CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2014

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

City Council
City of Cleveland
601 Lakeside Avenue
Cleveland, Ohio 44114-1027

We have reviewed the *Independent Auditors' Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

September 11, 2015

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Agriculture			
Pass-Through Programs:			
Ohio Department of Education Office of Child Nutrition Services:			
Summer Food Service Program for Children 2013	10.559	087593	$ 611
Summer Food Service Program for Children 2014	10.559	087593	347,796
Subtotal			348,407
Cuyahoga County:			
Able Bodied Adults Without Dependents	10.561	AG1400113	105,404
Subtotal			105,404
Total Department of Agriculture			453,811
Department of Energy			
Direct Programs:			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		209,421
Subtotal			209,421
Pass-Through Programs:			
Ohio Department of Development Services Agency:			
Weatherization Assistance for Low-Income Persons DOE 2013	81.042	13-111	911,262
Subtotal			911,262
Total Department of Energy			1,120,683
Department of Health and Human Services			
Direct Programs:			
Healthy Start Initiative Yr 13	93.926		1,534,534
Healthy Start Initiative Yr 14	93.926		313,434
Subtotal			1,847,968
Pass-Through Programs:			
Ohio Department of Health:			
Substance Abuse and Mental Health Services Administration	93.243	1H79TI023734-01	296,455
Substance Abuse and Mental Health Services Administration	93.243	1H79TI024189-01	488,099
Subtotal			784,554

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Health and Human Services (Continued):			
Pass-Through Programs (Continued):			
Public Health Collaborative 2013	93.074	18-1-001-2-PH-0413	1,183
Public Health Collaborative 2014	93.074	18-1-001-2-PH-0514	151,612
Public Health Collaborative 2015	93.074	18-1-001-2-PH-0615	81,644
City Readiness Initiative 2014	93.074	18-2-001-2-PH-0514	527,539
City Readiness Initiative 2015	93.074	18-2-001-2-PH-0615	128,337
Subtotal			890,315
Immunization Grants 2013	93.268	18-100-1-2-IM-0613	9,433
Immunization Grants 2014	93.268	18-100-1-2-IM-0714	93,521
Subtotal			102,954
Family Planning Services Title X FY 2014	93.217	18-200-11-HW-0114	382,339
Family Planning Services Title X FY 2015	93.217	18-200-1-1-HW-0215	460,312
Subtotal			842,651
Family Planning Services Title X FY 2014	93.994	18-200-1-1-HW-0215	18,037
Subtotal			18,037
Ohio Public Health Partnership	93.507		1,252
Subtotal			1,252
HIV Prevention 2013	93.940	18-2-001-2-AS-13	189,408
HIV Prevention 2014	93.940	18-2-001-2-HP-0714	775,678
Subtotal			965,086
Sexually Transmitted Diseases Diagnosis & Treatment 2013	93.977	18-2-001-2-ST-0513	30,910
Sexually Transmitted Diseases Diagnosis & Treatment 2014	93.977	18-2-001-2-ST-0614	109,607
Subtotal			140,517
Cuyahoga County Board of Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Student Assistance 2013 Treatment	93.959		75,431
Student Assistance 2014 Treatment	93.959		114,165
Student Assistance 2014 Prevention	93.959		33,851
Subtotal			223,447

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Health and Human Services (Continued):			
Pass-Through Programs (Continued):			
Western Reserve Area Agency on Aging (WRAAA):			
WRAAA OAA/ADRC Project 2012	93.044		107
WRAAA OAA/ADRC Project 2014	93.044		222,376
WRAAA Supporting Services 2012	93.044		68
WRAAA Supporting Services 2013	93.044		9,185
WRAAA Supporting Services 2014	93.044		47,852
Subtotal			279,588
Ohio Department of Development:			
Weatherization Assistance for Low-Income Home Energy Assistance-HHS 2012	93.568	12-111	433
Weatherization Assistance for Low-Income Home Energy Assistance-HHS 2013	93.568	13-111	1,282,265
Subtotal			1,282,698
Direct Programs:			
WRAAA Supportive Services/MIPPA 2011	93.779		344
Subtotal			344
WRAAA Supportive Services/MIPPA 2013	93.071		1,407
Subtotal			1,407
Temporary Assistance to Needy Families	93.558	AG1400113	374,889
Connecting the Dots - TANF Demo	93.558	AG1400113	13,218
Subtotal - TANF Cluster			388,107
Total Department of Health and Human Services			7,768,925
Department of Housing & Urban Development			
Direct Programs:			
CDBG Yr 35	14.218		58,976
CDBG Yr 36	14.218		127,472
CDBG Yr 37	14.218		361,473
CDBG Yr 38	14.218		1,779,280
CDBG Yr 39	14.218		14,185,623
CDBG Yr 40	14.218		8,174,157
Neighborhood Stabilization Program 1	14.218		450,347
Neighborhood Stabilization Program 3	14.218		399,081
Subtotal			25,536,409

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Housing & Urban Development (Continued):			
Direct Programs (Continued):			
ARRA Neighborhood Stabilization Program	14.256		511,312
Subtotal			511,312
Healthy Homes Production Program Grant	14.913		230,471
Subtotal			230,471
HOME Investment Partnerships Program 1992	14.239		2,010
HOME Investment Partnerships Program 2006	14.239		140,000
HOME Investment Partnerships Program 2008	14.239		60,000
HOME Investment Partnerships Program 2009	14.239		78,085
HOME Investment Partnerships Program 2010	14.239		600,000
HOME Investment Partnerships Program 2011	14.239		864,579
HOME Investment Partnerships Program 2012	14.239		1,661,728
HOME Investment Partnerships Program 2013	14.239		352,040
HOME Investment Partnerships Program 2014	14.239		125,695
Subtotal			3,884,137
Emergency Shelter Grants Program 2012	14.231		535,735
Emergency Shelter Grants Program 2013	14.231		979,084
Emergency Shelter Grants Program 2014	14.231		37,431
Subtotal			1,552,250
Housing Opportunities for Persons With AIDS 2012	14.241		761,531
Housing Opportunities for Persons With AIDS 2013	14.241		607,431
Subtotal			1,368,962
Empowerment Zones Program	14.246		2,161,661
Subtotal			2,161,661
Pass-Through Programs:			
Cuyahoga County Board of Health:			
Lead Hazard Reduction Demonstration Grant Program 2012	14.905	OHLHD0218-10	398,087
Subtotal			398,087
Ohio Department of Development:			
Neighborhood Stabilization Program - State	14.228	A-Z-08-264-1	27,321
Subtotal			27,321
Total Department of Housing & Urban Development			35,670,610

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Justice			
Direct Programs:			
Veterans Treatment - Residential	16.585		52,599
Subtotal			52,599
Public Safety Partnership and Community Policing Grants:			
Cleveland Universal Hiring II	16.710		1,680,324
Federal DOJ-COPS Technology GR FY10	16.710		54,257
Subtotal			1,734,581
2013-Edward Byrne Crime Justice Innovation	16.817		28,768
Subtotal			28,768
2010-Edward Byrne Memorial-JAG	16.738		100,115
2012-Edward Byrne Memorial-JAG	16.738		132,139
2013-Edward Byrne Memorial-JAG	16.738		193,693
Pass-Through Programs:			
Ohio Department of Public Safety:			
2012-Edward Byrne Memorial-JAG	16.738	2012-JG-D01-6926	14,070
2013-Edward Byrne Memorial-NOLETF	16.738	2013-JG-A01-6444	105,600
2012-Edward Byrne Memorial-NOVCC	16.738	2009-JG-A0V-V6947	72,716
Cuyahoga County - Department of Justice Affairs:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2011-Edward Byrne Memorial-JAG	16.738	2011-DJ-BX-3241	103,547
Subtotal - JAG Cluster			721,880
State of Ohio - Office of Criminal Justice Services:			
Equitable Sharing Program - Asset Forfeiture Program	16.922		107,763
Subtotal			107,763

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Justice (Continued):			
Pass-Through Programs (Continued):			
State of Ohio - Office of Criminal Justice Services:			
Violence Against Women Act Formula Grants :			
OVW Education, Training, and Enhanced Services to End Violence and Abuse of Women with Disabilities FY 2011	16.529	2011-FW-AX-K004	5,156
Subtotal			5,156
VAWA Team Approach 2012 Law	16.588	2012-VP-VA-V041	60,616
VAWA Team Approach 2013 Law	16.588	2013-VP-VA2-V041	133,852
VAWA Team Approach 2012 Safety	16.588	2012-VP-VA-V042	35,242
VAWA Team Approach 2013 Safety	16.588	2013-VP-VA2-V042	60,458
Subtotal			290,168
State of Ohio - Office of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grants 2014	16.523	2013-JB-MUN-1101	21,386
Subtotal			21,386
Total Department of Justice			2,962,301
Department of Commerce			
Pass-Through Programs:			
Ohio Department of Jobs and Family Services:			
U S Department of Commerce, Economic Development Administration:			
Revolving Loan Fund Grant - Economic Adjustment Assistance	11.307	See Footnote 1	3,174,062
Subtotal			3,174,062
Total Department of Commerce			3,174,062
Department of Labor			
Pass-Through Programs:			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	17.258	G-1213-15-5106	434,614
WIA Youth Program	17.259	G-1213-15-5106	6,994
WIA Dislocated Worker Program	17.278	G-1213-15-5106	152,555
WIA Adult Program	17.258	G-1415-15-0292	411,309
WIA Youth Program	17.259	G-1415-15-0292	18,427
WIA Dislocated Worker Program	17.278	G-1415-15-0292	159,166
Subtotal- WIA Cluster			1,183,065
Total Department of Labor			1,183,065

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Transportation			
Direct Programs:			
Airport Improvement Program	20.106		2,626,257
Subtotal			2,626,257
Pass-Through Programs:			
Highway Planning and Construction:		See Footnote 2	
Lake Pedestrian Bridge	20.205	PID 80966	1,019,629
Professor Avenue	20.205	PID 90218	69,013
LPA Diesel Retrofit	20.205	PID 95945	88,160
Federal NOACA UCI Bicycle Network Study	20.205	PID 84339	13,384
Federal NOACA E. 140	20.205	PID 84862	2,670
Federal NOACA Lorain Ave.	20.205	PID 84339	3,631
Federal NOACA Transportation for Livable Communities Initiative	20.205	PID 96802	83,408
Subtotal - Highway Cluster			1,279,895
			.
State of Ohio - Office of Criminal Justice Services:			
Cuyahoga County OVI Task Force 2013	20.601	OVITF-2013-18-00-00-00315-00	1,968
Cuyahoga County OVI Task Force 2014	20.601	OVITF-2014-18-00-00-00429-00	5,144
Subtotal			7,112
High Visibility Enforcement Overtime 2013	20.600	HVEO-2013-18-00-00-00300-00	45,999
High Visibility Enforcement Overtime 2014	20.600	HVEO-2014-1800-00-00337-00	68,983
Subtotal			114,982
Subtotal - Highway Safety Cluster			122,094
Total Department of Transportation			4,028,246
Department of Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2013	66.001		113,219
Air Pollution Control Program Support 2014	66.001		494,219
Air Pollution Control Program Support 2015	66.001		110,344
Subtotal			717,782
Near Road Grant Assistance	66.034		181,260
Subtotal			181,260

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Environmental Protection Agency (Continued)			
Direct Programs (Continued):			
EPA Tremont Montessori School Parking Lot & Jefferson Avenue Green Infrastructure Retrofit	66.469		40,466
Subtotal			40,466
Total Department of Environmental Protection Agency			939,508
Department of Homeland Security			
Direct Programs:			
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2014	97.091		288,479
Bio-Watch Program 2015	97.091		83,368
Subtotal			371,847
2014 National Explosives Detection Canine Team Program	97.072		181,500
2015 National Explosives Detection Canine Team Program	97.072		37,875
Subtotal			219,375
2014 Law Enforcement Officer Reimbursement Agreement Program	97.090		379,600
2015 Law Enforcement Officer Reimbursement Agreement Program	97.090		100,280
Subtotal			479,880
Pass-Through Programs:			
Cuyahoga County Department of Justice Affairs:			
Metropolitan Medical Response System 2010	97.067	2010-SS-T0-0012	6,684
Metropolitan Medical Response System 2011	97.067	EMW-2011-SS-00070	281,693
2011 (LETPP) Law Enforcement Terrorism Prevention Program	97.067	AG1300196-01	184,601
State Homeland Security Programs 2012	97.067	EMW-2012-SS-00001	137,433
State Homeland Security Programs 2013	97.067	EMW-2013-SS-00120	37,972
Urban Area Security Initiative 2008	97.067	2008-GE-T8-0025	297,808
Urban Area Security Initiative 2010	97.067	2010-SS-T0-0012	290,342
Urban Area Security Initiative 2011	97.067	EMW-2011-SS-00070	1,452,263
Subtotal			2,688,796

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
Department of Homeland Security (Continued)			
Pass-Through Programs (Continued):			
Port Security Grant Program FY 2009	97.056	2009-PU-T9-K039	15,794
Port Security Grant Program FY 2011	97.056	EMW-2011-PU-K00080-S01	6,183
Port Security Grant Program FY 2012	97.056	EMW-2012-PU-00519-S01	102,983
Subtotal			124,960
Total Department of Homeland Security			3,884,858
Department of Natural Resources			
Direct Programs:			
Federal Boating Infrastructure Grant	15.622		611,044
Total Department of Natural Resources			611,044
Grand Total			$ 61,797,113

(Concluded)

CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Cleveland (the "City") and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Footnote 1: Revolving Loan Fund
Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2014:

Beginning loans receivable balance as of January 1, 2014	$1,650,395
Loans made during 2014	1,111,914
Loan principal repaid on loans issued prior to 2014	(416,119)
Loan principal repaid on 2014 loans issued	(14,028)
Ending loans receivable balance as of December 31, 2014	$2,332,162

Cash balance on hand in the revolving loan fund as of December 31, 2014	
Cash balance, unobligated	$894,272
Revolving loan committed but not disbursed	300,302
Total unobligated cash and committed but not disbursed cash	1,194,574
Total value of revolving loan portion of the EDA 11.307 program	3,526,736
Less: City's matching share	(352,674)
Total federal value of revolving loan portion as of December 31, 2014	$3,174,062

Berry Insulation Company	$115,942
Binkowsky-Dougherty Distribution, LLC	136,285
Binkowsky-Dougherty Distribution, LLC	200,000
Ceam Investment Co.	25,443
Certified Aircraft Maintenance	151,428
Evergreen Real Estate Corporation	179,827
Green City Growers Cooperative	167,835
Hansa Import House Co.	112,572
Hemingway AT 7000 LLC (formerly Hemingway at 6555 LLC)	500,000
Jane & Arthur Ellison Ltd.	52,201
Northeast Ohio Neighborhood Real Estate	49,292
Northeast Ohio Lumber & Timber Co.	94,033
Ohio Cooperative Solar Inc.	155,492
Patterson-Britton	102,812
Platform Beer Co. LLC	69,000
Tremont Athletic Club, LLC	220,000
Total	$2,332,162

Footnote 2: Ohio Department of Transportation

The Ohio Department of Transportation (ODOT) CFDA 20.205 is the organization of state government responsible for developing and maintaining all state and federal roadways in the State of Ohio (State) with exception of the Ohio Turnpike. In additional to highways, the department also helps develop public transportation and public aviation programs. The Schedule of Expenditures of Federal Awards details expenditures incurred by the City in the year they were paid. Due to the timing of work executed and timing of the reimbursement from ODOT, the expenditures reported on the Schedule of Expenditures of Federal Awards may not coincide with expenditures reported by ODOT.

