan	41,965	40,322
Total current liabilities	7,041,520	6,321,212
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accounts payable	1,074,378	6,849,287
Accrued interest payable	1,615,608	1,587,080
Current portion of revenue bonds and notes	18,893,346	7,021,619
Total current liabilities payable from restricted assets	21,583,332	15,457,986
OTHER LIABILITIES—Including amounts relating to restricted assets:		
Deferred income	797,714	332,441
Lease deposit	5,000,000	
Revenue bonds and notes, net of current portion:		
Rock and Roll Hall of Fame and Museum	22,670,000	24,480,000
Applied Industrial Technologies Project	30,105,613	31,155,038
Cleveland Bulk Terminal Project	5,293,699	5,253,429
Bond Fund Activities	41,157,662	40,147,921
Tax Anticipation Notes	4,039,218	6,006,313
MetroHealth Project		10,973,006
MTD Consumer Group Project	12,517,244	18,511,496
Parma Community General Hospital Project	21,535,858	22,458,226
University Square Project	40,406,518	40,396,695
TRW Automotive Project	570,055	
State of Ohio 166 Loan	536,836	578,801
Debt repayment security deposits payable	1,071,608	845,397
Other	10,000	10,000
Total other liabilities	185,712,025	201,148,763
Total liabilities	214,336,877	222,927,961
NET ASSETS:		
Invested in capital assets, net of related debt	20,018,997	17,069,357
Restricted for debt service	12,760,204	15,915,668
Unrestricted	6,987,456	6,923,184
Total net assets	39,766,657	39,908,209
TOTAL	$ 254,103,534	$ 262,836,170

See notes to financial statements. (Concluded)

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING REVENUES:		
Wharfage, dockage and storage	$ 704,947	$ 457,166
Property lease and rentals	7,239,954	6,639,002
Other fee and rental income	1,301,801	644,922
Third-party contributions and other	608,084	304,859
Total operating revenues	9,854,786	8,045,949
OPERATING EXPENSES:		
Salaries and benefits	1,581,315	1,410,266
Facilities lease and maintenance	1,170,785	1,107,860
Professional services	1,307,263	778,153
Marketing and communications	236,116	149,987
Depreciation expense	3,933,207	2,757,992
Office expense	212,582	267,098
Other expense	380,981	356,032
Total operating expenses	8,822,249	6,827,388
OPERATING INCOME	1,032,537	1,218,561
NONOPERATING REVENUES (EXPENSES):		
Property tax receipts	3,261,779	3,266,756
Tax increment revenues	1,024,612	
Port entrance project:		
Grant revenue	2,299,773	2,500,227
Expenses	(2,299,773)	(2,500,227)
Income from investments, financing leases and notes receivable	3,425,650	2,845,420
Interest expense	(8,893,244)	(6,503,148)
Other—net	7,114	36,608
Total nonoperating revenues (expenses)—net	(1,174,089)	(354,364)
INCREASE/(DECREASE) IN NET ASSETS	(141,552)	864,197
NET ASSETS—Beginning of year	39,908,209	39,044,012
NET ASSETS—End of year	$ 39,766,657	$ 39,908,209

See notes to financial statements.

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING ACTIVITIES:		
Receipts from customers	$ 9,560,422	$ 7,603,775
Receipts from other governments	310,323	
Payments to suppliers for goods and services	(3,157,813)	(2,417,578)
Payments to employees	(1,219,670)	(1,069,619)
Payments of employee benefits	(346,867)	(320,055)
Net cash provided by operating activities	5,146,395	3,796,523
NONCAPITAL FINANCING ACTIVITIES:		
Net proceeds from property tax collections	3,261,779	3,266,756
Other nonoperating revenues	(57,963)	36,608
Net cash provided by noncapital financing activities	3,203,816	3,303,364
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net proceeds from the issuance of bonds and notes (including funding of primary reserves)	4,883,750	18,433,189
Principal paid on revenue bonds and notes (including repayment of primary reserves)	(12,382,592)	(4,945,162)
Interest paid on revenue bonds and notes	(9,289,227)	(9,092,466)
Construction loans made	(2,297,403)	(12,004,898)
Tax increment revenues received from City of University Heights	1,024,612	
Principal received on notes receivable and financing leases	2,266,321	1,246,069
Interest received on notes receivable and financing leases	2,658,495	2,151,562
Acquisition and construction of fixed assets (including property subject to financing lease and Port entrance project)	(20,106,650)	(30,056,336)
Capital grants received	2,345,293	2,454,706
Deposit received under lease agreement	5,000,000	
Other	157,654	
Net cash used in capital and related financing activities	(25,739,747)	(31,813,336)
INVESTING ACTIVITIES:		
Purchase of investment securities	(35,982,012)	(126,452,815)
Proceeds from sale and maturity of investment securities	41,798,082	112,557,007
Interest on investments	891,560	1,301,276
Net cash provided by (used in) investing activities	6,707,630	(12,594,532)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,681,906)	(37,307,981)
CASH AND CASH EQUIVALENTS—Beginning of year	26,039,906	63,347,887
CASH AND CASH EQUIVALENTS—End of year	$ 15,358,000	$ 26,039,906
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR ARE INCLUDED IN THE FOLLOWING BALANCE SHEET CAPTIONS:		
Cash and investments	$ 2,616,750	$ 3,038,204
Restricted cash and investments	12,741,250	23,001,702
TOTAL	$ 15,358,000	$ 26,039,906

(Continued)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING INCOME	$ 1,032,537	$ 1,218,561
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,933,207	2,757,992
Amortization of prepaid ground lease	117,200	117,200
Write-off of previously capitalized costs pertaining to terminated project		173,754
Changes in assets and liabilities:		
Accounts receivable	(131,292)	151,880
Operating lease receivables	(50,473)	(461,434)
Prepaid expenses and other assets	(40,491)	74,649
Accounts payable	46,513	(51,701)
Deferred income	227,029	(216,289)
Accrued wages and benefits	12,165	31,911
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,146,395	$ 3,796,523

See notes to financial statements. (Concluded)

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" or the "Port") 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. 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.

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. 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. The Authority's financial transactions are recorded on the accrual basis of accounting; revenues are recognized when earned and expenses are recognized as incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate.

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.

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

Fixed Assets and Depreciation—The Authority capitalizes and records fixed 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.

The estimated useful lives are as follows:

Buildings and infrastructures	20-40 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 Authority's revenue bonds and notes 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.

***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. Substantially all of the Authority's grants are reimbursement-based grants under which the Authority records grant revenue as eligible expenditures are incurred.

***Rental 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 balance sheets.

***Statements of Cash Flows*—**For purposes of the statements of cash flows, cash and cash equivalents are defined as bank demand deposits, money market investments and amounts invested in overnight repurchase agreements. In 2002 and prior years, money market investments were not included in the Authority's definition of cash equivalents. The accompanying statement of cash flows for the year ended December 31, 2002 has been retroactively restated to reflect the change in the Authority's definition of cash equivalents.

***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. The liabilities that relate to the restricted assets are included in current liabilities payable from restricted assets and in other liabilities in the accompanying balance sheets.

***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. All unencumbered appropriations lapse at year-end.

2. CASH 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. At December 31, 2003, the carrying amount of the Authority's deposits was $3,979,034 and the bank balance was $4,328,381, of which $200,225 was covered by federal depository insurance or surety bonds provided by a commercial insurance company and $4,128,156 was uninsured and uncollateralized as defined by the GASB.

***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; U.S. Government Money Market Mutual Funds; and repurchase transactions. Such 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.

The Authority's investments are detailed below and are categorized in accordance with the criteria established by the GASB to indicate the level of credit risk assumed as of December 31, 2003. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

Description	Category 1	Category 2	Category 3	Fair Value
Commercial paper	$ -	$ 4,364,826	$ -	$ 4,364,826
Federal Home Loan Bank obligations		1,509,252		1,509,252
Federal National Mortgage Association obligations		1,392,781		1,392,781
Federal Home Loan Mortgage Corporation obligations		2,267,545		2,267,545
U.S. Treasury Bills		512,897		512,897
Money Market Fund		9,564,924		9,564,924
Repurchase agreements			1,814,044	1,814,044
Subtotal	$ -	$ 19,612,225	$ 1,814,044	21,426,269
Uncategorized—Guaranteed Investment Contract				7,728,290
Total investments				$ 29,154,559

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Capital assets not being depreciated:				
Land and land improvements	$ 28,322,094	$ -	$ -	$ 28,322,094
Construction in progress	38,742,356	13,563,942	(46,376,838)	5,929,460
Total capital assets not being depreciated	67,064,450	13,563,942	(46,376,838)	34,251,554
Capital assets being depreciated:				
Buildings, infrastructures and leasehold improvements	75,525,595	42,931,946		118,457,541
Equipment	4,805,142	3,924,311	(2,460)	8,726,993
Total capital assets being depreciated	80,330,737	46,856,257	(2,460)	127,184,534
Less accumulated depreciation:				
Buildings, infrastructures and leasehold improvements	11,024,814	2,121,960		13,146,774
Equipment	995,160	1,811,247	(2,460)	2,803,947
Total accumulated depreciation	12,019,974	3,933,207	(2,460)	15,950,721
Total capital assets being depreciated, net	68,310,763	42,923,050		111,233,813
Capital assets, net	$ 135,375,213	$ 56,486,992	$ (46,376,838)	$ 145,485,367

Capital asset activity for the year ended December 31, 2002 was as follows:

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Capital assets not being depreciated:				
Land and land improvements	$ 28,306,254	$ 15,840	$ -	$ 28,322,094
Construction in progress	9,319,315	29,731,868	(308,827)	38,742,356
Total capital assets not being depreciated	37,625,569	29,747,708	(308,827)	67,064,450
Capital assets being depreciated:				
Buildings, infrastructures and leasehold improvements	75,494,903	30,692		75,525,595
Equipment	4,814,628	2,491	(11,977)	4,805,142
Total capital assets being depreciated	80,309,531	33,183	(11,977)	80,330,737
Less accumulated depreciation:				
Buildings, infrastructures and leasehold improvements	8,939,879	2,084,935		11,024,814
Equipment	333,484	673,057	(11,381)	995,160
Total accumulated depreciation	9,273,363	2,757,992	(11,381)	12,019,974
Total capital assets being depreciated, net	71,036,168	(2,724,809)	(596)	68,310,763
Capital assets, net	$ 108,661,737	$ 27,022,899	$ (309,423)	$ 135,375,213

4. RETIREMENT AND POSTEMPLOYMENT BENEFIT PLANS

Pension Benefits**—**All employees of the Authority are required to be members of the Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

2. The Member-Directed Plan (MD) – 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 member and (vested) employer contributions plus any investment earnings thereon.

3. The Combined Plan (CO) **–** a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Employees other than law enforcement and public safety personnel are required to contribute 8.5% of their covered payroll to OPERS. The employer contribution rate for local government employer units was 13.55% of covered payroll in 2003 and 2002, including 5.00% in 2003 and 2002 that is used to fund postretirement health care benefits. The Authority's total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2003, 2002 and 2001 were $104,322, $92,105, and $101,619, respectively, which equaled 100% of the required contributions for each year.

Postemployment Benefits—In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment 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 statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. During 2003 and 2002, $61,066 and $53,862, respectively, of the Authority's total contributions to OPERS were used to fund health care. At December 31, 2003, the Authority was not responsible for paying premiums, contributions or claims for OPEB under OPERS for any retirees, terminated employees or other beneficiaries.

OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2002 actuarial computations (latest available) were as follows:

Funding Method. An entry-age normal 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.

Assets Valuation Method. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment assumption rate for 2002 was 8.00%.

Active Employee Total Payroll. An annual increase of 4.00%, 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 4.00% base increase, were assumed to range from .50% to 6.3%.

Health Care. Health care costs were assumed to increase 4.00%.

At December 31, 2003 (latest information available), there were 364,881 active contributing participants. The Authority's actuarially required OPEB contribution for 2002 equaled the actual amount contributed to OPERS by the Authority. In addition, at December 31, 2002, the actuarial value of the plan's net assets available for OPEB approximated $10.0 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board of Directors adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan is being offered to all persons newly hired in an OPERS-covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, incorporates a cafeteria approach, offering a broader range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the previous ten-year "cliff" eligibility standard for the plan.

The benefit recipient is free to select the option that best meets their needs. Recipients fund health care costs in excess of their monthly health care benefit. The plan also offers a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continuing inflation in health care costs, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. The Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved in 2004.

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 2001 levy (collected in 2002) was based upon an assessed valuation of approximately $28.7 billion. The current levy continued through 2002 (collected in 2003). During May 2002, Cuyahoga County voters approved a renewal of the .13 mill tax levy beginning in the 2003 tax year and continuing through 2008. The renewal levy is expected to generate a similar amount of annual property tax receipts for the Authority.

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. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last valuation was completed in 2003. 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.

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.

6. NORTH COAST HARBOR ACTIVITIES

Common Area Maintenance—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 Authority, 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 balance sheets.

Rock and Roll Hall of Fame and Museum—On May 20, 1993, the Authority issued $38,995,000 of Cleveland-Cuyahoga County Port Authority Revenue Bonds, Series 1993, comprised of $995,000 of fixed rate bonds and $38,000,000 of variable rate bonds. The proceeds from the revenue bonds were primarily used to fund a portion of the cost of construction of the Rock and Roll Hall of Fame and Museum facility. The issuance of the revenue bonds did not encumber the assets of the Authority nor did it affect its revenue sources.

In 1993, the Rock and Roll Hall of Fame and Museum and the Authority entered into a financing lease agreement pertaining to the building that houses the Hall of Fame and Museum. The Authority owns the building and leases the building to the Rock and Roll Hall of Fame and Museum. The lease is noncancelable until the underlying revenue bonds, as well as any related charges, are paid in full. The lease payments cover the principal and interest payments on the revenue bonds. All expenses related to the revenue bonds and the operation and maintenance of the facility are the responsibility of the Rock and Roll Hall of Fame and Museum.

In January 1997, the Authority issued $16,725,000 of Senior Refunding Revenue Bonds, Series 1997, and $18,130,000 of Subordinate Refunding Revenue Bonds, Series 1997, ("Senior and Subordinate Bonds") with fixed interest rates varying from 3.9% to 5.9%. The proceeds of the bond issues were used, together with other available funds that had accumulated under the Rock and Roll Hall of Fame and Museum's trust indenture through which its lease payments are made, to repay the remaining outstanding Revenue Bonds, Series 1993. The Senior and Subordinate Bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its lease with the Rock and Roll Hall of Fame and Museum and do not represent or constitute a general obligation, bonded indebtedness or a pledge of the general credit or taxing power of the Authority. In connection with this refinancing, the Authority received a $750,000 fee that is being recognized in other fee and rental income on a straight-line basis over the 19-year term of the Senior and Subordinate Bonds. The portion of the fee that has not been recognized as income is reported on the Authority's balance sheet as deferred income.

Because the Authority has assumed no responsibility for the repayment of any of the bonds described above beyond the resources provided by the underlying lease, no activity pertaining to the project has been recognized in the accompanying statements of revenues, expenses and changes in retained earnings and statements of cash flows, except for the fees received by the Authority in connection with the refinancing.

7. APPLIED INDUSTRIAL TECHNOLOGIES PROJECT

During 1996, the Authority entered into an agreement with Bearings, Inc. (subsequently renamed Applied Industrial Technologies, referred to herein as "Applied") to construct a corporate headquarters within the Midtown Corridor of the City of Cleveland. Under the agreement, the Authority agreed to finance or arrange for financing the costs of the project, including acquisition of the land, construction of the facility, and purchase of certain furniture, fixtures and equipment. Applied agreed to rent the facility and personal property from the Authority under a 20-year lease that contains two 10-year renewal options. The annual rental payments under the lease are approximately $1.5 million for the first five years of the lease and $2.6 million for the remainder of the initial 20 year term; sufficient to pay debt service on the outstanding project financings.

The outstanding balances of the taxable bonds and notes issued in connection with the project were as follows at December 31:

	Original Issue	2003	2002
Taxable bonds and notes:			
Headquarters Revenue Bonds, 7.28%,	$13,835,000	$12,837,119	$13,300,624
Headquarters Revenue Bonds, 7.59%,	5,000,000	4,534,573	4,699,242
State of Ohio Revenue Note, 1.5% to 2.25%	6,000,000	5,815,361	5,939,144
Cleveland Development Partnership I, Limited Partnership Revenue Note, 6%	2,500,000	1,786,918	1,905,861
Cuyahoga County Revenue Note, 7.19%	1,800,000	1,395,000	1,455,000
City of Cleveland NDIF Revenue Note, 2%	3,000,000	3,000,000	3,000,000
City of Cleveland UDAG Revenue Note, non-interest bearing	1,000,000	1,000,000	1,000,000
City of Cleveland J.C. Hub Revenue Note, 2%	900,000	786,067	805,760
Total taxable bonds and notes	$34,035,000	$31,155,038	$32,105,631

The bonds and notes are special limited obligations of the Authority, payable solely from, and secured by, certain reserve fund balances or agreements established in connection with the project and a pledge of rentals to be received by the Authority under the lease agreement with Applied. The various lenders also have a security interest in the headquarters facility. The bonds and notes do not constitute a general obligation of the Authority. The scheduled repayments of the bonds and notes outstanding at December 31, 2003 are as follows:

Year	Principal	Interest	Total
2004	$ 1,049,425	$ 1,610,195	$ 2,659,620
2005	1,108,636	1,544,148	2,652,784
2006	1,153,330	1,473,916	2,627,246
2007	1,268,637	1,399,582	2,668,219
2008	1,364,461	1,317,711	2,682,172
2009-2013	8,125,538	5,136,746	13,262,284
2014-2016	17,085,011	3,299,816	20,384,827
Total	$31,155,038	$15,782,114	$46,937,152

Lease payments from Applied began upon completion of construction in July 1997. The facility portion of the lease is accounted for as an operating lease and $2,131,967 of rental income was recognized by the Authority during both 2003 and 2002 under this portion of the lease. In addition, the cost and carrying amount of the Authority's property subject to this portion of the lease was $33.1 million and $29.1 million, respectively, at December 31, 2003, and $33.1 million and $29.7 million, respectively, at December 31, 2002.

The Authority also recorded an approximate $2.5 million financing lease receivable during 1998 for the portion of the lease pertaining to furniture, fixtures and equipment. The portion of the future rental payments to be received that are deemed to be attributable to the furniture, fixtures and improvements are detailed in the following table along with the equipment financing lease receivable recognized on the December 31, 2003 balance sheet:

Year	Amount
2004	$ 200,817
2005	200,291
2006	198,325
2007	201,480
2008	202,554
2009-2013	1,001,330
2014-2016	456,074
Total	2,460,871
Unearned income	(403,038)
Total equipment financing lease receivable	$2,057,833

8. CLEVELAND BULK TERMINAL PROJECT

In March 1997, the Authority issued $6,640,000 of tax exempt Development Revenue Bonds, Series 1997-1 ("Series 1997-1 Bonds"). The proceeds of the bond issue were used to purchase approximately 45 acres of lakefront property and improvements operating as a working dock facility from Consolidated Rail Corporation ("Conrail") for $6,150,000. The property, known as the C&P Ore Docks (and subsequently renamed Cleveland Bulk Terminal), is a vessel-to-rail transfer facility that handled approximately 2.1 million tons of iron ore in 2003.

Upon purchasing the property from Conrail, the Authority entered into a lease and operating agreement for the entire facility with Oglebay Norton Terminals, Inc., ("ONTI"), a subsidiary of Oglebay Norton Company. In December 2002, the lease and operating agreement were extended, as provided for in the agreement, through March 2017.

On June 6, 2001, the Authority issued $5,765,000 of Refunding Revenue Bonds, Series 2001 ("Refunding Bonds"), in order to advance refund the Series 1997-1 Bonds. The net proceeds of the Refunding Bonds of $5,459,742 (after payment of $305,258 in underwriting fees and other issuance costs) and $840,305 of debt service funds were used to purchase securities guaranteed by the United States government. Those securities were deposited in an irrevocable escrow fund and will mature at such times as to provide sufficient funds to pay the interest and principal on the refunded bonds until they are fully repaid. As a result, the Series 1997-1 Bonds are considered to be defeased and were removed from the Authority's balance sheet in 2001.

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 June 22, 2006, provides assurance that funds will be available through the financial institution to redeem any non-marketable bonds prior to their maturity. The repayment of a portion of the principal and interest due under the Refunding Bonds is guaranteed by Oglebay Norton Company.

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 1.19% on December 31, 2003. Two 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 provide 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, which expire in fiscal 2007 and 2017. 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, 2003 was equal to the outstanding balance on the Refunding Bonds.