Amounts reimbursed to the City by ODOT during 2014	$1,239,576
NOACA on behalf of the City during 2014	103,093
Federal Expenditures reported in prior years schedule	(276,515)
Amount expensed by the City in Fiscal Year 2014 not reimbursed in 2014	213,741
Expensed and reported by the City in Fiscal Year 2014	$1,279,895

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
City of Cleveland, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio ("City") as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2015.

Internal Control over Financial Reporting

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

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

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

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
City of Cleveland, Ohio:

Report on Compliance for Each Major Federal Program

We have audited the City of Cleveland, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the City as of and for the year ended December 31, 2014, and have issued our report thereon dated June 24, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to the financial statements noted?	None

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None

Identification of major programs:

- CFDA 11.307 – Economic Development Cluster
- CFDA 14.218 – Community Development Block Grant (CDBG) – Entitlement Grants
- CFDA 14.246 – Economic Development Initiative (EDI)
- CFDA 66.001 – Air Pollution Control Program

Dollar threshold to distinguish between Type A and Type B Programs:	$1,853,913
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Finding 2013-001 – CFDA 14.218 – CDBG-Entitlement Grants Program

The City did not file the SF-425 for the first two quarters of 2013 until May 28, 2014, after the lack of filing was noted during our audit. The City did not file any subaward information through the Federal Funding Accountability and Transparency Subaward Reporting System, as required by the Federal Funding Accountability and Transparency Act.

Status: Corrected

CITY OF CLEVELAND, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2014

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CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2014

Issued by the
Department of Finance

Sharon Dumas
Director

James E. Gentile, CPA
City Controller

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CITY OF CLEVELAND, OHIO

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FOR THE YEAR ENDED DECEMBER 31, 2014

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June 24, 2015

Honorable Mayor Frank G. Jackson
City of Cleveland Council and
Citizens of the City of Cleveland, Ohio

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Cleveland (the City) for the year ended December 31, 2014. This report, prepared by the Department of Finance, includes the basic financial statements that summarize the various operations and cash flows related to the City's 2014 activities. Our intention is to provide a clear, comprehensive and materially accurate overview of the City's financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City's finances, including financial trends, financial instruments and fund performances. The City has complete responsibility for all information contained in this report.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, this comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Clark, Schaefer, Hackett & Co. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Clark, Schaefer, Hackett & Co. concluded, based upon its audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended December 31, 2014, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors' Report.

Structure of this Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report (CAFR) is designed to assist the reader in understanding the City's finances. This CAFR consists of the following sections:

- The Introductory Section, which includes this letter of transmittal and contains information pertinent to the City's management and organization.

- The Financial Section contains the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements and various other statements and schedules pertaining to the City's funds and activities.

- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 2005 through 2014.

References throughout this report to Note 1, Note 2, etc., are to the Notes to Financial Statements included in the Financial Section of this CAFR.

Profile of the Government

The City

The City is a municipal corporation and political subdivision of the State of Ohio. It is located on the southern shore of Lake Erie and is the county seat of Cuyahoga County.

The City is included in the Cleveland-Elyria-Mentor, OH Metropolitan Statistical Area (MSA), comprised of Cuyahoga, Lake, Lorain, Geauga and Medina counties. This MSA is the 29th largest of 381 Metropolitan Areas in the United States and the second largest Metropolitan Area in the State of Ohio.

Cleveland is located in the northeast part of the state, approximately 150 miles north-east of Columbus. Bordering Lake Erie, Cleveland is home to world-renowned medical facilities, professional sports venues, a casino, Severance Hall, numerous lakefront parks, the Port of Cleveland, the Rock and Roll Hall of Fame and operates the nation's ninth largest water system. Interstate highways I-71, I-480, I-77 and I-90 serve as some of the City's major transportation arteries. The City is rich in educational and medical facilities, including Cleveland State University, Case Western Reserve University, the Cleveland Clinic and University Hospitals of Cleveland.

City Government

The City operates under, and is governed by, the Charter which was first adopted by the voters in 1913 and has been and may be further amended by the voters from time to time. The City is also subject to certain general State laws that are applicable to all cities in the State. In addition, under Article XVIII, Section 3 of the Ohio Constitution, the City may exercise all powers of local self-government and may exercise police powers to the extent not in conflict with applicable general State laws. The Charter provides for a mayor-council form of government.

The City's chief executive and administrative officer is the Mayor, elected by the voters for a four-year term. Frank G. Jackson was elected as Mayor of the City in November 2005 and began his first term on January 2, 2006. He was re-elected to a third term in November 2013. Prior to assuming office as Mayor, Mr. Jackson served as a Ward 5 City Council member for 16 years and in 2002 was elected by the then 21-member City Council to serve as Council President. Under the Charter, the Mayor may veto any legislation passed by Council, but a veto may be overridden by a two-thirds vote of all members of the Council.

Legislative authority is currently vested in a 17-member Council. Council members serve four year terms and are elected from wards. The present terms of the Mayor and Council members expire on December 31, 2017. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal functions. The presiding officer is the President of Council, elected by the Council members. Kevin J. Kelley was elected as President of Council in November 2013. The Clerk of Council is appointed by Council. The Charter establishes certain administrative departments; the Council may establish divisions within departments or additional departments. The Mayor appoints all of the directors of the City's 12 departments.

The Director of Finance and City Controller believe that, to the best of their knowledge, the data contained in this report present fairly the financial position and results of operations of the various funds of the City. All necessary disclosures are included in this report to enable the reader to understand the City's financial activities.

Financial Reporting Entity

The City has applied guidelines established by Governmental Accounting Standards Board (GASB) Statement No. 61. Provisions outlined in this statement define the operational, functional and organizational units for which the City, "acting as Primary Government", is required to include as part of its reporting entity. The inclusion of a component unit as part of the City's reporting entity requires the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Under these provisions, the City's financial reporting entity acts as a single rather than multi-component unit. The provisions permit the entity to include all funds, agencies, boards and commissions that, by definition, comprise components within the primary government itself. For the City, these components include police and fire protection services, waste collection, parks and recreation, health, select social services and general administrative services. Primary enterprise activities owned and operated by the City include a water system, electric distribution system and two airports.

In accordance with GASB Statement No. 61, the Cuyahoga Metropolitan Housing Authority, Cleveland-Cuyahoga Port Authority and Cleveland Municipal School District are defined as related organizations and Gateway Economic Development Corporation of Greater Cleveland is defined as a jointly governed organization. None of these organizations are included within the City's reporting entity.

Internal Control

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure ensures that accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City is also responsible for maintaining a rigorous internal control structure that ensures full compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management, external auditors and the internal audit staff of the City. The City is required to undergo an annual audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-profit Organizations.* The information related to the Single Audit, including the schedule of federal awards expenditures, findings and recommendations and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separate report.

Accounting and Financial Reporting

The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds to be used are determined by GAAP and the number of individual funds established is determined by sound financial administration. Each fund is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities and fund balance. The City's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. The City's proprietary funds are its Enterprise Funds that provide services to the general public, including utilities and airport service and Internal Service Funds that provide services to City departments, divisions and other governments. The City also maintains Fiduciary Funds to account for assets held by the City in an agent capacity for individuals, private organizations and other governments.

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. All governmental funds are accounted for using a current financial resources (current assets, current liabilities and deferred inflows) measurement focus. The modified accrual basis of accounting is utilized for governmental funds. Revenues are recognized when they are susceptible to accrual (both measurable and available). Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.

The measurement focus of the City's proprietary funds is on the flow of total economic resources (all assets, deferred outflows, liabilities and deferred inflows). The accrual basis of accounting (revenues are recognized when earned and expenses when incurred) is utilized for the Enterprise and Internal Service Funds.

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available) and encumbrances and pre-encumbrances are included as expenditures rather than included in fund balances.

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria*. The City has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement was to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The City has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

Budgeting Procedures

Detailed provisions regulating the City's budget, tax levies and appropriations are set forth in the Ohio Revised Code and the City Charter. The Mayor is required to submit the appropriation budget, called "The Mayor's Estimate" to City Council by February 1 of each year. The Council may adopt a temporary appropriation measure for the first three months of the year, but must adopt a permanent appropriation measure for the fiscal year by April 1. The Cuyahoga County Auditor must certify that the City's appropriation measure does not exceed the amounts set forth in the County Budget Commission's Certificate of Estimated Resources.

The City maintains budgetary control on a non-GAAP basis at the character level (personnel and related expenditures and other expenditures) within each division. Lower levels within each character are accounted for and reported internally. Lower levels are referred to as the program level. Estimated expenditure amounts must be pre-encumbered and subsequently encumbered prior to the release of purchase orders to vendors or finalization of other contracts. Pre-encumbrances and encumbrances that would exceed the available character level appropriation are not approved or recorded until the Council authorizes additional appropriations or transfers. Unencumbered appropriations lapse at the end of each calendar year. As an additional control over expenditures, the City Charter requires that all contracts in excess of $50,000 shall first be authorized and directed by ordinance of City Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 61 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 118.

Factors Affecting Financial Condition

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Cleveland's economic condition draws strength and stability from its evolving role as the focal point of a growing, changing and substantial regional economy. The City is located at the center of one of the nation's heaviest population concentrations. The Cleveland Metropolitan area is a significant local market, housing 2.1 million people. Cleveland also provides superior links to the global markets. The Cleveland-Cuyahoga Port Authority handles the largest amount of overseas cargo on Lake Erie and includes a Foreign Trade Zone. The City is also well-served with extensive highways and Cleveland Hopkins International Airport is serviced by all major airlines. The re-emergence of downtown Cleveland as a vibrant center for national and regional entertainment and major cultural activities signals a turning point in the City's overall fortunes and is paving the way for further economic expansion that will be significantly more entrepreneurial in scope.

Major Industries, Economic Conditions and Employment

Cleveland, as well as most large urban municipalities across the nation, has faced significant economic challenges in recent years. Like all manufacturing cities across the country, Cleveland has tried to combat the declining industry base with more professional and service industry opportunities. The City's budget basis income tax collections decreased 1.2% in 2014.

While the City's economy has shifted more toward health care and financial services, its manufacturing base has assumed a smaller, yet still vital role. Competitive pressures in manufacturing have limited job creation, but the competitive position of Cleveland based industrial companies has improved.

The 2007 economic census indicates that Cleveland's employment base continues to become more diversified. The following table summarizes the percentage of Clevelanders employed by industry type based on 2007 census figures.

Industry	**Percent of Workforce**
Utilities	0.39 %
Administration and Support of Waste Management and Remediation Services	8.40
Manufacturing	16.77
Wholesale Trade	6.54
Retail Trade	12.60
Transportation and Warehousing	3.28
Information	2.42
Finance, Insurance and Real Estate	9.57
Professional, Scientific Management	6.09
Education, Health, Social Services	19.43
Arts, Entertainment, Recreation	1.62
Accomodation and Food Services	9.47
Other Services	3.42
Total	100.00 %

Current Projects and 2014 Accomplishments

The 2014 budget focused on continuing the City's commitment to improve the quality of life of its citizens by strengthening our neighborhoods, fostering a favorable business climate and providing superior services.

Despite fiscal constraints and economic challenges, the City achieved the following 2014 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- The Department continued implementing neighborhood strategies to alleviate blight and promote recovery from the economic downturn by making or supporting investments in demolition, housing renovation, home repair and land reutilization. All approaches are consistent with the City-wide plan to deploy sustainable and "green" principles.

- All housing projects that receive City financial assistance – including tax abatement – are required to meet the City's Green Building Standards. The City's Green Building Standards incorporate National standards such as Leadership in Energy & Environmental Design (LEED) and Enterprise Community Partners' Green Community Standards.

- Completed an assessment of the Energy Savers pilot program. The assessment demonstrated quantitative savings that homeowners could achieve for specific energy improvement measures and enabled homeowners to calculate a return on investment.

- A shift in focus, from new construction to renovation, undertaken by Habitat for Humanity was successful. Habitat for Humanity completed 10 of the 17 homes in its expanded project focused in 2 neighborhoods.