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, reported in the accompanying balance sheets as a deduction from bonds payable, is being charged to operations through the year 2031 using the effective-interest method. The Authority completed the advance refunding to effectively extend the maturity of its debt pertaining to the Cleveland Bulk Terminal Project by 24 years, including the elimination of the $3,235,000 balloon payment due on March 1, 2007. The advance refunding and the swaps increased the Authority's total debt service payments over the 30 year term of the debt by $4,693,991 and resulted in an economic loss (difference between the present values of the old and new debt service payments) of $553,859, assuming that the Authority is able to effectively fix the interest rate under the Refunding Bonds at 4.83% through the maturity of the bonds in 2031 by obtaining additional swaps. If additional swaps cannot be obtained to fix the Authority's interest rate exposure under the Refunding Bonds after 2017 or swaps are obtained which provide for fixed interest rates other than 4.83%, the economic gain (or loss) resulting from the advance refunding could be significantly different than the amount disclosed above. A 1% increase in the effective interest rate paid under the Refunding Bonds after the existing swaps expire in 2017 would increase the economic loss by $42,497.

The bonds outstanding at December 31, 2003 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
2004	$ 60,000	$ 326,483	$ 386,483
2005	60,000	323,455	383,455
2006	60,000	326,123	386,123
2007	105,000	274,380	379,380
2008	125,000	256,621	381,621
2009-2013	740,000	1,187,802	1,927,802
2014-2018	930,000	987,970	1,917,970
2019-2023	1,185,000	734,602	1,919,602
2024-2028	1,505,000	413,719	1,918,719
2029-2031	895,000	68,088	963,088
Total payments	5,665,000	4,899,243	10,564,243
Unamortized loss on defeasance	(311,301)		(311,301)
Total	$ 5,353,699	$ 4,899,243	$ 10,252,942

The lease and operating agreement with ONTI 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
2004	$ 725,000
2005	725,000
2006	725,000
2007	377,883
2008	282,783
2009-2013	1,413,915
2014-2017	909,163
Total	$ 5,158,744

During 2003 and 2002, the Authority recorded $378,782 and $607,500, respectively, of rental income under the agreement that included no amounts based on the amount of freight handled at the facility. In addition, the cost and carrying amount of the Authority's property subject to this lease was $7.2 million at December 31, 2003 and 2002.

During 2004, Oglebay Norton Company declared bankruptcy under Chapter 11 of the United States Bankruptcy Code. The effect of the bankruptcy on the ability of the Authority to collect the amounts payable under the lease and operating agreement with ONTI referred to above has not been determined.

9. BOND FUND PROGRAM

General Description—The Authority has established a Common Bond Fund Program (the "Program") to provide long-term, fixed interest rate financing of $1 million to $6 million to credit worthy businesses for owner-occupied industrial and commercial projects. In order to initiate this Common Bond Fund Program, a system of cash reserves was formed. As part of the overall reserves system, the Authority's Board of Directors transferred $2 million of non-tax revenue from its existing cash and investment balances to a Bond Fund Program Reserve ("Bond Fund"). The State of Ohio awarded the Authority a grant of $2 million, received in February 1998, which was also deposited in the Bond Fund Program Reserve Account. In addition, in March 1998, the Authority obtained a non-recourse bank letter of credit in the amount of $4 million to provide additional security for bondholders. The letter of credit was increased to $5 million in September 2002.

Port of Cleveland Bond Fund Development Revenue Bonds are issued pursuant to authorization of the Ohio Revised Code and under a Trust Agreement dated November 1, 1997 between the Authority and a local financial institution. The program is designed to expand employment opportunities and increase the tax base in northeast Ohio, primarily in Cuyahoga County, for which the Authority has been designated an economic development financing agency of the State of Ohio, by providing long-term, fixed interest rate financing.

Under the Program, debt service requirements on each bond issue are secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to either deposit an amount into a Bond Fund Primary Reserve account with the trustee or to provide a letter of credit as additional security for the related bonds. Amounts in the Bond Fund Program Reserve ($4,133,211 at December 31, 2003) and Bond Fund Primary Reserves ($5,054,998 at December 31, 2003) may be used for debt service in the event the borrower is unable to make the required payments under the lease. The trustee is to hold these funds during the term the bonds are outstanding, with investment income earned on the Bond Fund Primary Reserve amounts returned to the borrowers at their discretion. Amounts held in the Authority's Bond Fund Program Reserve are included in restricted cash and investments in the accompanying balance sheets.

The bond issues are not general obligations of, and are not secured by, the full faith and credit of the Authority.

Bond Obligations—A summary of the Authority's outstanding borrowings for projects funded under the Program at December 31, 2003 and 2002 were as follows:

Project	Debt Obligation	Interest Rate	Final Maturity	Original Issuance	2003	2002
ESSROC (dock improvements)	Series 1997A	5.75%-5.80%	May 15, 2027	$ 3,795,000	$ 3,428,585	$ 3,482,734
Jergens, Inc. (construction of manufacturing facility)	Series 1998A	5.375%	May 15, 2018	5,720,000	4,643,433	4,838,314
NOACA (acquisition and renovation of office facility)	Series 1998B	5.375%	May 15, 2018	3,345,000	2,772,489	2,890,601
Port Capital Improvements (various and other improvements)	Series 1999A	5.375%	May 15, 2019	5,230,000	4,478,155	4,656,272
Universal Heat Treating (acquisition and improvement of manufacturing facility)	Series 1999B	6.50%	Nov. 15, 2014	1,480,000	1,185,000	1,285,000
Playhouse Square acquisition of equipment)	Series 2000A	8.12%	Nov. 15, 2008	2,825,000	1,970,000	2,275,000
Regional Income Tax Agency (acquisition of personal property)	Series 2000B	6.00%	Nov. 15, 2010	5,000,000	4,210,000	4,615,000
CEOGC (construction of Head Start facility)	Series 2001A	6.25%	May 15, 2016	4,440,000	4,050,000	4,260,000
Cleveland Bottle & Supply (acquisition and renovation of manufacturing and warehouse facilities)	Series 2001B	6.50%	Nov. 15, 2021	1,500,000	1,430,000	1,470,000
Community Assessment and Treatment Service Inc. (acquisition and renovation of facility)	Series 2002A	5.60%-6.20%	May 15, 2022	2,090,000	2,030,000	2,090,000
International Steel Group (upgrading hot strip mill)	Series 2002B	5.80%	May 15, 2007	6,000,000	4,920,000	6,000,000
Cleveland Christian Home (acquisition and renovation of facility)	Series 2002C	5.25%-5.95%	May 15, 2022	5,130,000	5,060,000	5,130,000
Heidtman Steel Products, Inc. (acquisition and construction of facility)	Series 2003A	6.10%	May 15, 2013	4,250,000	4,250,000	
Total				$ 50,805,000	$ 44,427,662	$ 42,992,921

The bonds issued by the Authority under the Program are payable are follows:

Year	Principal	Interest	Total
2004	$ 3,270,000	$ 2,591,898	$ 5,861,898
2005	3,675,000	2,385,686	6,060,686
2006	3,900,000	2,159,977	6,059,977
2007	4,075,000	1,902,197	5,977,197
2008	2,960,000	1,689,832	4,649,832
2009-2013	12,565,000	6,006,770	18,571,770
2014-2018	9,225,000	2,846,778	12,071,778
2019-2023	3,900,000	890,468	4,790,468
2024-2027	1,150,000	169,070	1,319,070
Total payments	44,720,000	$ 20,642,676	$ 65,362,676
Unamortized original issue discount	(292,338)		
Recorded balance at December 31, 2003	$ 44,427,662		

A description of the collateral for the payment of debt service under the bonds and other information concerning the projects is provided below:

- ***ESSROC Project—***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, pursuant to which ESSROC leases certain real property and bulkheading located on Dock 20 from the Authority. This property at Dock 20 had a cost and carrying amount of $3.5 million and $2.9 million, respectively, at December 31, 2003. ESSROC has also agreed in the Ground Lease and Operating Agreement to pay the Authority certain land rentals 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:

Year	Amount
2004	$ 266,429
2005	266,486
2006	263,085
2007	267,815
2008	263,808
2009-2013	1,324,260
2014-2018	1,317,081
2019-2023	1,306,441
2024-2027	884,735
Total	$6,160,140

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.

- ***Jergens, Inc. Project***—The proceeds of the bonds were used to provide funds in the form of a loan to Jergens, Inc. and certain other parties (collectively, "Jergens") for the construction of a manufacturing facility. The Authority has a first mortgage and security interest in all assets acquired with the proceeds of the bonds. The timing and amount of payments due from Jergens and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 1998A Bonds, plus a small administrative charge. At December 31, 2003, $4,533,482 remained as a note receivable from Jergens.

- ***NOACA Project—***This project consisted of the acquisition and renovation of an existing 31,000 square-foot facility, which is leased to the Northeast Ohio Areawide Coordinating Agency ("NOACA") for use as office space. The timing and amount of payments due from NOACA and paid directly to the Bond Fund trustee under the lease approximate debt service requirements of the Series 1998B Bonds, plus a small administrative charge.

The lease with NOACA is accounted for as a financing lease. Payments commenced under the lease in January 1999. The difference between the financing lease receivable and the total payments to be made by NOACA under the lease are being amortized to income over the lease term so as to produce a constant periodic rate of return on the Authority's net investment in the lease. The future minimum lease payments to be received and the Authority's net investment in the lease at December 31, 2003 are as follows:

Year	Amount
2004	$ 285,493
2005	288,093
2006	289,305
2007	286,790
2008	288,003
2009-2013	1,439,656
2014-2018	1,255,198
Total	4,132,538
Unearned income	(1,446,119)
Net investment in lease	$ 2,686,419

NOACA has the option to purchase the facility for $1 on May 15, 2018, or upon the defeasance of the Series 1998B Bonds.

- ***Port Capital Improvements Project—***The debt service on the Series 1999A Bonds is paid by the Authority directly to the Bond Fund trustee.

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 Port'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 costs of the project that relate to improvements made on Port property were capitalized in buildings, infrastructures and leasehold improvements at December 31, 2003.

- ***Universal Heat Treating Project***—The Series 1999B Bonds were issued to provide funds in the form of a loan to Universal Heat Treating, Inc. ("Universal Heat") to pay a portion of the costs of acquisition, construction, equipping, furnishing and improving a manufacturing and distribution building to be used for the heat treating and strengthening of industrial parts and related uses. The Authority has a first mortgage and security interest in all assets acquired with the Series 1999B Bond proceeds.

  The timing and amount of payments due from Universal Heat and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 1999B Bonds, plus a small administrative charge. At December 31, 2003, $1,029,335 remained as a note receivable from Universal Heat.

- ***Playhouse Square Project*—**The Series 2000A Bonds were issued to provide funds in the form of a loan to the Playhouse Square Foundation ("Playhouse Square") to pay a portion of the costs to purchase and install two video boards and one ticker screen on buildings in Playhouse Square. The Authority has a security interest in all assets acquired with the Series 2000A Bond proceeds.

  The timing and amount of payments due from Playhouse Square and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2000A Bonds, plus a small administrative charge. At December 31, 2003, $1,867,032 remained as a note receivable from Playhouse Square. The project was completed in early 2002.

- ***Regional Income Tax Agency Project*—**The Series 2000B Bonds were issued to provide funds to pay a portion of the costs of the acquisition and installation of personal property consisting of a heating, ventilation and air conditioning system, computer hardware and software, and certain other furnishings and equipment (the "Series 2000B Project") owned by the Authority and leased to the Regional Council of Governments ("RCG"). The Series 2000B Project is located at the RCG offices in Brecksville, Ohio and is utilized by the Regional Income Tax Agency ("RITA"), a municipal tax collection agency under the supervision of the RCG.

  The Series 2000B Bonds are secured by the rental payments to be received under the lease with RCG. This is renewable for successive one-year terms upon appropriation by RCG of sufficient funds to pay the rental payments. RCG has appropriated the rental payments for the lease term ending December 31, 2003. The final renewal term will terminate on November 15, 2010 upon payment in full of the Series 2000B Bonds. RCG has the option to purchase the Series 2000B Project for $1 on November 15, 2010 or upon the defeasance of the Series 2000B Bonds.

  The lease with RCG is accounted for as a financing lease. Payments commenced under the lease in January 2001. The difference between the financing lease receivable and the total payments to be made by RCG under the lease are being amortized to income over the lease term so as to produce a constant periodic rate of return on the Authority's net investment in the lease. The future minimum lease payments to be received and the Authority's net investment in the lease are as follows:

Year	Amount
2004	$ 693,674
2005	695,639
2006	695,714
2007	693,899
2008	696,012
2009-2010	1,833,427
Total	5,308,365
Unearned income	(1,517,997)
Net investment in lease	$ 3,790,368

The timing and amount of payments due from RCG and paid directly to the Bond Fund trustee under the lease agreement approximate the debt service requirements for the Series 2000B Bonds, plus a small administrative charge.

- ***CEOGC Project—***The Series 2001A Bonds were issued to provide funds in the form of a loan to the Council for Economic Opportunities in Greater Cleveland ("CEOGC") to pay a portion of the costs of constructing a 28,000 square foot Head Start Facility at the site of a recently renovated light rail station in East Cleveland. The Authority has a security interest in all assets acquired with the Series 2001A Bond proceeds.

  The timing and amount of payments due from CEOGC and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements for the Series 2001A Bonds, plus a small administrative charge. As of December 31, 2003, $3,869,203 of the proceeds of the Series 2001A Bonds had been loaned to CEOGC as a note receivable and the remainder is included in restricted and other assets in the accompanying December 31, 2003 balance sheet. The project was completed in April 2003.

- ***Cleveland Bottle & Supply Project—***The Series 2001B Bonds were issued to provide funds in the form of a loan to Cleveland Bottle & Supply ("Cleveland Bottle") to pay a portion of the costs of acquiring and renovating an existing 62,000 square foot manufacturing and warehouse facility in Cleveland, Ohio. The Authority has a security interest in all assets acquired with the Series 2001B Bond proceeds.

  The timing and amount of payments due from Cleveland Bottle and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2001B Bonds, plus a small administrative charge. As of December 31, 2003, $1,379,559 of the proceeds of the Series 2001B Bonds had been loaned to Cleveland Bottle as a note receivable and the remainder is included in restricted and other assets in the accompanying December 31, 2003 balance sheet. The project was completed in March 2003.

- ***Community Assessment & Treatment Service, Inc. Project—***The Series 2002A Bonds were issued to provide funds in the form of a loan to Community Assessment & Treatment Service, Inc. ("CATS") to pay a portion of the costs of acquiring and renovating an existing 18,000 square foot facility located at 8415 Broadway Avenue in Cleveland, Ohio. The Authority has a security interest in all assets acquired with the Series 2002A Bond proceeds.

The timing and amount of payments due from CATS and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2002A Bonds, plus a small administrative charge. As of December 31, 2003, $1,835,101 of the proceeds of the Series 2002A Bonds had been loaned to CATS as a note receivable and the remainder is included in restricted and other assets in the accompanying December 31, 2003 balance sheet. The project was completed in July 2003.

- ***International Steel Group Project—***The Series 2002B Bonds were issued to provide funds in the form of a loan to International Steel Group ("ISG") to pay a portion of the costs of upgrading of the hot strip mill for the Cleveland Works facility. The Authority has a security interest in all assets acquired with the Series 2002B Bond proceeds and a mortgage lien on and security interest in all real property, equipment and fixtures comprising ISG's Cleveland Works facility, except for the C5 Blast furnace, the hot-strip mill and the rights of ISG to sell certain non-essential assets.

The timing and amount of payments due from ISG and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2002B Bonds, plus a small administrative charge. As of December 31, 2003, $4,296,308 of the proceeds of the Series 2002B Bonds had been loaned to ISG as a note receivable and the remainder is reserved for the payment of debt service and is included in restricted cash and investments in the accompanying December 31, 2003 balance sheet. The project was completed in 2002.

- ***Cleveland Christian Home Project***—The Series 2002C Bonds were issued to provide funds in the form of a loan to Cleveland Christian Home ("CCH") to pay a portion of the costs of acquiring and renovating administrative and treatment facilities located in Cleveland, Ohio. The Authority has a security interest in all assets acquired with the Series 2002C Bond proceeds.

The timing and amount of payments due from CCH and paid directly to the Bond Fund trustee under the loan approximate the debt service requirements of the Series 2002C Bonds, plus a small administrative charge. As of December 31, 2003, $4,288,752 of the proceeds of the Series 2002C Bonds had been loaned to CCH as a note receivable and the remainder is included in restricted and other assets in the accompanying December 31, 2003 balance sheet. The project was completed in August 2003.

- ***Heidtman Steel Products, Inc. Project*** – The Series 2003A Bonds were issued to provide funds in the form of a lease to Heidtman Steel Products, Inc. ("Heidtman") to pay a portion of the costs of purchasing 44 acres of land and acquiring, constructing, equipping and otherwise improving an industrial and distribution facility for the production of specialty steel products in Cleveland, Ohio.

Additionally, a portion of the 2003A Project was funded by $5,645,000 of State of Ohio, State Economic Development Revenue Bonds (Ohio Enterprise Bond Fund) Series 2003-5 (the "Series 2003 OEBF Bonds"). Proceeds of the Series 2003 OEBF Bonds were used to finance a portion of the costs of the Series 2003A Project.

The repayment of obligations incurred under the Series 2003A Project are guaranteed by Centaur, Inc., a Michigan corporation, pursuant to a Guaranty Agreement.

Pursuant to an Intercreditor Agreement, the Authority has a parity first mortgage lien on a parity first security interest in all assets acquired with the Series 2003A proceeds. Heidtman has the option to purchase the Series 2003A Project for $100 on May 15, 2013 or upon the defeasance of the Series 2003A Bonds.

The lease with Heidtman is accounted for as a financing lease. Payments commence under the lease in April 2004. The difference between the financing lease receivable and the total payments to be made by Heidtman under the lease are being amortized to income over the lease term so as to produce a constant periodic rate of return on the Authority's net investment in the lease. The future minimum lease payments to be received and the Authority's net investment in the lease at December 31, 2003 are as follows:

Year	Amount
2004	$ 421,805
2005	639,926
2006	643,490
2007	636,947
2008	637,186
2009-2013	2,776,109
Total	5,755,463
Unearned income	(5,242,823)
Net investment in lease	$ 512,640

The timing and amount of payments due from Heidtman and paid directly to the Bond Fund trustee under the lease agreement approximate the debt service requirements for the Series 2003A Bonds, plus a small administrative charge.

10. TAX ANTICIPATION NOTES, SERIES 1999

In May 1999, the Authority issued $6.84 million of Tax Anticipation Notes, Series 1999 ("1999 TANs") for certain maritime and general public improvements to be undertaken by the Authority, including the construction of a new 800-foot dock designated as Dock 22 East. The project was completed in August 2000.

The tax-exempt 1999 TANs, with an interest rate between 3.70-3.90%, matured on November 15, 2003. The 1999 TANs were special obligations of the Authority and were to be paid only from the proceeds of the Authority's .13 mill property tax levy (see Note 4). The 1999 TANs were not general obligations of the Authority. They were secured solely by the proceeds of the Authority's 1998 property tax levy which was collected through tax year 2002 (collected in 2003 - see Note 5).

11. TAX ANTICIPATION NOTES, SERIES 2002

In December 2002, the Authority issued $6 million of Tax Anticipation Notes, Series 2002 ("2002 TANs") to pay a portion of the costs for the removal, relocation and re-assembly of an ore loader from the Lorain Pellet Terminal to the Authority's Cleveland Bulk Terminal.

The 2002 TANs are tax-exempt, have a final maturity date of November 15, 2006 and bear interest at the rate of 1.75%-2.50% per annum. The 2002 TANs are special obligations of the Authority and are to be paid only from the proceeds of the Authority's .13 mill renewal property tax levy which begins in 2003 (see Note 5). The TANs are not general obligations of the Authority. The 2002 TANs are payable as follows:

Year	Principal	Interest	Total
2004	$1,965,000	$127,283	$2,092,283
2005	1,995,000	92,895	2,087,895
2006	2,040,000	51,000	2,091,000
Total payments	6,000,000	$271,178	$6,271,178
Unamortized original issue premium	4,218		
Recorded balance at December 31, 2003	$6,004,218		

Approximately $165,000 and $4,000 of interest costs were capitalized in connection with the ore loader project during 2003 and 2002, respectively. The project is expected to be completed in 2004.

12. METROHEALTH PROJECT

In November 1999, the Authority obtained financing to lease (for a minimal amount) approximately one acre of land from Cuyahoga County and to construct a 262,000 square foot parking garage consisting of seven levels and approximately 760 parking spaces adjacent to the MetroHealth Medical Center. Concurrently, the Authority executed a Master Lease Agreement with MetroHealth System ("MetroHealth") pursuant to which MetroHealth agreed to lease the facility through at least December 1, 2004 (certain renewal and purchase options are also available), as well as manage its construction. The financing for the project consists of two Public Improvement Revenue Notes ("Notes") totaling $10,973,006, which were purchased by a financial institution ("Purchaser"). The Notes are not general obligations secured by the full faith and credit or taxing power of the Authority, and are payable solely from a pledge of rentals to be received by the Authority under the operating lease agreement with MetroHealth. The Purchaser also has a security interest in the facility, the cost and carrying value of which was $10.9 million and $9.8 million, respectively, at December 31, 2003. The basic lease term expires on December 1, 2004 and is subject to renewal as described in the Master Lease Agreement. The rentals due under the lease during its initial term, including MetroHealth's guarantee of the residual value of the property are as follows:

Year	Amount
2004	$10,161,004

The Notes bear interest at a rate of 5.8% per annum for the duration of the initial lease term, subject to MetroHealth's compliance with certain covenants relating to their long-term debt rating. The Notes mature on November 30, 2004, when the entire principal balance is due. The maturity of the Notes may be extended for one year at the request of MetroHealth, subject to the approval of the Purchaser.