- Several noteworthy multifamily projects were completed in 2014, including Kingsbury Tower, the renovation of a 126-unit apartment building for low income families; Magnolia On Detroit, the renovation of a 84-unit low income apartment complex; and Morningstar Tower, the renovation of a 200-unit senior apartment building.

- Construction started on several projects that promoted strategic citywide or neighborhood objectives, including Templin Bradley, a 30-unit, mixed income apartment project; Innova, a 177-unit, market rate apartment project in the 38-acre redevelopment planning area; and New Community Place, a 147-unit apartment complex for low-income persons.

- To prepare for and encourage a rebound in the housing market, the City operates a land bank and strategically assembles land. Several sites across the City are, or have been, assembled for re-development when the market is ready. One of those sites, Trailside at Morgana Run, is constructing a 72-unit housing project. The first ten units are completed and 4 of them have been sold.

- The City has increased the amount of vacant urban land repositioned into productive community gardens and urban farms, reflecting our priority for making our neighborhoods more sustainable and healthy. To better partner with the expanding urban agriculture community the City reformed its policies and increased its efforts and investment in land reuse, with an emphasis on urban agriculture projects. An innovative recent project created a bio-cellar to grow crops such as mushrooms year-round in the foundation of a partially demolished house.

Department of Building and Housing

- Since January 2006, the Department has inspected, condemned and razed over 7,875 structures, of which 217 were demolished in 2014.
- Initiated 1,540 court cases against negligent property owners.
- Issued 4,320 violation notices.
- Issued 14,002 construction permits valued at $952 millon in new construction.
- Boarded-up and secured 3,580 vacant structures.
- Issued 1,019 condemnation notices.

Department of Economic Development

- The City, in partnership with OneCommunity, applied for and was awarded a U.S. Economic Development Administration grant in the amount of $714,860. The grant will be used to facilitate the construction of the first commercially available 100 gigabit fiber network in the nation. Upon completion in mid-2015, the project is destined to become the new “Gold Standard” for broadband connectivity.

- Awarded a $70,000 Vacant Property Initiative (VPI) loan for tenant improvements at 6555 Carnegie Avenue. The funds will be used to help in the installation of a humidity control system required for production of nanofibers. MemPro Materials Corporation, the tenant, relocated from Colorado and is expected to grow by 20 employees over the next 5 years with an average salary of $70,000.

- The City, in cooperation with the Port Authority, Cleveland Development Advisors, the State of Ohio and Cuyahoga County, provided incentives to retain Applied Industrial Technologies. The company, a leading industrial distributor, was considering relocating out of state due to an unfavorable lease with the Port Authority. The headquarters facility, located at 3201 Euclid Avenue, employs over 300 people, with a $52 million payroll and annual payroll taxes to the City of $1,040,000.

- Owens & Minor is a Fortune 500 medical distribution and warehousing company that recently extended its contract with University Hospitals. As part of the extension, the company relocated its warehouse operations to a new facility constructed on South Marginal road. The property consisted of fill and required environmental and geotechnical remediation. In addition to selling the property, the City provided an Enterprise Zone tax abatement and a VPI loan. The $6 million project brought over 30 new jobs to Cleveland.

- Under the VPI program, the City provided a forgivable loan of $180,000 to Care Alliance to construct a new, two-story, 30,000 square foot medical facility located at 2916 Central Avenue at a cost of $9.8 million. As a Federally Qualified Health Center, Care Alliance is a nonprofit community health center that serves low-income residents within the City. The company will create 30 full-time jobs.

Department of Public Health (CDPH)

- Administered 2,567 seasonal influenza vaccinations at the City's health centers; a significant increase over the 2013 flu season due to an aggressive flu shot campaign.

- Extended reproductive health clinic service hours to include weekends.

- Purchased electronic computer kiosks to improve efficiency of the patient registration process at the City's health centers, providing faster patient intake services.

- Conducted 3,801 HIV tests, 3,658 syphilis tests, 4,301 chlamydia and 4,400 gonorrhea tests through City health center services.

- The Department provided over 201,000 condoms through departmental and partner events.

- Awarded Level 3 Healthy Start funding of $2 million per year for the next five years (2014-2019). MOMSFirst was one of eighteen sites nationally awarded.

- Set a national standard for effectively tracing and monitoring Ebola cases in a joint effort with Cuyahoga County. The Ebola incident helped to re-engage stakeholders and cooperation among agencies and was thorough and well organized.

- Provided disease surveillance consisting of the following: contact tracing and monitoring was conducted and consisted of exposure risk assessments, survey administration, active symptom monitoring, health education and coordination of healthcare access. A total of 24 direct contacts and 1 international traveler have been monitored to date. No contacts became symptomatic.

- In 2014 the Department of Public Health established the Healthy Cleveland Initiative. Through City and community collaboration we were able to better align with our partnering health initiatives such as HIP-C and begin launching large scale initiatives such as #waterfirstforthirst.

- Received funding by the Sudden Infant Death Syndrome (SIDS) Network of Ohio to host Infant Safe Sleep workshops in high infant mortality rate neighborhoods.

- Selected by the National League of Cities to participate in the Learning Collaborative on Health Disparities.

- Achieved continued success in investigation and case management strategies focusing on helping children who may have already been poisoned by lead. Using the standard of >10 microgram per deciliter, the lead poisoning rate in Cleveland is 3.3%.

- Performed 17,117 proactive nuisance inspections by utilizing previous years' data to target problematic areas of the City. As a result, nuisance complaints have decreased more than 14% from the previous year.

- Conducted 18 food safety-training workshops to new food service operators. The State mandates that new food shop operators take a level one food safety training course prior to operating to reduce the incident of food borne illness. Inspectors who have been certified to teach the state-approved course conduct the classes.

- Inspected 7,187 food service operations, mobile operations, retail food establishments, temporary food establishments, and vending food service equipment.

- The Division of Air Quality surpassed their annual goal for issuing City Air Contaminant Source permits. As a result, the division's revenue (predominantly from City Air Permit fees) achieved its 2014 calendar year goal of $155,000.

- Air Quality Enforcement Section personnel processed a total of 3,435 asbestos National Emission Standards for Hazardous Air Pollutants (NESHAP) notifications, which consisted of 1,361 original and 2,074 revised notifications.

- The Monitoring Section of the Division of Air Quality brought a new air monitoring site on line as part of a new U.S. Environmental Protection Agency (EPA) program for Near Road Monitoring. The Division received (and fully expended) a grant of $200,000 for this purpose. A location on Ohio Department of Transportation property in Warrensville Heights that meets all of U.S. EPA's site criteria was selected. The monitoring station became fully operational in the second half of 2014.

- The Forward Looking Infrared (FLIR) camera that the Division of Air Quality obtained in 2013 was successfully utilized in 2014. In addition to enhancing their own internal capabilities, on several occasions the Division's Environmental Specialists accompanied personnel from Ohio EPA's Northeast District Office to support their facility inspections. The FLIR equipment produced video documentation of volatile organic emissions that otherwise would have gone undetected.

Department of Aging

- Provided core services to 5,631 clients including senior citizens and adults with disabilities.

- Secured approximately $600,000 of external grants.

- The Annual Senior Day Program held in May 2014 attracted more than 2,000 senior citizens. The Annual Cleveland Senior Walk, held in September had over 900 participants. The Annual Disability Awareness Day luncheon held in October included over 200 participants.

- Provided the following services: 3,279 clients received supportive services; 75 received help with a major home repair; 620 received grass cutting services; 260 received help with indoor chores; 607 received help with leaf raking; 710 with snow removal; 285 clients received a daily call through the automated telephone reassurance program to check on their well-being; 188 received assistance to prevent homelessness; through the Senior Transportation Connection 25,494 trips were provided for Cleveland seniors; 215 clients received help through the Economic Security Project; 1,384 clients received a benefits checkup; 293 clients received long-term support counseling; and the Department handled 901 information and assistance contacts for Cleveland residents in 2014.

The Office of Equal Opportunity (OEO)

- Under Codified Ordinance No. 188, OEO penalizes contractors that fail to meet the Resident Employment Law. Since 2009, over $298,000 in penalties have been collected for non-compliance with Codified Ordinance No. 188.

- Under Codified Ordinance No. 123.08, OEO is the Citywide Prevailing Wage Coordinator. Since 2011, OEO has established itself as a convener and facilitator of standardized policies and procedures related to prevailing wage. This model of Prevailing Wage Coordinators informally reporting to the Director of OEO to ensure standardization in practices, policies and procedures has been deemed effective. In addition, the implementation of Labor Compliance Tracker (LCP) software has enhanced standardization and effectiveness through technology. As such OEO, through the Director, will continue the role of Convener and Facilitator.

- As a result of the Disparity Study (Conducted by National Employment Rights Authority), completed in December 2012, OEO continues to work interdepartmentally with the Division of Purchasing and the Department of Law to implement recommendations from the Disparity Study.

- OEO is in the third year of implementation of Business to Government Now (B2GNow) & LCP, OEO's real-time compliance software that went live in January 2013. Adoption of this technology meets the Mayoral goal of "*efficiency through technology*".

- In 2014, OEO continued to provide technical assistance to both internal and external customers: contractors, subcontractors and City of Cleveland contracting departments as a matter of *customer service*, a Mayoral goal, and in an effort to implement seamless Go Live implementation of B2GNow & LCPTracker.

- In 2014, OEO monitored over 100 construction contracts exceeding $100,000 each to ensure compliance with the Cleveland Resident Employment Law (Fannie M. Lewis Law) requiring that at least 20% construction worker hours are City of Cleveland residents.

Department of Public Works

- The Division of Recreation served over 161,744 nutritious after school and summer meals during 2014.

- The Division of Park Maintenance serviced 56,684 vacant properties in 2014.

- The Division of Motor Vehicle Maintenance purchased 180 new vehicles. Included in the total are 8 waste packers, 1 fire pumper and 80 police vehicles.

- The Division of Park Maintenance, Urban Forestry section, trimmed 1,122 trees, removed 1,050 trees and planted 262 new trees.

- The Division of Waste Collection collected and disposed of 209,410 tons of debris and recycled 17,900 tons of materials. They expanded the automated waste collection and curbside recycling program to 25,000 additional households, bringing the citywide total to 120,000.

- The Division of Parking installed smart meters on West 6th Street. These meters give customers the flexibility of paying with credit or cash. The meters also provide alerts to the Division of Parking staff whenever a meter maintenance/repair issue arises so meters are pro-actively maintained.

- The Division of Streets resurfaced 183,876 square yards of curb-to-curb projects and 60,624 square yards of spot resurfacing. The Division also performed crack-sealing on 124 miles of roadway to extend each road’s useful life.

- The Division of Traffic Engineering painted over 640 miles of lane lines and replaced over 3,364 traffic light bulbs.

Department of Public Safety

- The City of Cleveland continued its efforts to expand its wireless video surveillance initiative CS3 – Cleveland Shared Security Surveillance in 2014. The Department of Public Safety added 13 surveillance cameras bringing the Citywide total to 114 cameras. Cameras were added in Cleveland City Council Wards 1, 6 and 11. Additional infrastructure protection cameras were added around City Hall and the Public Auditorium. Five of the 13 surveillance cameras were donated by the Ohio Department of Transportation Innerbelt Bridge project. This is part of the City’s Public/Private partnership which allows entities to purchase and donate video surveillance cameras as part of the wireless video network.

- The 800 MHz communication system allows the City to expand interoperability with our community partners across Cuyahoga County. To date these community partners include: Berea, Brook Park, Middleburg Heights, North Olmsted, North Royalton, Olmsted Township, Parma Heights, Strongsville, Brooklyn, Garfield Heights, Bedford Heights, Warrensville Heights, East Cleveland, Cuyahoga County Sheriff’s Office, and the Cuyahoga Metropolitan Housing Authority. The system also provides regional interoperability “talkgroups/channels” that have been programmed into all capable radios across the county that can be accessed for pre-planned and emergency events. The ability to communicate across jurisdictions is paramount to our strong regional partnerships.

- In October of 2014 the Cleveland Division of Police contracted with TASER International for the purchase of wearable body cameras for police officers. The cameras will be worn by on-duty police officers who work in the various Police Districts. These cameras will hold the officers and citizens more accountable and allow the Division of Police to be more transparent.

- In 2014 the City of Cleveland was awarded the honor of hosting the 2016 Republican National Convention (RNC). The Department of Public Safety has started working towards planning, needs assessments, coordination of law enforcement and security efforts, and training for the RNC.

- In the summer of 2014 the City of Cleveland hosted the Gay Games for the first time. The Department of Public Safety along with other regional partners made this a safe and successful sporting event for all that participated and attended.

- In November of 2013, the Department of Public Safety broke ground on the new Division of Police Third District Headquarters. This state-of-the-art facility is scheduled to be completed in the second quarter of 2015 and will house the new Public Safety Communication Operations.

- In the spring of 2015, the Department of Public Safety will break ground for a new Division of Fire and Emergency Medical Service (EMS) facility that will replace outdated Fire Station 36.

- The Division of Fire's Public Education (PE) Unit provides a key service in the reduction of the risk of fire incidence through public education and prevention efforts. In collaboration with the Red Cross Association, which provides the Smoke Alarms, 150,000 smoke alarms have been installed in Cleveland residents' homes by Cleveland Firefighters since this program began in 1992. In addition, the PE unit has presented hundreds of fire safety presentations to all ages, seniors, children and adults. These are educational tools used to reduce risk and to save lives. The PE unit has also increased its presence at the city schools.

- The Division of EMS had another record breaking year for emergency medical calls. The division received 109,045 calls for service and transported 71,128 patients to area hospitals. In addition, the arrival of Ebola to Northeast Ohio created an opportunity for the nation to see the quality pre-hospital safety net that the Division of EMS provides for the community on a daily basis. The leadership the Division exhibited in the training, education, preparedness and response was exceptional; time after time, national, state and local officials were impressed with the responsiveness and professionalism. The City of Cleveland and the Division of EMS became a national model for the pre-hospital management of prevailing infectious diseases.

- A site for the new kennel for the Division of Animal Care and Control has been approved. The Department of Public Safety has engaged community stakeholders in the design of the new facility. Work began in the third quarter of 2014. We continue to work with our regional partners to develop a regional approach to animal care and control.

- The City of Cleveland and Cuyahoga County continue to negotiate the transfer of the operations of the City's Division of Correction to the Cuyahoga County Sheriff's Department. The Cuyahoga County Sheriff would assume the duties of booking, housing, transporting and other related services for City prisoners. This is another example of the Department of Public Safety's commitment to working with regional partners in an effort to enhance service delivery to the community, increase operational efficiencies, and implement processes that are fiscally responsible.

Department of Public Utilities

- The Division of Water services not only the City, but also sixty-eight direct service communities, eight master meter communities, and three emergency standby communities. They provide water to approximately 418,381 city and suburban accounts in the Cleveland metropolitan area. They also sell water to master meter communities that operate their own distribution systems and they provide billing and payment services for the Northeast Ohio Regional Sewer District and other communities.

- The Division of Cleveland Public Power (CPP) provided 73,000 residential and business customers in the City of Cleveland with reliable and affordable power. In 2014, CPP continued work on the Lake Road Project, which includes the construction of a duct line and feeder cables to the 11th Street Substation.

- The Division of Water Pollution Control maintains the local sanitary sewer and storm water collection system within the City of Cleveland. The system is comprised of 1,434 miles of sewer lines, more than 42,000 storm drains and 15 pump stations. In 2014, the Division's sewers transported 1,824,168 Mcf's (thousand cubic feet) of water.

Department of Port Control

- Terminal Terrazzo Flooring Project: The first phase of the Cleveland Hopkins International Airport (CLE) terrazzo floor and artwork installation project began in January 2011 and was completed in August 2014. The project consisted of removing old flooring and carpet to replace them with terrazzo starting at security checkpoint C, continuing up Concourse C, then proceeding to Concourses A and B. Also, as part of the terrazzo flooring project, artwork selected from an airport artist competition was installed into select floor locations.

- Regional Transit Authority (RTA) Level Art Gallery Project: Construction for this project commenced at the end of 2011 and involved the transformation of the CLE RTA level interior from a standard passageway into a formal art gallery. The effort included replacement of all flooring, walls, stair treads, and columns to allow wall and floor artwork to be shown. The space holds cultural exhibits/performances. Also being planned for the art gallery is a formal dedication display to former Congresswoman Stephanie Tubbs Jones. Phase I of the project was substantially completed in April 2012 and Phase II was complete in October 2014.

- The Parking Redevelopment Project, Phase I: Consisted of the demolition of the long-term garage and replaced it with a 1,000 space surface parking lot. The demolition and parking lot were completed in 2013. The project also improved several of the existing peripheral lots and included the installation of "smart parking" technology which increased the efficiency of the existing short-term garage usage. The Smart Parking installation was also completed in 2013 and in 2014 a parking management building and access structure was constructed. All major aspects of the project are substantially complete.

- Power Distribution Enhancement Project, Phase I: The Airport has experienced significant power outages on several occasions over the years. Consequently, a project was developed to permit the airport to function effectively and to provide an adequate level of operations, safety and security in the event of another power outage. Phase I involved the purchase and installation of four (4) generators in November 2011. Phase IIA consisted of upgrading existing electrical vaults to increase the areas served by emergency generators. The project design began in late 2012 and construction was substantially completed in 2013. Phase IIB calls for a redundant feeder system that will allow power to be supplied to the Terminal uninterrupted from either substation. Design for the project began in 2013 and construction is expected to be complete in 2015.

- CLE Terminal Exterior Façade/Ticketing Lobby Project: This project includes the modernization and upgrade of the exterior façade on the passenger terminal building for the upper and lower levels. Construction is expected to commence in April 2015 with substantial completion scheduled for May 2016.

- South Cargo Ramp Rehabilitation and Taxiway November (N) Reconstruction: The South Cargo Ramp is south of Taxiway J between Cargo and Postal Roads. Portions built in 1975 along the Cargo Road Hangars are in need of major reconstruction. Taxiway N construction dates back to 1990 and has pavement in major distress. This taxiway is in need of full-depth replacement. Repairs to the construction haul roads and other areas were complete in October 2014. This project is substantially complete and in the close-out phase.

Department of Law

- Drafted approximately 603 contracts and reviewed over 860 contracts for legal form and correctness.

- Prepared 463 pieces of legislation for introduction to City Council.

- Obtained 489 search warrants for Housing Court enforcement actions and helped Building and Housing obtain legal authorization for more than 802 demolitions of unsafe structures in the City.

- Responded to 2,908 citizen requests for non-routine public records.

- Processed 1,616 claims for property damage and other losses.

- Initiated 1,536 criminal prosecutions in Housing Court for Health and Safety Code violations to ensure that property owners adequately maintain their properties. Successfully prosecuted civil nuisance abatement actions for numerous properties across the City.

Office of Capital Projects

- Continued to meet with the Complete and Green task force to plan and implement complete and green streetscape projects.

  ◊ Completed Design and Construction: Waterloo (East 152nd to East 162nd Street) and Larchmere (MLK to North Moreland); Streetscapes Improvements included trees, landscaping and pedestrian bump outs within the project limits. The scope of work included the installation of public art, new lighting and traffic signalization as part of the road improvements to create a safer, more pedestrian friendly roadway footprint.

  ◊ Installed 583 Americans with Disability Act (ADA) ramps in conjunction with the City's resurfacing program.

- Further the City's neighborhood revitalization efforts through the implementation, construction, and/or rehabilitation of City facilities and infrastructure in accordance with the Mayor's Capital Improvement Plan.

  ◊ Completed design and bidding of the Woodland Cemetery Gatehouse Reconstruction.

  ◊ Completed construction of: Historic League Park and Fannie M. Lewis Memorial Community Park; Erie Street and Monroe Street Cemetery Structure Improvements; Loew Park Improvements; JoAnn Park Site Improvements; Treadway Creek Trail Improvements; Public Auditorium; West Side Market Phases 2,3 and 4; and McCafferty Health Center HVAC Improvements.

- Plan, design, manage, and construct street and bridge capital improvement projects and develop funding strategies through the pursuit of grants and loans from various sources.

  ◊ Completed construction of: 2013 sidewalk assessment (West 10th , West 114th and East 156th Street); 50/50 Sidewalk Program; Broadway Ackley intersection improvements; Martin Luther King retaining (emergency repair); Waterloo reconstruction (East 152nd to East 162nd); and West 6th Street (St. Clair to Lakeside).

  ◊ Completed the 2014 Tree Damage Sidewalk Pilot in Wards 1 and 2.

- Completed 83 required inspections and inventory of bridges.

- Inspected 300 roads, bridges, subdivisions and utility cut projects in the public right-of-way to ensure quality control.

- Oversaw right-of-way and real estate matters for road and bridge reconstruction projects, including Carter Road, East 79th Street Bridge and Fleet Avenue. As well as continued assistance on Canal Road, West Shoreway, Opportunity Corridor and Voinovich Pedestrian Bridge.

Office of Sustainability

- Continued promoting the City's community electric aggregation program. Beginning July 2013, about 65,000 customers began receiving both 21% savings off the market rate and 100% of their electricity from green energy sources. In recognition of this achievement, the World Wildlife Fund honored Cleveland with a "Bright Place to Live" award and the U. S. EPA recognized Cleveland as a "Green Power Community" for providing residents with 100% renewable electricity.

- Working with other City departments, began assessing Cleveland's potential for cost-effective solar projects on 20 different sites, including brownfields, City-owned land, large rooftops and other vacant land.

- Continued to require LEED accredited professional involvement for all City capital improvement projects. New buildings incorporating LEED include the 3rd District Police Station, Fire Station No. 36 and the East Side Maintenance Facility.

- Continued to implement the Summer Rain Barrel Program as part of the Mayor's Summer Youth Employment Program, which provided 410 free rain barrels to Cleveland residents across all 17 wards. In collaboration with Youth Opportunities Unlimited, the Northeast Ohio Regional Sewer District and the Division of Water, residents and youth actively engaged in storm-water management.

- Worked with the Division of Waste Collection to procure and install 70 downtown recycling bins.

- Engaged 550 stakeholders at the 6th Annual Summit, which focused on celebrating zero waste, planning for the Year of Clean Water and implementing the Cleveland Climate Action Plan.

- Released the Bikeway Implementation Plan, designed to increase the number of bikeway miles by 250% by the end of 2017. Thirteen miles of bikeway were added to the network in 2014.

2015 Budget

During 2014, the City maintained existing staffing levels. Despite economic growth in our area, the City's revenue remains flat. The City receives no direct benefit i.e. sales tax, business tax (Commercial Activity Tax) from the development of restaurants, hotels and businesses in greater Cleveland. Our municipal budget is supported primarily by income taxes and other taxes. We continue to have challenges to our tax base (such as House Bill 5 effective 2016) and requests for exemptions from municipal tax collections by professional sports players and executive-level professionals. There is no anticipation of any new taxes that would positively impact revenue collection, so our only option is to control costs. Successfully controlling costs will preserve our current work force and the efficient delivery of services. Other challenges for fiscal 2015 are continuing contract negotiations with Public Safety and Department of Justice compliance. The City is also beginning significant planning for the arrival of the Republican National Convention in 2016. The Budget Management strategy for fiscal 2015 includes, but is not limited to, the following:

- The hiring of 10 additional police officers.
- A 3% increase in healthcare due to self-insurance.
- The cost of salt used during snow removal per ton doubling in cost.
- Enhanced downtown public safety and services.
- Scheduled debt service for First Energy Stadium (Cleveland Browns Stadium).

The estimate of receipts and expenditures for all General Fund departments and divisions for the 2015 budget are:

- Revenues and other sources are projected to decrease from $515.2 million in 2014 to $494.5 million in 2015. This decline is primarily attributed to a reduction of $6.9 million in fines and forfeitures due to the loss of the camera enforcement program, and a one-time worker's compensation refund of $3.3 million.

- Expenditures and other uses are estimated to increase from $517.2 million in 2014 to $542.3 million in 2015. The rise is primarily attributed to an April 1st 2% wage increase for negotiated contracts and increases in health care costs.

Long-term financial planning:

The City has a long-term goal of increasing the Rainy Day Reserve Fund to 5% of General Fund expenditures (approximately $27 million). The fund balance in the Rainy Day Reserve Fund at December 31, 2014 is $18.7 million. This will allow the City to obtain the lowest rates possible when issuing debt and also withstand economic downturns with minimum disruptions to City services. The City also has a goal of having a structurally balanced budget where the cost to run the City is in line with the revenue collected. A structurally balanced budget allows the City to eliminate the dependency on carry-over balance. In order to achieve structural balance the City will need to reduce budget expenditures or increase revenue over the next 3 years, 2015 – 2017, to close the structural budget gap.

The following projects currently underway will provide the momentum necessary to continue rebuilding the City's economic base:

- The City was chosen to host the 2016 Republican Presidential Nominating Convention. The event is expected to draw 50,000 attendees to the City and have a $400 million dollar economic impact.

- Construction continued on Phase Two of the Flats East Bank Project. The second phase includes a 243-unit upscale apartment complex as well as 10-15 restaurants/nightclubs and additional parking.

- The Cleveland Clinic broke ground on the construction of a new $276 million Cancer Institute in the Health Tech Corridor. The 377,000 square foot facility will provide state-of-the-art cancer care while at the same time optimizing the patient experience.

- With the completion of an advanced fiber-optic/digital network in mid-year 2015, Cleveland will become the first city in the country to offer commercial internet service at 100 gigabits per second along the 3 mile Health Tech Corridor. The network will offer companies unprecedented ability to transmit "Big Data" efficiently and allow the City to follow the future of healthcare and tele-medicine.

- Work began on the $32 million renovation of Public Square, the historic center and symbolic heart of the City. The remake will close Ontario Street and create two large, rectangular, park-like spaces with corner gardens, an outdoor café, splash zone and fresh landscaping.

- Cuyahoga County continued the construction of a $260 million 600-room convention center hotel. The construction is expected to be completed by 2016 and Hilton Worldwide will operate the facility.

Major Initiatives

As the City plans ahead to achieve increased municipal efficiencies and enhanced infrastructure coordination, the Mayor has launched the following initiatives:

- *Connecting Cleveland: The Waterfront District Plan* – a comprehensive blueprint for Cleveland's Downtown Lakefront. The plan creates a framework to allow the City to move forward in creating robust, mixed-use development on its lakefront. Major projects underway or recently completed include: Cleveland Lakefront Nature Preserve; Flats East Bank; North Coast Harbor Pedestrian Bridge and the North Coast Marina.

- *Mayor Frank G. Jackson Scholarship Program* – improving the quality of life for all residents has been the driving force behind the goals Mayor Jackson has set for his administration. The key to this effort is ensuring that all children have access to a high quality education. As such, due to the generous contributions through the United Way Combined Campaign, the Mayor established several scholarship programs to support City of Cleveland employees, their children, and Cleveland Municipal School District students interested in pursuing a full-time college education.

- *Sustainable Cleveland 2019* – a 10-year initiative facilitated by the Office of Sustainability that engages people from all walks of life, working together to design and develop a thriving and resilient region. Working groups emerge from the annual Sustainable Cleveland 2019 summits and focus on different topics to build a brighter future for Cleveland. Since 2013, the City has implemented its sustainable building policy on new construction, renovations and "Fix it First" projects. This policy sets the standard of LEED Silver for new construction.