13. MTD CONSUMER GROUP PROJECT

In August 2000, the Authority obtained financing to fund the construction of a 186,000 square foot office headquarters facility for MTD Consumer Group, Inc. ("MTD") on approximately 20 acres of land, and the purchase of new office equipment and furniture and fixtures. The project is located in Valley City, Ohio in the county of Medina. Concurrently, the Authority executed a Master Lease Agreement with MTD pursuant to which MTD agreed to lease the facility through at least October 1, 2006 with an option to purchase, as well as to manage its construction.

The financing for the project consists of two Taxable Headquarters Revenue Notes totaling $20,500,000, which were purchased by a financial institution. The notes bear interest at a rate (3.04% at December 31, 2003) that varies with the LIBOR 90 day rate plus a margin, as defined in the Note Purchase Agreement. Quarterly payments of $248,563 are due on the original principal balance of Note A ($19,885,000) on January 1, April 1, July 1 and October 1 of each year through October 1, 2006 when the remaining balance under Note A is due. The entire balance of Note B ($615,000) is due on October 1, 2006.

The remaining outstanding balance of the bonds is payable as follows (with an assumed interest rate of 3.04%):

	Principal	Interest	Total
2004	$ 994,252	$ 398,758	$ 1,393,010
2005	994,252	368,583	1,362,835
2006	11,522,992	338,407	11,861,399
Total	$13,511,496	$1,105,748	$14,617,244

The notes are payable solely from a pledge of rentals to be received by the Authority under the operating lease agreement with MTD and are not a general obligation of the Authority. The purchaser also has a security interest in the facility, the cost and carrying value of which was $20.0 million and $17.7 million, respectively, at December 31, 2003. The rentals due under the lease during its initial term are variable based on the required debt service payments under the notes. The following schedule of payments assumes the interest rate on the notes remains at 3.04% and includes MTD's guarantee of the residual value of the property:

Year	Amount
2004	$ 1,428,938
2005	1,395,780
2006	7,595,237
Total	$10,419,955

The project was completed in October 2001. On January 2, 2003, MTD prepaid $5 million of the rental charges under the lease. This prepayment as recorded as a deposit liability in the accompanying December 31, 2003 balance sheet and was used to prepay a corresponding amount of the outstanding balance under Note A.

14. PARMA COMMUNITY GENERAL HOSPITAL PROJECT

In November 2001, the Authority obtained financing to fund the construction of a 40,000 square foot Medical Office Building, a 24,500 square foot Ambulatory Surgery Center, and the purchase of medical equipment for use by the Parma Community General Hospital ("PCGH") in Parma, Ohio.

Concurrently, the Authority executed a Master Lease Agreement with PCGH pursuant to which PCGH agreed to lease the facilities and equipment through at least November 2006 with an option to purchase, as well as to manage its construction.

The financing for the project consists of two Tax-Exempt Revenue Notes and one Taxable Demand Note totaling $23,150,000, which were purchased by two financial institutions, and are described below:

- The Tax-Exempt Notes ($14,300,000) provide for interest at a rate that varies with the LIBOR 90 day rate. The interest rate on the Tax-Exempt Notes was 2.06% on December 31, 2003. Monthly payments of $76,864 are to be paid on the outstanding principal balance of one of the Tax-Exempt Notes ($3,800,000), which commenced April 1, 2003 and continues through December 1, 2006 when the remaining principal balance is due. The other Tax-Exempt Note ($10,500,000) is due in full on December 1, 2011.

- The Taxable Notes ($8,850,000) mature on December 1, 2011. The holders of the notes are permitted 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 notes presented for payment prior to their scheduled maturity. The letter of credit, which expires on November 16, 2006, provides assurance that funds will be available through the financial institution to redeem any non-marketable notes prior to their maturity. The notes provide for interest at a rate as determined by the remarketing agent based upon current transactions in comparable securities that enable the agent to remarket the notes at par. The interest rate on the Taxable Notes was 1.21% on December 31, 2003.

  The notes are payable as follows (with an assumed interest rate of 2.06% on the Tax-Exempt Notes and 1.21% on the Taxable Notes):

	Principal	Interest	Total
2004	$ 922,368	$ 377,122	$ 1,299,490
2005	922,368	358,122	1,280,490
2006	20,613,490	310,869	20,924,359
Total	$22,458,226	$1,046,113	$23,504,339

The notes are payable solely from a pledge of rentals to be received by the Authority under three operating lease agreements with PCGH and are not general obligations of the Authority. The purchasers also have a security interest in the facility and equipment, the cost and carrying value of which was $18.8 million and $18.1 million, respectively, at December 31, 2003. The rentals due under the leases during their initial terms are variable based on the required debt service payments under the notes and are scheduled to be as follows (assuming the interest rate on the Tax-Exempt Notes remains at 2.06% and the interest rate on the Taxable Notes remains at 1.21%), including PCGH's guarantee of the residual value of the property:

Year	Amount
2004	$ 1,354,211
2005	1,332,904
2006	18,169,531
Total	$20,856,646

Approximately $38,000 and $719,000 of interest costs were capitalized in connection with this project during 2003 and 2002, respectively. The project was completed in January 2003.

15. UNIVERSITY SQUARE PROJECT

In December 2001, the Authority issued $40.5 million of Tax-Exempt Special Assessment/Tax Increment Revenue Bonds and $100,000 of Taxable Subordinate Tax Increment Revenue Bonds, Series 2001 A/B (the "Bonds"), to finance the construction of a public parking facility to be attached to a multi-tenant retail center (the "Development") located in University Heights, Ohio. During 2001, the Authority paid $4.7 million for a 40 year ground lease pertaining to the land upon which the facility will be constructed.

Pursuant to a cooperative agreement between the City of University Heights, the Authority and the developer, the Bonds will be secured by annual special assessments to be levied on the real estate. The maximum amount of the annual special assessments will be equal to $4,000,000 per year while the Bonds are outstanding. However, such assessments will be subject to reduction by an amount equal to the tax increment revenue expected to be collected as a result of the project in the following year. The actual amount collected will be limited to the debt service on the Bonds.

The Tax-Exempt Bonds have a final maturity date of December 1, 2031, and provide for interest at rates ranging from 7.00% to 7.35% per annum. The taxable bonds have a final maturity of December 1, 2041 and bear interest at the rate of 12% per year. Any special assessment that is assessed against the property will represent a senior lien on the Development.

The Bonds are not general obligations and are not secured by the full faith and credit or taxing power of the Authority; nor are they payable from any of the operating funds of the Authority. The Bonds are payable as follows only from funds pledged to secure the Bonds:

Year	Principal	Interest	Total
2004	$ -	$ 2,950,443	$ 2,950,443
2005		2,950,443	2,950,443
2006		2,950,443	2,950,443
2007		2,950,443	2,950,443
2008	695,000	2,950,443	3,645,443
2009-2013	4,265,000	13,952,113	18,217,113
2014-2018	5,985,000	12,235,013	18,220,013
2019-2023	8,310,000	9,786,255	18,096,255
2024-2028	11,840,000	6,250,170	18,090,170
2029-2033	9,405,000	1,475,243	10,880,243
2034-2038		60,000	60,000
2039-2041	100,000	36,000	136,000
Total payments	40,600,000	$ 58,547,009	$ 99,147,009
Unamortized original issue discount	(193,482)		
Recorded balance at December 31, 2003	$40,406,518		

Approximately $1.3 million and $2.5 million of interest costs were capitalized in connection with this project during 2003 and 2002, respectively. The cost and carrying value of the garage was $25.0 million and $24.5 million, respectively, at December 31, 2003 and approximately $7.7 million of unspent proceeds, reserved for the payment of debt service, is included in restricted cash and investments. The project was completed in June 2003.

16. TRW AUTOMOTIVE PROJECT

In August 2003, the Authority obtained financing to fund the acquisition, installation, and leasing of certain equipment for the TRW Engine Test and Materials Laboratory at its new location in Warrensville Heights, Ohio for TRW Automotive U.S. (“TRW”).

The financing for the project consists of two governmental loans totaling $650,000. The Authority executed a Lease Agreement with TRW pursuant to which TRW agreed to lease the equipment through March 1, 2009, with an option to purchase at the end of the lease term.

The governmental loans bear interest at the rate of 3.00% per annum and have a final maturity date of March 1, 2009. The loans are payable as follows:

Year	Principal	Interest	Total
2004	$ 64,295	$ 18,151	$ 82,446
2005	66,328	16,195	82,523
2006	68,427	14,176	82,603
2007	70,591	12,094	82,685
2008	72,825	9,946	82,771
2009	291,884	2,143	294,027
Total	$ 634,350	$ 72,705	$ 707,055

The loans are payable solely from a pledge of rentals to be received by the Authority under the operating lease agreement with TRW and are not a general obligation of the Authority. The Authority also has a security interest in the facility, the cost and carrying value of which was $650,000 and $633,750, respectively, at December 31, 2003. The rentals due under the lease, including TRW’s guarantee of the residual value of the property, are as follows:

Year	Amount
2004	$ 86,868
2005	86,868
2006	86,868
2007	86,868
2008	86,868
2009-2010	190,717
Total	$ 625,057

The project was completed in September 2003 and no interest was capitalized in connection with this project.

17. 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, of which six acres were subsequently leased to a private business under a 25-year operating lease that provides for payments to the Authority of $64,800 annually during years one through five and $100,000 annually thereafter.

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) commencing March 1, 2000. The loan is secured by an assignment of the six acre lease, and is payable from the operating funds of the Authority.

18. LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations for the year ended December 31, 2003 are as follows:

	Balance January 1, 2003	Increase	Decrease	Balance December 31, 2003	Due Within One Year
Rock and Roll Hall of Fame and Museum	$ 26,200,000	$ -	$ (1,720,000)	$ 24,480,000	$ 1,810,000
Applied Industrial Technologies Project	32,105,631		(950,593)	31,155,038	1,049,425
Cleveland Bulk Terminal Project	5,293,429	100,270	(40,000)	5,353,699	60,000
Bond Fund Activities	42,992,921	4,250,000	(2,815,259)	44,427,662	3,270,000
Tax Anticipation Notes	7,811,313		(1,807,095)	6,004,218	1,965,000
MetroHealth Project	10,973,006			10,973,006	10,973,006
MTD Consumer Group Project	19,505,748		(5,994,252)	13,511,496	994,252
Parma Community General Hospital Project	23,150,000		(691,774)	22,458,226	922,368
University Square Project	40,396,695	9,823		40,406,518	
TRW Automotive Project		650,000	(15,650)	634,350	64,295
State of Ohio 166 Loan	619,123		(40,322)	578,801	41,965
Total	$ 209,047,866	$ 5,010,093	$ (14,074,945)	$ 199,983,014	$ 21,150,311

19. OTHER LEASES

***Authority as Lessee*—**The Authority is the lessee of property commonly known as Docks 32, 30, 28, 26, and 24 under an operating lease with the City of Cleveland. The lease term expires in 2028; however, the City of Cleveland has the right to remove Docks 32, 30, and a portion of Dock 28 from the lease upon five years written notice. At such time, the annual rental will be reduced based on the number of square feet removed from the lease. Rental expense under the City of Cleveland operating lease was $500,000 for both 2003 and 2002. Minimum future lease payments under the City of Cleveland operating lease at December 31, 2003, assuming no removal of property included in the lease are $500,000 per year through December 31, 2028.

In January 2000, the Authority entered into a lease agreement with Cleveland Center Investors 1, L.L.C. for approximately 8,400 square feet of office space at One Cleveland Center. The agreement, as amended in February 2002, expires on January 14, 2006 and provides the Authority a one-time right to terminate the lease on January 14, 2005, subject to payment of certain unamortized costs of the landlord. In December 2003, the Authority amended the lease agreement for the second time in order to relocate to 8,798 square feet of office space in the same building. The Authority's base rental for the new office space remains the same, on a per square footage basis, as the first lease amendment. Rental expense under the lease was $125,910 for 2003 and $167,880 for 2002. The annual base rental is $175,297 in 2003 and $175,960 annually thereafter through the end of the lease in January 2006.

Authority as Lessor—The Authority subleases a portion of the property leased from the City of Cleveland under operating leases expiring in 2004. Total rental income from these leases amounted to $391,589 and $386,181 for the years ended December 31, 2003 and 2002, respectively. Minimum future rentals to be received on operating subleases as of December 31, 2003 are $90,015 for the year ending December 31, 2004.

The Authority is the lessor of certain real property under operating leases expiring in 2004. Total rental income from these leases amounted to $320,292 and $287,705 for the years ended December 31, 2003 and 2002, respectively. Minimum future rentals to be received on operating leases during the year ending December 31, 2004 are $84,147.

20. 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.

21. 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 swaption 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 Port 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 Port Authority and the Port Authority maintains the protections it received in the original transaction.

22. CLEVELAND CLINIC FINANCINGS

On August 14, 2003, the Authority issued $48,415,000 of variable rate Cleveland-Cuyahoga County Port Authority Revenue Bonds, Series 2003, maturing in 2034. The proceeds from the revenue bonds are primarily being used for the construction of a 1,340 space parking garage as well as a 137,000 square foot office facility, both of which are located on the main health care delivery campus of The Cleveland Clinic Foundation (the "Foundation"). The borrower, Euclid/93rd Garage and Office, LLC was organized to assist the charitable and educational purposes of the Foundation by facilitating low-cost financing of this project. Euclid/93rd Garage and Office, LLC leases both the parking and office facility to the Foundation under an operating lease. The stated termination date of the operating lease is January 31, 2028, with a provision for extension at the option of the Foundation to January 31, 2034.

On November 13, 2003, the Authority issued $32,000,000 of variable rate Cleveland-Cuyahoga County Port Authority Revenue Bonds, Series 2003, maturing in 2033. The proceeds from the revenue bonds are being used, in conjunction with a State grant, to construct a 150,000 square foot research facility on the Cleveland Clinic Foundation's main health care delivery campus. The borrower, Carnegie 96th Research Building, LLC was organized to assist the charitable and educational purposes of the Foundation by facilitating low-cost financing of this project. Carnegie 96th Research Building, LLC leases the building Foundation under an operating lease. The stated termination date of the operating lease is January 31, 2023.

As of December 31, 2003, there were two series of 2003 Revenue Bonds outstanding. The aggregate principal amount payable for the two series was $80.4 million. Because the 2003 Revenue Bonds are secured solely by the rentals to be received under the related operating leases and a letter of credit provided by a financial institution, the bonds do not constitute a debt or pledge of the facility and credit of the Authority. In addition, the Authority does not have any ownership interest in the facilities being constructed. Accordingly, the amounts outstanding under the 2003 Revenue Bonds have not been reported in the accompanying financial statements.

23. NEW ACCOUNTING STANDARDS

Effective January 1, 2003, the Authority implemented the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and management's Discussion and Analysis for State and Local Governments: Omnibus,* and Statement No. 38, *Certain Financial Statement Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis. The implementation of these statements had no impact on the Authority's net assets.

During May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units (an amendment of GASB Statement No. 14).* This statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as a component unit based on the nature and significance of their relationship with the primary government. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2003. The Authority has not determined the impact, if any, that this statement will have on its financial statements.

During March 2003, the GASB issued Statement No. 40, *Deposits and Investment Risk Disclosures (an amendment of GASB Statement No. 3).* This statement addresses disclosures related to common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also should be disclosed. The provisions of this statement are effective for financial statements of periods beginning after June 15, 2004. The Authority has not determined the impact, if any, that this statement will have on the disclosures in its financial statements.

During November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. Under provisions of this statement, a capital asset is considered impaired when its service has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for fiscal periods beginning after December 15, 2004. The Authority has not determined the impact, if any, that this statement will have on its financial statements.

24. SUBSEQUENT EVENTS

Rock and Roll Hall of Fame and Museum Project

In January 2004, the Authority issued $18,555,000 of Refunding Revenue Bonds, Series 2004, (the "Series 2004 Bonds") with a fixed interest rate of 3.60%. The proceeds of the bond issues were used, together with other available funds that had accumulated under the Rock and Roll Hall of Fame and Museum's trust indenture through which its lease payments are made, to defease the $1,305,000 mandatory sinking fund payment due on December 1, 2006 and advance refund the remaining outstanding Senior Revenue Bonds, Series 1997 ($15,420,000) and defease the $7,755,000 aggregate outstanding principal amount of Subordinate Refunding Revenue Bonds, Series 1997. The proceeds were also used to fund the reserve requirement and pay costs incidental to the issuance and sale of the Series 2004 Bonds.

The Series 2004 Bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its lease with the Rock and Roll Hall of Fame and Museum and do not represent or constitute a general obligation, bonded indebtedness or a pledge of the general credit or taxing power of the Authority.

Ohio Savings Project

In February 2004, the Authority issued $16,000,000 of Taxable Development Revenue Bonds, Series 2004, to pay for a portion of the costs of the acquisition and construction of a multi-level parking facility with capacity of approximately 522 spaces and approximately 11,000 square feet of ground floor retail space in the City of Cleveland, Ohio.

The transaction will be structured as a financing lease between the Authority and OSF Properties, Inc with full recourse to Ohio Savings Financial Corporation, the parent of OSF Properties. The Authority will own the project and will have a financing lease with the lessee for a term of ten years. The Authority has a second mortgage on the existing and proposed improvements at the project site, subordinate only to a first mortgage lien by the City of Cleveland.

The Series 2004 Bonds are taxable, have a final maturity of March 1, 2014 and have a variable interest rate, with a one-time option to convert to a fixed rate. The project has an estimated completion date of February 2006.

Luigino's, Inc. Project

In March 2004, the Authority issued $5,000,000 of Development Revenue Bonds (Port of Cleveland Bond Fund) Series 2004A (the "2004A Bonds") to provide funds in the form of a loan to Luigino's, Inc. to pay for a portion of the costs of the acquisition, construction, equipping and installation of a 82,000 square foot facility for the production of frozen foods in Jackson, Ohio. The loan was made in conjunction with separate loans made to Luigino's by other parties, including a $7,010,000 loan from the State of Ohio Enterprise Bond Fund ("the OEBF Bonds"), a $6,000,000 loan from the Toledo-Lucas County Port Authority (the "TLCPA Bonds") and a $3,000,000 loan under the State of Ohio 166 Loan Program (the "166 Loan").

The 2004A Bonds are taxable, have a final maturity date of May 15, 2019, and bear interest at the rate of 5.86% per annum. The Authority has a first mortgage security interest in the project facilities, which will rank pari passu with separate mortgages to secure the OEBF and TLCPA Bonds as well as the 166 Loan. The timing and amount of payments due from Luigino's, and paid directly to the trustee, under the loan agreement approximate the debt service requirements for the 2004A Bonds, plus a small administrative charge.

The Series 2004A Bonds are not general obligations and are not secured by the full faith and credit or taxing power of the Authority; nor are they payable from any of the operating funds of the Authority. The project is expected to be completed in September 2004.

City of Cleveland Project

In April 2004, the Authority issued $2,965,000 of Development Revenue Bonds (Port of Cleveland Bond Fund) Series 2004B (the "2004B Bonds") to provide funds to pay for the construction of certain public improvements along Superior Avenue in downtown Cleveland, Ohio. The project will be constructed and developed by the City of Cleveland (the "City"), pursuant to a Tax Increment Financing Cooperative Agreement with the Authority (the "Series 2004B Agreement").

The 2004B Bonds are tax-exempt, have a final maturity of May 15, 2030, and bear interest at the rate of 4.50% per annum. Pursuant to the Series 2004B Agreement, the City has assigned to the Authority certain payments (payments in lieu of taxes, also known as tax increment revenues) to be made by owners of real property within the development site.

The Series 2004B Bonds are not general obligations and are not secured by the full faith and credit or taxing power of the Authority; nor are they payable from any of the operating funds of the Authority. The project is expected to be completed in October 2004.

City of Brecksville Project

In April 2004, the Authority issued $2,195,000 of Development Revenue Bonds to finance the acquisition of 19.5 acres of real property located within the City of Brecksville, Ohio. The Authority will lease the project site to the City of Brecksville under the lease. The City of Brecksville will then sublease the project site to HOLAR Properties for economic development purposes. HOLAR Properties will construct and operate a warehouse, distribution, and office facility on the site.

The bonds are tax-exempt, have a final maturity of December 1, 2014, and bear interest at the rate of 4.00% per annum. The bonds are payable from semiannual lease payments, subject to annual appropriation, to be made by the City of Brecksville to the Authority.

The bonds are not general obligations and are not secured by the full faith and credit or taxing power of the Authority; nor are they payable from any of the operating funds of the Authority. The project was completed in 2004.