Awards and Acknowledgements

The Independent Audit: The City Charter requires an annual audit of the financial statements of all accounts of the City by an Independent Certified Public Accountant. Accordingly, this year's audit was completed by Clark, Schaefer, Hackett & Co. The year ended December 31, 2014, represents the 34^{th} consecutive year the City has prepared a Comprehensive Annual Financial Report (CAFR). In addition to the independent auditors, the City maintains its own Internal Audit Division. Along with the duty of assisting the independent auditors, the Internal Audit Division is responsible for strengthening and reviewing the City's internal controls. The Internal Audit Division performs its own independent operational and financial audits of the City's many funds, departments and divisions. We believe that the City's internal control structure adequately safeguards its assets and provides reasonable assurance of proper recording of all financial transactions.

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland, Ohio for its CAFR for the fiscal year ended December 31, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 30 years (years ended 1984 – 2013). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

Acknowledgements: The preparation of this report could not have been accomplished without the efficient and dedicated service of the Finance Department, particularly the Division of Financial Reporting and Control. We would also like to thank the Mayor, the cabinet and members of City Council. Without their continued support, the Department of Finance could not have maintained the financial management practices required to ensure the financial integrity of the City. We would like to thank the representatives of Clark, Schaefer, Hackett & Co. for their efforts and professional conduct throughout the audit engagement.

Very truly yours,

Sharon Dumas, Director
Department of Finance

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

City Officials
Frank G. Jackson, Mayor

EXECUTIVE STAFF

Ken Silliman .... Chief of Staff

Darnell Brown .... Chief Operating Officer

Valarie J. McCall .... Chief of Government and International Affairs

Monyka S. Price, M.A.Ed., M.Ed .... Chief of Education

Dan Williams .... Chief of Communications

Jenita McGowan .... Chief of Sustainability

Natoya J. Walker Minor .... Chief of Public Affairs

Edward W. Rybka .... Chief of Regional Development

Sharon Dumas .... Director, Department of Finance

Barbara A. Langhenry .... Director, Department of Law

Michael C. McGrath .... Director, Department of Public Safety

ADMINISTRATION

Jane E. Fumich .... Director, Department of Aging

Ronald J. H. O'Leary .... Director, Department of Building and Housing

Freddy L. Collier, Jr. .... Director, City Planning Commission

Lucille Ambroz .... Secretary, Civil Service Commission

Daryl P. Rush, Esq. .... Director, Department of Community Development

Blaine Griffin .... Director, Community Relations Board

Tracey A. Nichols .... Director, Department of Economic Development

Toinette Parrilla .... Director, Department of Public Health

Melissa K. Burrows, Ph.D. .... Director, Office of Equal Opportunity

Michael E. Cox .... Director, Department of Public Works

Deborah Southerington .... Director, Department of Human Resources

Ricky D. Smith, Sr. .... Director, Department of Port Control

Matthew L. Spronz .... Director, Mayor's Office of Capital Projects

Robert L. Davis. .... Director, Department of Public Utilities

CITY OF CLEVELAND, OHIO

City Council

Kevin J. Kelley	President of Council / Ward 13
Patricia J. Britt	Clerk of Council
Terrell H. Pruitt	Ward 1
Zachary Reed	Ward 2
Joe Cimperman	Ward 3
Kenneth L. Johnson	Ward 4
Phyllis E. Cleveland	Ward 5
Mamie J. Mitchell	Ward 6
TJ Dow	Ward 7
Michael D. Polensek	Ward 8
Kevin Conwell	Ward 9
Jeffrey D. Johnson	Ward 10
Dona Brady	Ward 11
Anthony Brancatelli	Ward 12
Kevin J. Kelley	Ward 13
Brian J. Cummins.	Ward 14
Matthew Zone	Ward 15
Brian Kazy	Ward 16
Martin J. Keane	Ward 17

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland

Ohio

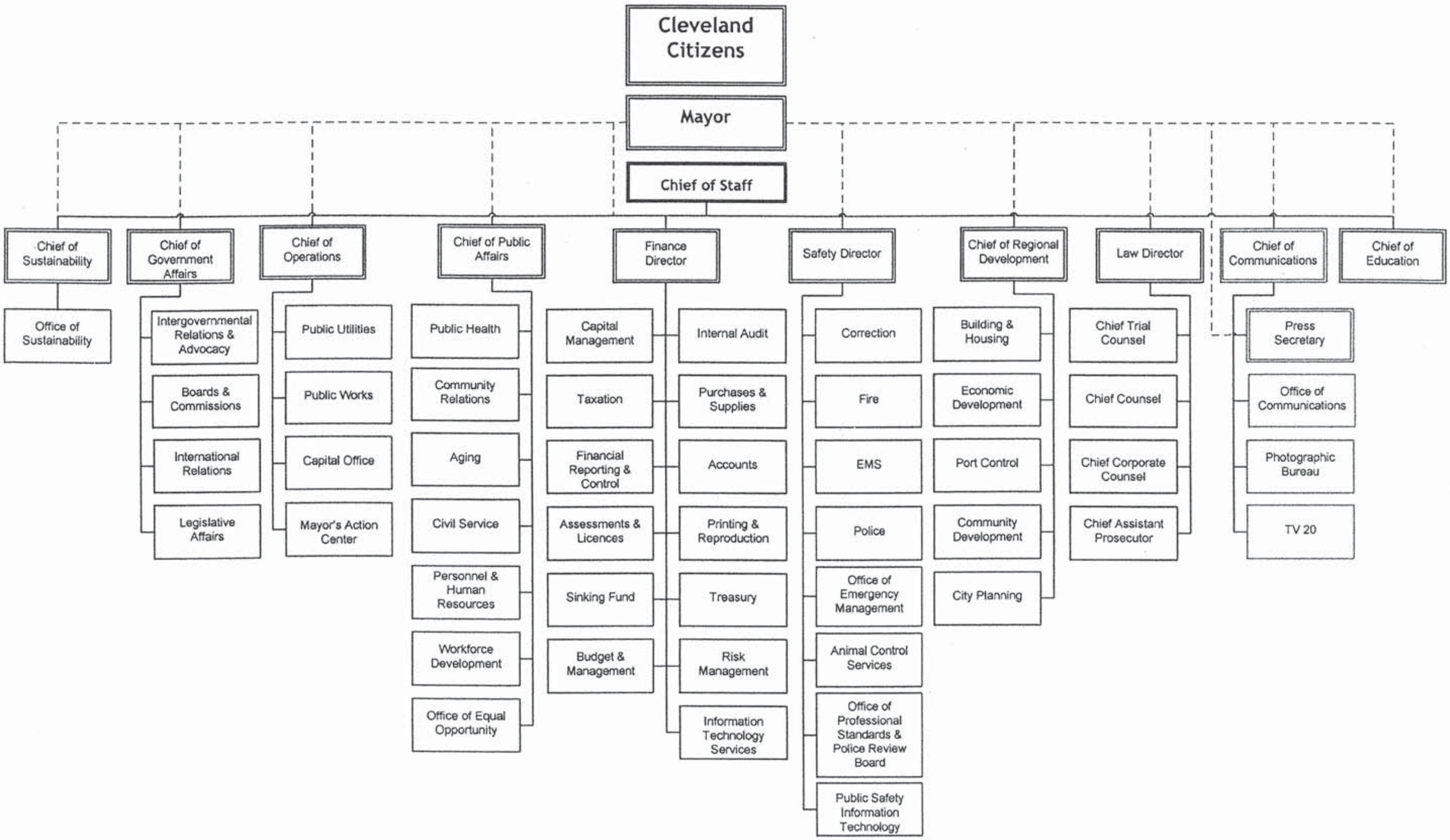
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Jeffrey R. Emser

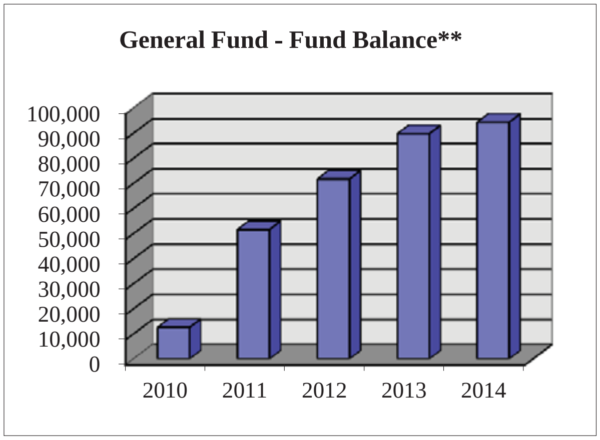
Executive Director/CEO

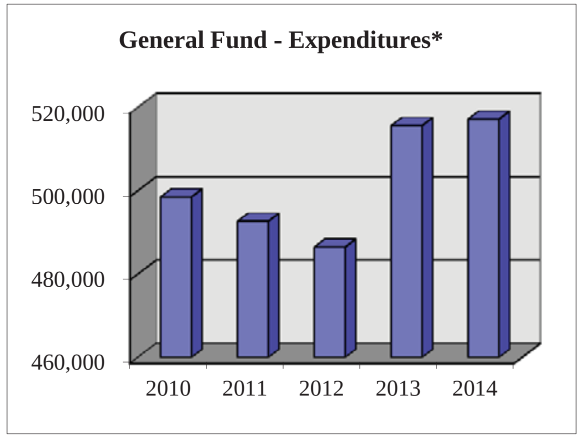
CITY OF CLEVELAND, OHIO
ADMINISTRATIVE ORGANIZATION CHART

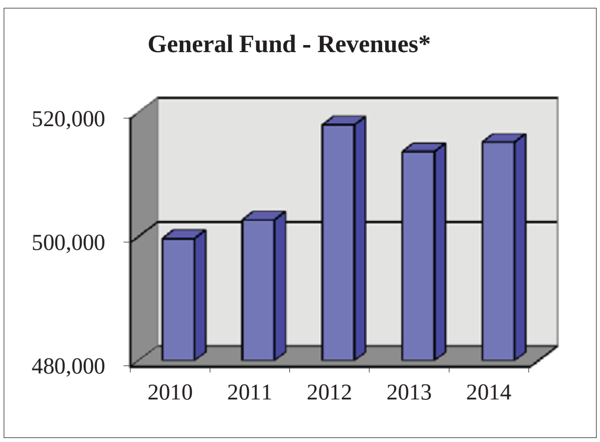


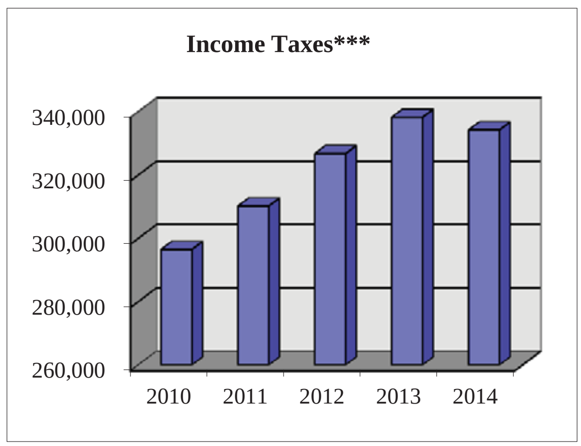
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(Amounts in 000's)









For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
2010	12,541	499,681	498,504	296,525
2011	51,594	502,703	492,672	310,197
2012	71,750	518,001	486,484	326,783
2013	89,748	513,698	515,594	338,229
2014	94,327	515,233	517,156	334,264

* *Budget Basis* - General Fund revenues and expenditures include other financing sources (uses).
** *GAAP Basis.*
*** *Budget Basis* - Income Taxes includes General Fund and Restricted Income Tax Fund.

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 35 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, capital assets schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015 on our consideration of the City of Cleveland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cleveland's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

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CITY OF CLEVELAND, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cleveland (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 54.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at December 31, 2014 by approximately $2.976 billion (net position). Of this amount, $415.3 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the approximately $2.976 billion of net position, governmental activities accounted for approximately $870 million of net position, while business-type activities net position accounted for approximately $2.106 billion.
- The City's net position increased by $170.7 million as compared to 2013. The governmental activities net position increased by $90.6 million and the business-type activities net position increased by $80.1 million.
- At the end of the current year, unassigned fund balance for the General Fund was $78.4 million, which represents the amount available for spending at the City's discretion. The unassigned fund balance equals 15.9% of the total General Fund expenditures and other financing uses.
- In 2014, the City's total long-term debt and other long-term debt-related obligations, excluding premiums, accreted interest and discounts decreased by $63.7 million. The decrease indicates that the City's debt service payments and debt refunded or defeased exceeded new debt issued in 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) General Fund budget and actual statement and (4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The statement of net position presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City principally include: General Government; Public Works; Public Safety; Community Development; Building and Housing; Public Health and Economic Development. The business-type activities of the City principally include: water; electricity; and airport facilities.

The government-wide financial statements can be found on pages 54-57 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City presents 33 individual governmental funds on a modified accrual basis. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 32 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annually appropriated budget for its General Fund, Enterprise and Internal Service Funds. The City adopts an annually appropriated budget for some of its Special Revenue and Debt Service Funds. The General Fund budgetary comparison has been provided as a separate financial statement to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 58-61 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. The first type is Enterprise Funds. They are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water, electric, airport, sewer, public auditorium, markets, parking lots, cemeteries and golf course operations. The second type of proprietary fund the City uses is Internal Service Funds to account for its motor vehicle maintenance, printing and reproduction, postal services, utilities administration, sinking fund administration, municipal income tax administration, telephone exchange, radio communications operations, workers' compensation reserve, health self-insurance fund and prescription self-insurance fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally throughout the City's various functions. Because most of the internal services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements, except for the Utilities Administration Fund which has been classified as a business-type activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Division of Water, Cleveland Public Power and Department of Port Control Funds, which are considered to be major funds of the City. Conversely, Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the nonmajor Enterprise and Internal Service Funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 62-66 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. All of the City's fiduciary funds are Agency Funds.

The basic fiduciary fund financial statement can be found on page 67 of this report.

Notes to the financial statements. The notes provide additional information that is essential to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 69-116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Information regarding the government-wide net position of the City is provided below:

Summary Statements of Net Position
as of December 31, 2014 and 2013

	Governmental Activities		Business-Type Activities (Amounts in 000's)		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Assets:						
Current and other assets	$ 793,665	$ 765,631	$ 1,099,149	$ 1,143,316	$ 1,892,814	$ 1,908,947
Capital assets	1,136,326	1,025,543	3,099,352	3,085,009	4,235,678	4,110,552
Total assets	1,929,991	1,791,174	4,198,501	4,228,325	6,128,492	6,019,499
Deferred outflows of resources	7,283	8,241	81,174	79,369	88,457	87,610
Liabilities:						
Long-term obligations	833,293	784,325	1,978,958	2,071,097	2,812,251	2,855,422
Other liabilities	172,580	176,798	174,976	192,982	347,556	369,780
Total liabilities	1,005,873	961,123	2,153,934	2,264,079	3,159,807	3,225,202
Deferred inflows of resources	61,689	59,217	19,639	17,573	81,328	76,790
Net position:						
Net investment in capital assets	828,002	686,794	1,335,195	1,307,661	2,163,197	1,994,455
Restricted	152,360	145,729	244,937	244,196	397,297	389,925
Unrestricted	(110,650)	(53,448)	525,970	474,185	415,320	420,737
Total net position	$ 869,712	$ 779,075	$ 2,106,102	$ 2,026,042	$ 2,975,814	$ 2,805,117

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by approximately $2.976 billion at the close of the most recent fiscal year. This represents an increase of 6.1% in 2014. Of the City's net position, 29.2% represents its governmental net position and 70.8% represents its business-type net position.

Of the net position from governmental activities, $828.0 million represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructure, furniture, fixtures, equipment and vehicles), net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. Another significant portion of net position, $152.4 million, represents resources that are subject to external restrictions on how they may be used. There was a decrease in unrestricted net position of $57.2 million.

In 2014, the total assets and deferred outflows from governmental activities increased by $137.9 million. This increase is primarily attributed to increases in capital assets of $110.8 million. The increase in capital assets relates largely to renovations to the Cleveland Browns Stadium of $74.9 million.

Also in 2014, the total liabilities and deferred inflows of resources from governmental activities increased by $47.2 million. This was caused primarily by an increase in long-term obligations of $49.0 million.

In 2014, business-type total assets and deferred outflows of resources decreased by $28.0 million. Restricted cash and cash equivalents decreased $69.3 million which was offset by an increase in net capital assets of $14.3 million and unrestricted cash and cash equivalents of $20.1 million. The increase in capital assets is largely related to the additions in construction in progress for the Division of Water, relating to several ongoing projects such as the Meter Automation and Replacement Programs, Cleveland and Suburban Water Main Renewal Programs and Nottingham Filter Roofs.

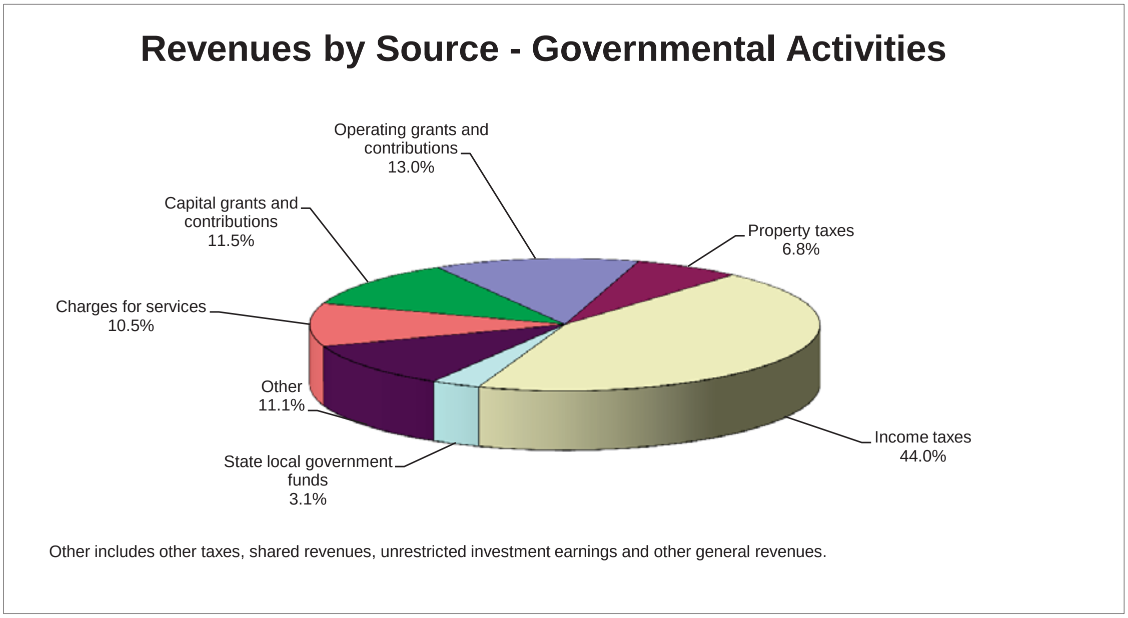
Business-type total liabilities and deferred inflows of resources decreased by $108.1 million primarily due to a decrease in long-term obligations related to debt retirement and a decrease of $11.6 million in current payable from restricted assets.

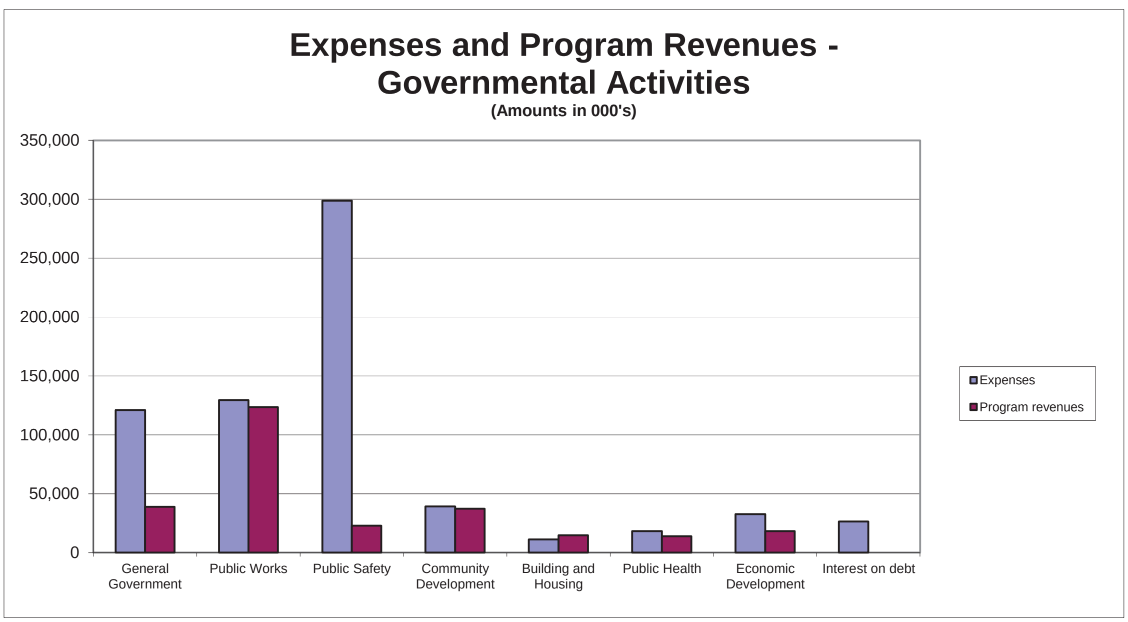
At the end of the current year, the City is able to report positive balances in total net position for both its governmental activities and its business-type activities. Information regarding government-wide changes in net position is provided below:

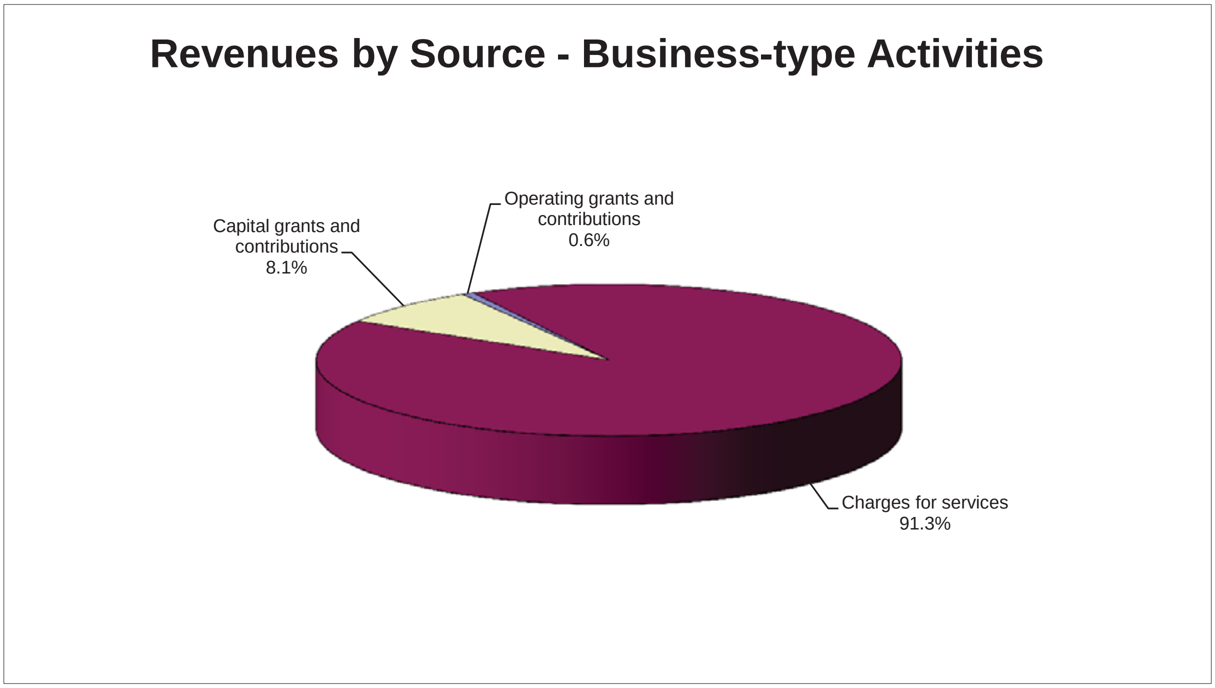
Changes in Net Position
For Fiscal Years Ended December 31, 2014 and 2013

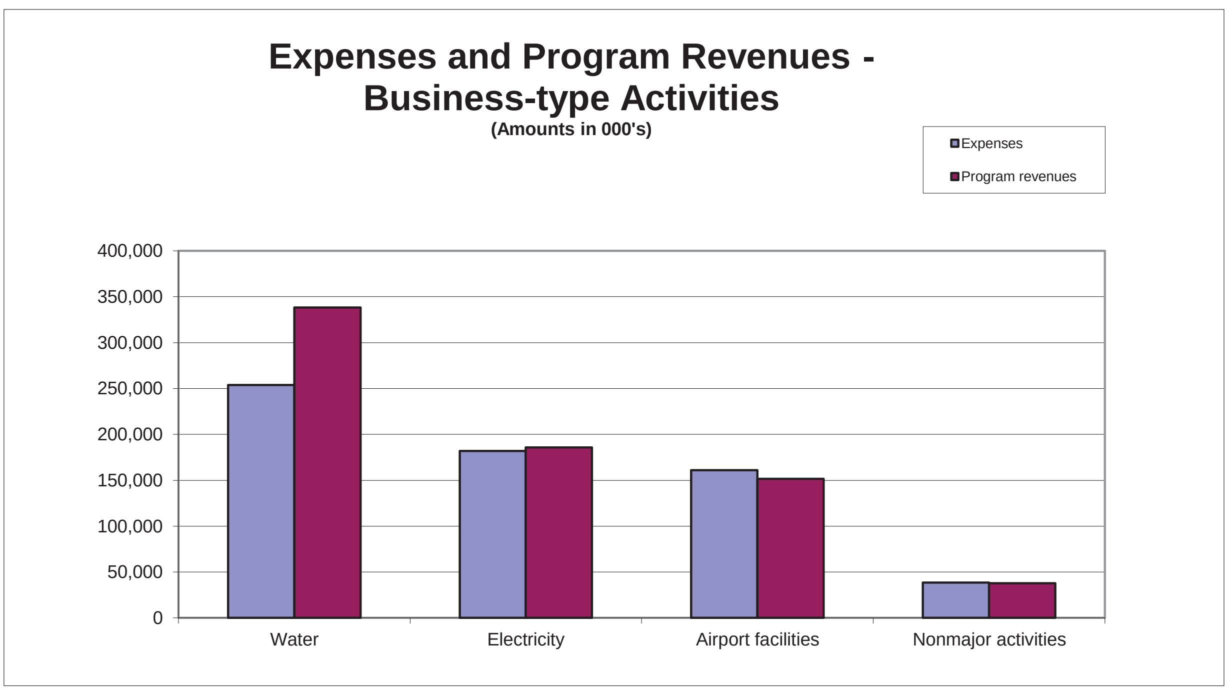
	Governmental Activities		Business-Type Activities (Amounts in 000's)		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 80,935	$ 79,650	$ 651,255	$ 590,395	$ 732,190	$ 670,045
Operating grants and contributions	99,790	119,587	4,565	6,858	104,355	126,445
Capital grants and contributions	88,288	94,958	57,756	48,736	146,044	143,694
General revenues:						
Income taxes	337,933	332,719			337,933	332,719
Property taxes	52,327	45,055			52,327	45,055
Other taxes	35,851	37,765			35,851	37,765
Shared revenues	37,240	34,434			37,240	34,434
State local government funds	23,846	30,081			23,846	30,081
Unrestricted investment earnings	1,193	683	3	3	1,196	686
Other	11,454	21,194			11,454	21,194
Total revenues	768,857	796,126	713,579	645,992	1,482,436	1,442,118
Expenses:						
General Government	121,050	115,793			121,050	115,793
Public Works	129,551	130,108			129,551	130,108
Public Safety	298,768	310,246			298,768	310,246
Community Development	39,099	44,337			39,099	44,337
Building and Housing	11,059	17,694			11,059	17,694
Public Health	18,236	15,405			18,236	15,405
Economic Development	32,508	18,142			32,508	18,142
Interest on debt	26,333	24,913			26,333	24,913
Water			253,822	258,014	253,822	258,014
Electricity			181,862	171,669	181,862	171,669
Airport facilities			161,021	155,343	161,021	155,343
Nonmajor activities			38,430	35,235	38,430	35,235
Total expenses	676,604	676,638	635,135	620,261	1,311,739	1,296,899
Changes in net position before transfers	92,253	119,488	78,444	25,731	170,697	145,219
Transfers	(1,616)	(1,527)	1,616	1,527	-	-
Changes in net position	90,637	117,961	80,060	27,258	170,697	145,219
Net position at beginning of year	779,075	661,114	2,026,042	1,998,784	2,805,117	2,659,898
Net position at end of year	$ 869,712	$ 779,075	$ 2,106,102	$ 2,026,042	$ 2,975,814	$ 2,805,117