Tru-Fab Technology Project

In April 2004, the Authority issued $1,060,000 of Development Revenue Bonds (Port of Cleveland Bond Fund) Series 2004C (the "2004C Bonds") to pay for a portion of the costs of the acquisition of land and two industrial buildings of approximately 23,080 and 4,800 square feet, respectively, comprising a manufacturing facility in Eastlake, Ohio. The project will be owned by JCS Realty LLC and leased to and operated by Tru-Fab Technology, Inc., to be used for customized fabrication and machining, as well as other uses.

The 2004C Bonds are taxable, have a final maturity date of November 15, 2023, and bear interest at the rate of 6.77% per annum. The Authority has a first mortgage on and security interest in the project facilities, as well as a Guaranty Agreement with the shareholders of the lessee and members of JCS Realty LLC. The timing and payments of the amounts due from Tru-Fab, and paid directly to the trustee, under the loan agreement approximate the debt service requirements for the 2004A Bonds, plus a small administrative charge.

The Series 2004C Bonds are not general obligations and are not secured by the full faith and credit or taxing power of the Authority; nor are they payable from any of the operating funds of the Authority. The project was completed in 2004.

Laurel School Project

In June 2004, the Authority issued $10,000,000 of Variable Rate Educational Facility Revenue Bonds, Series 2004, to provide funds in the form of a loan to Laurel School to assist in financing the costs of acquiring, constructing, equipping and improving its Fairmount Campus located in Geauga County, Ohio.

The Series 2004 Bonds are tax-exempt, have a final maturity of June 1, 2030 and have a variable interest rate with a one-time option to convert to a fixed rate. The bonds are secured by the loan payments to be received under a Loan Agreement and a letter of credit provided by a financial institution.

The Series 2004 Bonds are not general obligations and are not secured by the full faith and credit or taxing power of the Authority; nor are they payable from any of the operating funds of the Authority.

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CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY ACTIVITY
DECEMBER 31, 2003
(With comparative totals for 2002)

		Development Finance Activities		Totals	
ASSETS	**Port Activities (1)**	**Bond Fund (2)**	**Stand Alone Projects (3)**	**2003**	**2002**
CURRENT ASSETS:					
Cash and investments	$ 7,786,328	$ -	$ -	$ 7,786,328	$ 7,289,617
Accounts receivable	507,533			507,533	376,241
Property taxes receivable	3,300,000			3,300,000	3,300,000
Other receivables	26,500			26,500	73,429
Prepaid expenses	151,650			151,650	139,787
Total current assets	11,772,011			11,772,011	11,179,074
CAPITAL ASSETS:					
Land and land improvements	19,676,431	146,587	8,499,076	28,322,094	28,322,094
Buildings, infrastructures, and leasehold improvements	23,732,540	3,342,778	91,382,223	118,457,541	75,525,595
Equipment	221,312		8,505,681	8,726,993	4,805,142
Construction in progress	5,929,462			5,929,462	38,742,356
Total	49,559,745	3,489,365	108,386,980	161,436,090	147,395,187
Less accumulated depreciation	6,830,026	547,487	8,573,207	15,950,720	12,019,974
Net book value of capital assets	42,729,719	2,941,878	99,813,773	145,485,370	135,375,213
RESTRICTED AND OTHER ASSETS:					
Restricted cash and investments	1,904,375	12,123,036	11,319,852	25,347,263	42,392,053
Lease receivable, Rock and Roll Hall of Fame and Museum			24,480,000	24,480,000	26,200,000
Financing lease receivables		6,989,426	2,057,833	9,047,259	9,040,849
Operating lease receivables	606,757		4,152,741	4,759,498	4,709,021
Notes receivable		23,098,772		23,098,772	23,029,474
Debt issuance costs	413,159	1,289,992	3,861,304	5,564,455	6,207,777
Prepaid ground lease			4,453,600	4,453,600	4,570,800
Other	33,694	37,236	24,376	95,306	131,909
Total restricted and other assets	2,957,985	43,538,462	50,349,706	96,846,153	116,281,883
TOTAL	$57,459,715	$46,480,340	$150,163,479	$254,103,534	$262,836,170

(1) Includes Port, North Coast Harbor, and the Cleveland Bulk Terminal activities

(2) Includes Bond Fund Projects

(3) Includes Stand Alone Projects, comprised of the following projects: Applied Industrial Technologies, TRW Automotive, MetroHealth, MTD Consumer Group, Parma Hospital, and University Square

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY ACTIVITY
DECEMBER 31, 2003
(With comparative totals for 2002)

		Development Finance Activities		Totals	
LIABILITIES AND NET ASSETS	Port Activities (1)	Bond Fund (2)	Stand Alone Projects (3)	2003	2002
CURRENT LIABILITIES:					
Accounts payable	$ 752,102	$ -	$ -	$ 752,102	$ 191,836
Deferred income	3,903,083			3,903,083	3,946,849
Accrued wages and benefits	129,370			129,370	117,205
Current portion of bonds to be repaid by the Authority:					
Cleveland Bulk Terminal Project	60,000			60,000	40,000
Bond Fund Activities—Port Capital Improvements	190,000			190,000	180,000
Tax Anticipation Notes	1,965,000			1,965,000	1,805,000
State of Ohio 166 Loan	41,965			41,965	40,322
Total current liabilities	7,041,520			7,041,520	6,321,212
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:					
Accounts payable	477,355	195,183	401,840	1,074,378	6,849,287
Accrued interest payable	71,583	299,539	1,244,486	1,615,608	1,587,080
Current portion of revenue bonds and notes		3,080,000	15,813,346	18,893,346	7,021,619
Total current liabilities payable from restricted assets	548,938	3,574,722	17,459,672	21,583,332	15,457,986
OTHER LIABILITIES—Including amounts relating to restricted assets:					
Deferred income	431,307	275,489	90,918	797,714	332,441
Lease deposit			5,000,000	5,000,000	
Revenue bonds and notes, net of current portion:					
Rock and Roll Hall of Fame and Museum			22,670,000	22,670,000	24,480,000
Applied Industrial Technologies Project			30,105,613	30,105,613	31,155,038
Cleveland Bulk Terminal Project	5,293,699			5,293,699	5,253,429
Bond Fund Activities	4,288,155	36,869,507		41,157,662	40,147,921
Tax Anticipation Notes	4,039,218			4,039,218	6,006,313
MetroHealth Project					10,973,006
MTD Consumer Group Project			12,517,244	12,517,244	18,511,496
Parma Community General Hospital Project			21,535,858	21,535,858	22,458,226
University Square Project			40,406,518	40,406,518	40,396,695
TRW Automotive Project			570,055	570,055	
State of Ohio 166 Loan	536,836			536,836	578,801
Debt repayment security deposits payable		1,071,608		1,071,608	845,397
Other	10,000			10,000	10,000
Total other liabilities	14,599,215	38,216,604	132,896,206	185,712,025	201,148,763
Total liabilities	21,189,673	41,791,326	150,355,878	214,336,877	222,927,961
NET ASSETS:					
Invested in capital assets, net of related debt	26,900,428	(124,205)	(6,757,226)	20,018,997	17,069,357
Restricted for debt service	1,382,158	4,813,219	6,564,827	12,760,204	15,915,668
Unrestricted	6,987,456			6,987,456	6,923,184
Total net assets	35,270,042	4,689,014	(192,399)	39,766,657	39,908,209
TOTAL	$ 57,459,715	$ 46,480,340	$ 150,163,479	$ 254,103,534	$ 262,836,170

(1) Includes Port, North Coast Harbor, and the Cleveland Bulk Terminal activities
(2) Includes Bond Fund Projects
(3) Includes Stand Alone Projects, comprised of the following projects: Applied Industrial Technologies, TRW Automotive, MetroHealth, MTD Consumer Group, Parma Hospital, and University Square

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

REVENUE AND EXPENSE INFORMATION BY ACTIVITY
YEAR ENDED DECEMBER 31, 2003
(With comparative totals for 2002)

		Development Finance Activities		Totals	
	Port Activities (1)	Bond Fund (2)	Stand Alone Projects (3)	2003	2002
OPERATING REVENUES:					
Wharfage, dockage and storage	$ 704,947	$ -	$ -	$ 704,947	$ 457,166
Property lease and rentals	1,493,489	263,509	5,482,956	7,239,954	6,639,002
Other fee and rental income	1,301,801			1,301,801	644,922
Third party contributions and other	608,084			608,084	304,859
Total operating revenues	4,108,321	263,509	5,482,956	9,854,786	8,045,949
OPERATING EXPENSES:					
Salaries and benefits	1,581,315			1,581,315	1,410,266
Facilities lease and maintenance	1,170,785			1,170,785	1,107,860
Professional services	1,307,263			1,307,263	778,153
Marketing and communications	236,116			236,116	149,987
Depreciation expense	665,390	105,372	3,162,445	3,933,207	2,757,992
Office expense	212,582			212,582	267,098
Other expense	263,781		117,200	380,981	356,032
Total operating expenses	5,437,232	105,372	3,279,645	8,822,249	6,827,388
OPERATING INCOME (LOSS)	(1,328,911)	158,137	2,203,311	1,032,537	1,218,561
NONOPERATING REVENUES (EXPENSES):					
Property tax receipts	3,261,779			3,261,779	3,266,756
Tax increment revenues			1,024,612	1,024,612	
Port entrance project:					
Grant revenue	2,299,773			2,299,773	2,500,227
Expenses	(2,299,773)			(2,299,773)	(2,500,227)
Income from investments, financing leases and notes receivable	366,542	2,776,856	282,252	3,425,650	2,845,420
Interest expense	(854,430)	(2,564,127)	(5,474,687)	(8,893,244)	(6,503,148)
Other—net	8,422	(27,533)	26,225	7,114	36,608
Total nonoperating revenues (expenses)	2,782,313	185,196	(4,141,598)	(1,174,089)	(354,364)
INCREASE/(DECREASE) IN NET ASSETS BEFORE TRANSFERS	1,453,402	343,333	(1,938,287)	(141,552)	864,197
TRANSFERS BETWEEN ACTIVITIES	356,139	(120,756)	(235,383)		
INCREASE/(DECREASE) IN NET ASSETS	$ 1,809,541	$ 222,577	$ (2,173,670)	$ (141,552)	$ 864,197

(1) Includes Port, North Coast Harbor, and the Cleveland Bulk Terminal activities

(2) Includes Bond Fund Projects

(3) Includes Stand Alone Projects, comprised of the following projects: Applied Industrial Technologies, TRW Automotive, MetroHealth, MTD Consumer Group, Parma Hospital, and University Square

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY ACTIVITY
DECEMBER 31, 2002
(With comparative totals for 2001)