Business-type net position increased by $80.1 million in 2014. Of the business-type net position, $1.335 billion represents its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. These capital assets are used to provide services to their customers. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional $245.0 million of net position is subject to external restrictions on their use. The remaining balance of $526.0 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.


Revenues by Source - Governmental Activities
Operating grants and contributions 13.0%
Capital grants and contributions 11.5%
Property taxes 6.8%
Charges for services 10.5%
Other 11.1%
Income taxes 44.0%
State local government funds 3.1%
Other includes other taxes, shared revenues, unrestricted investment earnings and other general revenues.


Expenses and Program Revenues - Governmental Activities
(Amounts in 000's)
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
General Government
Public Works
Public Safety
Community Development
Building and Housing
Public Health
Economic Development
Interest on debt
Expenses
Program revenues


Revenues by Source - Business-type Activities
Capital grants and contributions 8.1%
Operating grants and contributions 0.6%
Charges for services 91.3%


Expenses and Program Revenues - Business-type Activities
(Amounts in 000's)
Expenses
Program revenues
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
Water
Electricity
Airport facilities
Nonmajor activities

Business-type activities are principally accounted for in the City's Enterprise Funds. The City operates three major Enterprise Funds encompassing two airports, a water system and an electric distribution system. The City also operates other Enterprise Funds consisting of a sewer system, cemeteries, a public auditorium, municipal parking lots and public market facilities. The City owns two golf courses whose management and operations are currently leased to outside entities. The operating results of the City's Major Enterprise Funds are discussed below.

Division of Water: The Division operates a major public water supply system, the ninth largest in the United States that serves not only the City, but also 68 direct service, eight master meter and three emergency standby suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. They provide water to approximately 418,381 city and suburban accounts in the Cleveland Metropolitan Area. Operating revenue in 2014 increased to $303.4 million from $272.7 million in 2013. The increase is mainly due to an increase in fixed fee rates and usage charges beginning January 1, 2014, in addition to an increase in net consumption of 3.7%. Operating expenses, exclusive of depreciation, decreased approximately 0.8% to $153.6 million compared to $154.9 million in 2013.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 73,000 customers in the City. The Division is responsible for supplying, transmitting and distributing electricity and providing related electrical services to customers within its service area. The Division's 2014 operating revenue increased 6.8% to $181.8 million from $170.3 million in 2013. Purchased power expense increased 14.9% to $115.9 million in 2014 from $100.9 million in 2013. Operating expenses, exclusive of depreciation and purchased power, decreased 5.0% to $38.2 million compared to $40.2 million in 2013.

Department of Port Control: The City's Department of Port Control consists of the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport. During 2014, 25 passenger airlines provide scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities. The airports' operating income increased $12.1 million in 2014 largely due to a 37.2% increase in terminal and concourse rentals to scheduled airlines and increased landing fees. There was a $12.3 million decrease in capital and other contributions in 2014 which primarily resulted from less expenses in 2014 relating to the Burke Runway Safety Area Project.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of $455.4 million, an increase of $21.4 million and approximately 4.9% in comparison with the prior year. The components of the governmental fund balances include an unassigned balance of $78.4 million, which indicates the amount available for spending at the City's discretion. An additional $268.9 million of fund balance is available for expenditures that are legally restricted for a particular purpose. The nonspendable portion of fund balance has $2.3 million of items that are not in a spendable form, such as inventory. An additional $90.7 million is committed to fund specific purposes and cannot be reassigned without legislative approval. The remaining assigned balance of $15.1 million represents funds that the City intends to use for a specific purpose.

The General Fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General Fund was $78.4 million and the total fund balance was $94.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 15.9% of total General Fund expenditures and other financing uses, while total fund balance represents approximately 19.1% of that same amount.

A two-year comparison of General Fund activity is shown below. The revenues, expenditures and changes in fund balance shown in these comparisons are presented on the modified accrual basis of accounting applicable to governmental funds.

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance Information - GAAP Basis

2014 and 2013

(Amounts in 000's)

	2014	2013
Revenues:		
Income taxes	$ 299,669	$ 295,758
Property taxes	32,349	32,705
State local government funds	25,077	28,439
Other taxes	35,851	37,764
Other shared revenues	17,541	19,212
Licenses and permits	13,046	13,614
Charges for services	33,512	33,447
Fines, forfeits and settlements	23,348	20,543
Investment earnings	507	515
Grants	1,706	2,701
Miscellaneous	8,208	14,741
Total revenues	490,814	499,439
Expenditures:		
General Government	84,408	75,834
Public Works	66,553	62,444
Public Safety	285,937	295,028
Community Development	245	168
Building and Housing	8,610	8,874
Public Health	5,604	4,419
Economic Development	1,514	1,472
Other	10,580	11,877
Capital outlay	716	13
Principal retirement	250	250
Total expenditures	464,417	460,379
Excess (deficiency) of revenues over (under) expenditures	26,397	39,060
Other financing sources (uses):		
Transfers in	5,597	2,444
Transfers out	(28,459)	(23,507)
Sale of City assets	1,044	1
Net change in fund balance	4,579	17,998
Fund balance at beginning of year	89,748	71,750
Fund balance at end of year	$ 94,327	$ 89,748

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $497.5 million in 2014, a decrease of approximately $4.4 million from 2013. A discussion of each of the major types of General Fund revenues follows.

Municipal Income Taxes

Ohio law authorizes a municipal income tax both on corporate income (net profits from the operation of a business or profession) and employee wages, salaries and other compensation at a rate of up to 1% without voter authorization and at a rate above 1% with voter authorization. In 1979 and in 1981, the voters in the City approved increases of one-half of one percent to the rate of the income tax, bringing it to the current 2% rate. By the terms of the 1981 voter approval, as amended in 1985, one-ninth of the receipts of the total 2% tax (the Restricted Income Tax) must be used only for capital improvements, debt service or obligations issued for capital improvements or the payment of past deficits. The remaining eight-ninths of the municipal income tax is recorded in the General Fund and is pledged to, and may also be used for, debt service on General Obligation Bonds of the City, to the extent required and certain other obligations of the City.

The income tax is also imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 50% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City. In 2014, approximately 90% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax revenue increased approximately $3.9 million in 2014, primarily due to increased employment throughout the City.

Property Taxes

Taxes collected from real property in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

The "assessed valuation" of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate multiplied by the assessed value.

The assessed values of taxable property in the City for the past two years were as follows:

Tax Collection Year		Real Property		Public Utility Tangible Personal (Amounts in 000's)		Total Assessed Valuation
2014	$	4,601,349	$	298,603	$	4,899,952
2013	$	4,602,210	$	266,558	$	4,868,768

Property tax revenue decreased by $356,000 as a result of a decrease in both residential property valuations and lower collection rates.

State Local Government Funds, Other Taxes and Other Shared Revenues

State Local Government Funds, Other Taxes and Other Shared Revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other Taxes and Other Shared Revenues include state income, sales, admission, motor vehicle, parking, hotel, commercial activity, corporate franchise, casino, homestead and rollback, public utility, estate and cigarette taxes as well as liquor fees. State Local Government Funds revenue decreased by $3.4 million or 11.8% due to decreases in the distributions to local governments implemented as part of the State's budget balancing measures. Other Taxes decreased $1.9 million or 5.1% from 2013 levels primarily as a result of decreases in electric excise tax revenues. Other Shared Revenues decreased $1.7 million or 8.7% from 2013 levels primarily as a result in decreases in estate tax revenues.

The State Local Government Funds (LGF) are major sources of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State's collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amount in the funds has been capped at specified levels.

Pursuant to statutory law in Ohio, State LGF revenues are divided into county and municipal portions. The county portion, the larger of the two, is distributed to each of the State's 88 counties and is allocated based upon a statutory formula utilizing county population and county municipal property values. Once received by a county, the funds can either be distributed to all subdivisions using the statutory formula or the county and its subdivisions may agree upon an alternate method for allocating the funds. Cuyahoga County and its recipient communities have chosen the latter method which is comprised of a base allocation and an excess allocation. The excess allocation takes into account such factors as assessed value per capita, per capita income, population density and the number of individuals receiving public assistance. The municipal portion of the LGF is distributed directly by the State to those municipalities that collect an income tax. A municipality receives its share of the funds based upon its percentage of total municipal income taxes collected throughout the state in a given year.

Distributions from the State of Ohio and Cuyahoga County (as a conduit between the State and City) have generally decreased since 2000.

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled $492.9 million in 2014, an increase of 1.9% from 2013. The amount of expenditures and other uses by function on a GAAP basis, including the increases (decreases) over the prior year, are shown in the following table:

Expenditures and Other Financing Uses	Actual 2014	% of Total	Actual 2013	% of Total	Increase (Decrease)	% Change
			(Amounts in 000's)			
Current:						
General Government	$ 84,408	17.13	$ 75,834	15.67	$ 8,574	11.31
Public Works	66,553	13.50	62,444	12.91	4,109	6.58
Public Safety	285,937	58.01	295,028	60.97	(9,091)	(3.08)
Community Development	245	0.05	168	0.03	77	45.83
Building and Housing	8,610	1.75	8,874	1.83	(264)	(2.97)
Public Health	5,604	1.14	4,419	0.91	1,185	26.82
Economic Development	1,514	0.31	1,472	0.31	42	2.85
Other	10,580	2.15	11,877	2.46	(1,297)	(10.92)
Capital Outlay	716	0.14	13	0.00	703	5,407.69
Principal retirement	250	0.05	250	0.05	-	0.00
Transfers Out	28,459	5.77	23,507	4.86	4,952	21.07
Total Expenditures and Other Financing Uses	$ 492,876		$ 483,886		$ 8,990	

The total expenditures and other financing uses increased by $9.0 million. The increase was primarily caused by a $4.9 million increase due to legal settlements. There was also a $2.5 million increase in transfers out to the Cleveland Stadium Operations Fund, as well as a $2.0 million increase in transfers out to the Capital Repair Fund at the Cleveland Browns Stadium. This was primarily offset by a decrease of $3.0 million in payroll and benefits for Public Safety relating to less pay periods in 2014 than in 2013.

Proprietary Funds. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Division of Water, Cleveland Public Power and the Department of Port Control Funds amounted to $322.1 million, $41.2 million and $124.4 million, respectively, at December 31, 2014. The change in net position for each of the respective funds amounted to an increase of $85.1 million and $4.0 million and a decrease of $9.5 million during 2014. Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

Major Functional Expense Categories. A discussion of the City's major functional expense categories follows:

Employees and Labor Relations

As of December 31, 2014 and 2013, the City had approximately 6,969 and 7,109 full-time employees, respectively. Of the 6,969 full-time employees, approximately 5,226 full-time employees are represented by 31 collective bargaining units. The largest collective bargaining units, together with the approximate number of employees represented by such units, include the American Federation of State, County and Municipal Employees, Local 100 – 1,104 members; Cleveland Police Patrolmen's Association – 1,252 members; the Association of Cleveland Firefighters – 743 members; Municipal Foreman and Laborers Union, Local 1099 – 416 members; and Local 244 – 223 members.

There have been no significant labor disputes or work stoppages in the City within the last 31 years.

The Council, by ordinance, establishes schedules of salaries, wages and other economic benefits for City employees. Generally, the terms of these ordinances have been the product of negotiations with representatives of the employees or bargaining units, and increases in economic benefits have normally been provided on an annual basis.

Chapter 4117 of the Ohio Revised Code (the Collective Bargaining Law), establishes procedures for, and regulates public employer-employee collective bargaining and labor relations for the City and other state and local governmental units in Ohio. The Collective Bargaining Law creates a three-member State Employment Relations Board (the SERB), which administers and enforces the Collective Bargaining Law. Among other things, the Collective Bargaining Law: (i) creates rights and obligations of public employers, public employees and public employee organizations with respect to labor relations; (ii) defines the employees it covers; (iii) establishes methods for (a) the recognition of employees and organizations as exclusive representatives for collective bargaining and (b) the determination of bargaining units; (iv) establishes matters for which collective bargaining is either required, prohibited or optional; (v) establishes procedures for bargaining and the resolution of disputes, including negotiation, mediation and fact finding; and (vi) permits all covered employees to strike, except certain enumerated classes of employees, such as police and fire personnel.