ASSETS	Port Activities (1)	Development Finance Activities: Bond Fund (2)	Development Finance Activities: Stand Alone Projects (3)	Totals: 2002	Totals: 2001
CURRENT ASSETS:					
Cash and investments	$ 7,289,617	$ -	$ -	$ 7,289,617	$ 5,917,344
Accounts receivable	376,241			376,241	528,121
Property taxes receivable	3,300,000			3,300,000	3,300,000
Other receivables	73,429			73,429	104,887
Prepaid expenses	139,787			139,787	130,789
Total current assets	11,179,074			11,179,074	9,981,141
CAPITAL ASSETS:					
Land and land improvements	19,676,431	146,587	8,499,076	28,322,094	28,306,254
Buildings, infrastructures, and leasehold improvements	21,268,812	3,342,778	50,914,005	75,525,595	75,494,903
Equipment	215,823		4,589,319	4,805,142	4,814,628
Construction in progress	2,206,865		36,535,491	38,742,356	9,319,315
Total	43,367,931	3,489,365	100,537,891	147,395,187	117,935,100
Less accumulated depreciation	6,167,096	442,115	5,410,763	12,019,974	9,273,363
Net book value of capital assets	37,200,835	3,047,250	95,127,128	135,375,213	108,661,737
RESTRICTED AND OTHER ASSETS:					
Restricted cash and investments	7,649,773	10,144,549	24,597,731	42,392,053	67,188,010
Lease receivable, Rock and Roll Hall of Fame and Museum			26,200,000	26,200,000	27,835,000
Financing lease receivables		6,846,684	2,194,165	9,040,849	9,546,848
Operating lease receivables	616,258		4,092,763	4,709,021	4,247,587
Notes receivable		23,029,474		23,029,474	11,794,134
Debt issuance costs	497,280	1,271,629	4,438,868	6,207,777	6,182,074
Prepaid ground lease			4,570,800	4,570,800	4,688,000
Other	54,687	31,654	45,568	131,909	213,176
Total restricted and other assets	8,817,998	41,323,990	66,139,895	116,281,883	131,694,829
TOTAL	$ 57,197,907	$ 44,371,240	$ 161,267,023	$ 262,836,170	$ 250,337,707

(1) Includes Port, North Coast Harbor, and the Cleveland Bulk Terminal activities

(Continued)

(2) Includes Bond Fund Projects

(3) Includes Stand Alone Projects, comprised of the following projects: Applied Industrial Technologies, TRW Automotive, MetroHealth, MTD Consumer Group, Parma Hospital, and University Square

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

BALANCE SHEET INFORMATION BY ACTIVITY
DECEMBER 31, 2002
(With comparative totals for 2001)

LIABILITIES AND NET ASSETS	Port Activities (1)	Development Finance Activities: Bond Fund (2)	Development Finance Activities: Stand Alone Projects (3)	Totals 2002	Totals 2001
CURRENT LIABILITIES:					
Accounts payable	$ 191,836	$ -	$ -	$ 191,836	$ 112,760
Deferred income	3,946,849			3,946,849	3,991,924
Accrued wages and benefits	117,205			117,205	85,294
Current portion of bonds to be repaid by the Authority:					
Cleveland Bulk Terminal Project	40,000			40,000	40,000
Bond Fund Activities—Port Capital Improvements	180,000			180,000	170,000
Tax Anticipation Notes	1,805,000			1,805,000	1,740,000
State of Ohio 166 Loan	40,322			40,322	38,743
Total current liabilities	6,321,212			6,321,212	6,178,721
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:					
Accounts payable	937,778	355,053	5,556,456	6,849,287	8,332,409
Accrued interest payable	76,394	287,435	1,223,251	1,587,080	1,290,234
Current portion of revenue bonds and notes		2,665,000	4,356,619	7,021,619	4,487,044
Total current liabilities payable from restricted assets	1,014,172	3,307,488	11,136,326	15,457,986	14,109,687
OTHER LIABILITIES—Including amounts relating to restricted assets:					
Deferred income	77,207	80,269	174,965	332,441	433,003
Revenue bonds and notes, net of current portion:					
Rock and Roll Hall of Fame and Museum			24,480,000	24,480,000	26,200,000
Applied Industrial Technologies Project			31,155,038	31,155,038	32,105,630
Cleveland Bulk Terminal Project	5,253,429			5,253,429	5,185,695
Bond Fund Activities	4,476,272	35,671,649		40,147,921	29,742,177
Tax Anticipation Notes	6,006,313			6,006,313	1,805,000
MetroHealth Project			10,973,006	10,973,006	10,973,006
MTD Consumer Group Project			18,511,496	18,511,496	19,505,748
Parma Community General Hospital Project			22,458,226	22,458,226	23,150,000
University Square Project			40,396,695	40,396,695	40,386,901
State of Ohio 166 Loan	578,801			578,801	619,124
Debt repayment security deposits payable		845,397		845,397	874,003
Other	10,000			10,000	25,000
Total other liabilities	16,402,022	36,597,315	148,149,426	201,148,763	191,005,287
Total liabilities	23,737,406	39,904,803	159,285,752	222,927,961	211,293,695
NET ASSETS:					
Invested in capital assets, net of related debt	23,929,159	(222,076)	(6,637,726)	17,069,357	16,644,300
Restricted for debt service	2,608,158	4,688,513	8,618,997	15,915,668	16,608,549
Unrestricted	6,923,184			6,923,184	5,791,163
Total net sssets	33,460,501	4,466,437	1,981,271	39,908,209	39,044,012
TOTAL	$ 57,197,907	$ 44,371,240	$ 161,267,023	$ 262,836,170	$ 250,337,707

(1) Includes Port, North Coast Harbor, and the Cleveland Bulk Terminal activities

(Concluded)

(2) Includes Bond Fund Projects

(3) Includes Stand Alone Pprojects, comprised of the following projects: Applied Industrial Technologies, TRW Automotive, MetroHealth, MTD Consumer Group, Parma Hospital, and University Square

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

REVENUE AND EXPENSE INFORMATION BY ACTIVITY
YEAR ENDED DECEMBER 31, 2002
(With comparative totals for 2001)

		Development Finance Activities		Totals	
	Port Activities (1)	Bond Fund (2)	Stand Alone Projects (3)	2002	2001
OPERATING REVENUES:					
Wharfage, dockage and storage	$ 457,166	$	$	$ 457,166	$ 443,649
Property lease and rentals	1,700,654	263,509	4,674,839	6,639,002	5,395,752
Other fee and rental income	543,672		101,250	644,922	580,465
Third party contributions	304,859			304,859	382,220
Other					83,803
Total operating revenues	3,006,351	263,509	4,776,089	8,045,949	6,885,889
OPERATING EXPENSES:					
Salaries and benefits	1,410,266			1,410,266	1,391,951
Facilities lease and maintenance	1,107,860			1,107,860	1,239,190
Professional services	778,153			778,153	440,014
Marketing and communications	149,987			149,987	162,222
Depreciation expense	630,480	105,372	2,022,140	2,757,992	1,940,172
Office expense	267,098			267,098	248,706
Other expense	238,832		117,200	356,032	248,030
Total operating expenses	4,582,676	105,372	2,139,340	6,827,388	5,670,285
OPERATING INCOME (LOSS)	(1,576,325)	158,137	2,636,749	1,218,561	1,215,604
NONOPERATING REVENUES (EXPENSES):					
Property tax receipts	3,266,756			3,266,756	3,215,143
Port entrance project:					
Grant revenue	2,500,227			2,500,227	
Expenses	(2,500,227)			(2,500,227)	
Income from investments, financing leases and notes receivable	512,099	2,194,425	138,896	2,845,420	2,466,190
Interest expense	(963,574)	(2,108,126)	(3,431,448)	(6,503,148)	(5,444,158)
Other—net	17,774	(24,181)	43,015	36,608	89,190
Total nonoperating revenues (expenses)	2,833,055	62,118	(3,249,537)	(354,364)	326,365
INCREASE/(DECREASE) IN NET ASSETS BEFORE TRANSFERS	1,256,730	220,255	(612,788)	864,197	1,541,969
TRANSFERS BETWEEN ACTIVITIES	343,015	(96,456)	(246,559)		
INCREASE/(DECREASE) IN NET ASSETS	$ 1,599,745	$ 123,799	$ (859,347)	$ 864,197	$ 1,541,969

(1) Includes Port, North Coast Harbor, and the Cleveland Bulk Terminal activities

(2) Includes Bond Fund Projects

(3) Includes Stand Alone Projects, comprised of the following projects: Applied Industrial Technologies, TRW Automotive, MetroHealth, MTD Consumer Group, Parma Hospital, and University Square

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal And Pass-Through Grant Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from the Ohio Department of Transportation			
Federal Highway Administration Highway-Planning and Construction Grants	20.205	G010351-19302	$ 2,299,773
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from the Ohio Department of Transportation			
Federal Highway Administration Highway-Planning and Construction Grants	20.205	G020675-11920	336,077
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,635,850

See the note to the Supplemental Schedule of Expenditures of Federal Awards.

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Cleveland-Cuyahoga County Port Authority under programs financed by the U.S. government for the year ended December 31, 2003. The Schedule has been prepared in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, federal awards include the following (as applicable):

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Cleveland-Cuyahoga County Port Authority

We have audited the financial statements of the Cleveland-Cuyahoga County Port Authority (the "Authority") as of and for the year ended December 31, 2003, and have issued our report thereon dated May 28, 2004 (June 16, 2004 as to the Laurel School Project discussed in Note 24 to the financial statements) which contained an explanatory paragraph describing the implementation of new accounting pronouncements by the Authority and a change in the definition of cash equivalents for purposes of the statement of cash flows. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, federal awarding agencies, state funding agencies and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

May 28, 2004

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE MAJOR FEDERAL AWARD PROGRAM

Board of Trustees
Cleveland-Cuyahoga County Port Authority

Compliance

We have audited the compliance of the Cleveland-Cuyahoga County Port Authority (the "Authority"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Supplemental Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, state funding agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

May 28, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003

Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended December 31, 2003—Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements—N/A (none reported).
- Noncompliance Noted that is Material to the Financial Statements of the Authority—None.
- Reportable conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements—N/A (none reported).
- Type of Report Issued on Compliance for the Major Federal Financial Assistance Programs—Unqualified.
- The audit did not disclose any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133.
- Major Federal Financial Assistance Program Identified for the Year Ended December 31, 2003—
  - CFDA #20.205 Federal Highway Administration Highway-Planning and Construction Grants
- Dollar Threshold Used to Distinguish Between Type A and type B Programs—$300,000.
- The Authority is not considered to be a Low-Risk Auditee as defined under OMB Circular A-133.

Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards*

None

Findings and Questioned Costs Relating to Federal Awards

None

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

There were no significant or material comments on internal control and legal compliance included in the prior year reports.

Auditor of State
Betty Montgomery

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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
AUGUST 26, 2004