Over the past two years, the total salaries and wages paid to the City's employees from all funds were as follows:

Year	**Amount Paid (Amounts in 000's)**
2014	$ 421,809
2013	431,853

In 2014, there was a decrease in salaries and wages payable due to 2013 having a 27th pay period.

Employee Retirement Benefits

City employees are members of one of two retirement systems. These retirement systems provide both pension and post-retirement health care benefits to participants. They were created pursuant to Ohio statutes and are administered by state created Boards of Trustees. The boards are comprised of a combination of elected members from the respective retirement system's membership and ex-officio members from certain state and local offices.

These two retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other retirement systems. Management of the system indicates there are 347,727 actively contributing members and total net position of this pension system approximated $89.0 billion as of December 31, 2013, the latest information available. More data on this pension system is shown in Note 13 – Defined Benefit Pension Plans and Note 14 – Other Postemployment Benefits of this report.
- Ohio Police and Fire Pension Fund (OP&F), created in 1965, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. As of December 31, 2013, the latest information available, management of the fund indicates membership of 27,444 active members and net position of this pension fund approximated $13.0 billion. All of the City's police and fire officers are members of this pension fund. More data on this pension fund is shown in Note 13 – Defined Benefit Pension Plans and Note 14 – Other Postemployment Benefits of this report.

Over the past two years, the City and its employees have paid the following amounts to OPERS and OP&F:

	2014	2013
	(Amounts in 000's)	
Paid by City to:		
OPERS	$ 36,013	$ 35,261
OP&F	34,126	31,956
Total paid by City	70,139	67,217
Paid by employees to:		
OPERS	25,651	25,130
OP&F	16,559	15,582
Total paid by employees	42,210	40,712
Total	$ 112,349	$ 107,929

The City is current in all of its required contributions to the respective pension funds. The pension plans and other postemployment benefits for health care are explained in Note 13 – Defined Benefit Pension Plans and Note 14 – Other Postemployment Benefits.

GENERAL FUND BUDGETARY ANALYSIS

In 2014, there were no major differences between the original and the final amended budget at a total revenue and expenditure level, including transfers in and out (see page 61).

The major differences between the final amended budget and the actual total revenues were increases of $5.0 million in fines, forfeits and settlements and $7.6 million in miscellaneous revenue. The increase in fines, forfeits and settlements is primarily attributed to an increase in red light camera fines which were offset by slight decreases in various other fines. Miscellaneous revenue increases were due to a worker's compensation refund and reimbursement for demolition costs of the Stanley Building. There were decreases in Public Safety expenditures largely due to turnover and decreases in salaries and benefits due to increased operating efficiencies and reduced payroll costs compared to the previous year which had a 27th pay period. Also, there was a decrease in other expenditures due to the continued negotiation with the County for Justice Center Tower Maintenance which resulted in a lower payment in 2014 than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

***Capital assets*:** The City's capital assets for its governmental and business-type activities as of December 31, 2014, amounts to $4.236 billion (net of accumulated depreciation). This capital assets balance includes land; land improvements; utility plant; buildings, structures and improvements; furniture, fixtures, equipment and vehicles; infrastructure; and construction in progress. The total increase in the City's capital assets for the current fiscal year was 3.0% (a 10.8% increase for governmental activities and a 0.5% increase for business-type activities). A summary of the City's capital assets at December 31, 2014 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
		(Amounts in 000's)	
Land	$ 66,721	$ 191,677	$ 258,398
Land improvements	58,677	63,012	121,689
Utility plant		1,603,050	1,603,050
Buildings, structures and improvements	393,537	324,619	718,156
Furniture, fixtures, equipment and vehicles	44,233	116,672	160,905
Infrastructure	391,169	461,390	852,559
Construction in progress	181,989	338,932	520,921
Total	$ 1,136,326	$ 3,099,352	$ 4,235,678

Additions to construction in progress during the current fiscal year affecting the City's capital assets included the following:

- Cleveland Public Power incurred $25.8 million of capital additions relating to the Lake Road Project, Denison Avenue Project and the East 9th Duct Bank.
- The Division of Water had capital improvements totaling $69.3 million. Major improvements were for the continuing renovations and enhancements of water mains and water tanks as well as automated meter reading system.
- Port Control capital improvements totaled approximately $19.7 million. Major initiatives were the Power Distribution Enhancement Project, installation of a new terrazzo floor in the main concourse, the Regional Transportation Authority (RTA) Level Art Gallery, which replaces various interior infrastructure items to allow for the display of wall and floor artwork, the Consolidated Maintenance Facility and the Parking Redevelopment Project.
- Water Pollution Control had capital improvements of $6.6 million. Major components included emergency sewer repairs, Lamille Court Project, West 149 Street Sewer Rehabilitation and Ridgeland Circle Sewer Repair.
- Major capital projects for Governmental Activities included land improvements, building improvements, vehicles and equipment, various computer system upgrades and infrastructure improvements. The increase also included $74.9 million of renovations to the Cleveland Browns Stadium.

The primary sources for financing the City's Capital Improvement Projects are general obligation bond proceeds, certificates of participation proceeds, urban renewal bond proceeds, revenue bond proceeds, proceeds from capital leases, interest earned on funds during the construction period, restricted income taxes and funds from the State Issue 2 and Local Transportation Improvement Programs. The City has three primary goals relating to its Capital Improvements: (1) preservation and revitalization of the City's neighborhoods, (2) economic development and job creation and (3) providing cost-effective, basic City services to Cleveland residents and the business community. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 15 – Capital Assets.

Long-term debt and certain other obligations: At the end of the current fiscal year, the City had total long-term debt and certain other obligations outstanding of $2.576 billion as shown below. General Obligation Bonds are typically issued for general governmental activities and are backed by the full faith and credit of the City. Revenue bonds are typically recorded in the applicable Enterprise Fund and are supported by the revenues generated by the respective Enterprise Fund. The remainder of the City's debt represents bonds or notes secured solely by specified revenue sources.

The activity in the City's debt obligations outstanding during the year ended December 31, 2014 is summarized below (excluding unamortized discounts, premiums and accreted interest).

	Balance January 1, 2014	Debt Issued	Debt Refunded or Defeased	Debt Retired	Balance December 31, 2014
			(Amounts in 000's)		
Governmental Activities:					
General Obligation Bonds	$ 282,550	$	$	$ (24,985)	$ 257,565
Urban Renewal Bonds	3,670			(640)	3,030
Subordinated Income Tax Refunding Bonds	46,915			(3,265)	43,650
Subordinate Lien Income Tax Bonds	124,490	69,200		(5,355)	188,335
Non-Tax Revenue Bonds	53,108	20,110	(20,120)	(2,895)	50,203
Annual Appropriation Bonds	10,525			(245)	10,280
Certificates of Participation	117,670			(5,890)	111,780
Capital Lease Obligations	19,185			(3,923)	15,262
Note/Loans Payable	3,355			(554)	2,801
Total Governmental Activities	661,468	89,310	(20,120)	(47,752)	682,906
Business –Type Activities:					
Revenue Bonds	1,863,588	110,210	(102,070)	(85,445)	1,786,283
Loans Payable	114,372			(7,557)	106,815
Deferred Payment Obligation	280			(280)	-
Total Business –Type Activities	1,978,240	110,210	(102,070)	(93,282)	1,893,098
Total	$ 2,639,708	$ 199,520	$ (122,190)	$ (141,034)	$ 2,576,004

Funds used to meet the debt service requirements of the City's General Obligation Bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to $16.8 million in 2014 which represents approximately 44% of the debt service requirements on the General Obligation Bonds. These taxes were derived from a levy of $4.35 per $1,000 of assessed property. The remaining 56% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, homestead and rollback reimbursement from the State, interest earnings and other miscellaneous revenue sources generated within the Debt Service Funds.

The City issues its General Obligation Bonds within the context of its Capital Improvement Program. Programs which have benefited due to the issuance of general obligation debt include, but are not limited to, public works improvements, bridge and roadway improvements, recreation facilities, cemeteries and urban redevelopment. The City's Enterprise Funds implement their own individual Capital Improvement Programs and issue revenue bond and note debt necessary to fund their programs.

The City's bond ratings for general obligation and revenue bonds are as follows as of December 31, 2014:

	Moody's Investors Service	**Standard & Poor's**	**Fitch Ratings**
General Obligation Bonds	A1	AA	A+
Subordinate Lien Income Tax Bonds	A1	AA	N/A
Waterworks Improvement Revenue Bonds	Aa1	AA	N/A
Second Lien Water Revenue Bonds	Aa2	AA-	N/A
Public Power System Revenue Bonds	A3*	A-	N/A
Airport System Revenue Bonds	Baa1	A-	BBB+**
Parking Facility Refunding Revenue Bonds (Insured Ratings)	A2	AA***	N/A

* On July 2, 2014, Moody's Investors Service changed its rating on Cleveland Public Power debt to A3 (negative outlook) from A2 (stable). The outlook was returned to stable in October 2014.

** Effective February 5, 2014, Fitch Ratings downgraded its rating on Cleveland Airport Revenue Bonds to BBB+ (negative outlook) from A- (negative outlook).

*** On March 18, 2014, Standard & Poor's raised its rating on Assured Guaranty Municipal Corp. to AA. Parking Facilities' bonds only carry an insured rating.

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Fund. This data at December 31, 2014 was:

Net General Bonded Debt:	$254,484,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.19%
Net General Bonded Debt Per Capita:	$641.32

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.50% of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.50% of total assessed value of property. The City's total debt limit (10.50%) is $514,494,983 and unvoted debt limit (5.50%) is $269,497,372. At December 31, 2014, the City had capacity under the indirect debt limitation calculation per the Ohio Revised Code to issue less than $35 million in additional unvoted debt. However, these debt limitations are not expected to affect the financing of any currently planned facilities or services.

In addition, the City has entered into various derivative or hedging agreements since 1999. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of each outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note 5 – Debt and Other Long-Term Obligations.

The City reports a deferred outflow and a liability in the amount of the fair value of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2014 and an investment loss or gain as appropriate based on the change in fair value. The specific terms and conditions of each swap have been provided by the respective counterparty for each swap and confirmed by the City's financial advisor.

Additional information on the City's long-term debt can be found in Note 5 – Debt and Other Long-Term Obligations.

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

The City, like all municipalities both local and national, continues to face the challenges of economic recession. Basic operating costs continue to rise due to negotiated salary increases, higher benefit costs and federal and state mandates being placed upon municipalities at the same time federal and state funding is being reduced.

Over the last several years, the City has seen significant reductions in funding from the federal and state governments. To offset these reductions, the City continues to focus on stimulating economic and community development throughout its core business districts and neighborhoods to strengthen its housing stock value and ensure a strong local job market.

Other Impacting Factors

- Effective April 9, 2015 the City issued $86,105,000 Subordinate Lien Income Tax Bonds, Series 2015 and $15,280,000 Taxable Community and Economic Development Bonds, Series 2015 (Core City).

- On April 14, 2015 the City sold $132,135,000 Water Revenue Bonds, Series 2015 consisting of $116,205,000 Water Revenue Bonds, Series Y and $15,930,000 Water Revenue Bonds, Series Z.

- Effective May 27, 2015 the City issued $90,800,000 Water Revenue Bonds, Series AA.

See Note 21- Subsequent Events for additional information.

NEED ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall, Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 399,575	$ 425,941	$ 825,516
Investments	1,522	14,052	15,574
Receivables:			
Taxes	137,373		137,373
Accounts	33,492	178,717	212,209
Recoverable costs of purchased power		9,634	9,634
Grants	6,803		6,803
Loans	184,724		184,724
Unbilled revenue		42,918	42,918
Accrued interest	12		12
Assessments	4,273		4,273
Less: Allowance for doubtful accounts	(24,420)	(31,022)	(55,442)
Receivables, net	342,257	200,247	542,504
Internal balances	4,586	(4,586)	-
Due from other governments	42,493	2,520	45,013
Inventory of supplies	3,232	19,569	22,801
Prepaid expenses and other assets		1,948	1,948
Restricted assets:			
Cash and cash equivalents		437,512	437,512
Accrued interest receivable		13	13
Accrued passenger facility charge		1,933	1,933
Total restricted assets	-	439,458	439,458
Capital assets:			
Land and construction in progress	248,710	530,609	779,319
Other capital assets, net of accumulated depreciation	887,616	2,568,743	3,456,359
Total capital assets	1,136,326	3,099,352	4,235,678
Total assets	1,929,991	4,198,501	6,128,492
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps		19,455	19,455
Loss on refunding	7,283	61,719	69,002
Total deferred outflows of resources	7,283	81,174	88,457

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 14,062	$ 21,370	$ 35,432
Accrued wages and benefits	39,561	8,307	47,868
Due to other governments	100,273	101,627	201,900
Accrued interest payable	4,531	32,605	37,136
Unearned revenue	14,153		14,153
Liabilities payable from restricted assets		11,067	11,067
Long-term obligations:			
Due within one year	87,758	100,821	188,579
Due in more than one year	745,535	1,878,137	2,623,672
Total liabilities	1,005,873	2,153,934	3,159,807
DEFERRED INFLOWS OF RESOURCES			
Property tax	50,732		50,732
Special assessment - TIF	10,812		10,812
Derivative instruments-interest rate swaps	145	19,639	19,784
Total deferred inflows of resources	61,689	19,639	81,328
NET POSITION			
Net investment in capital assets	828,002	1,335,195	2,163,197
Restricted for:			
Capital	37,048	626	37,674
Debt service	37,392	232,586	269,978
Loans	35,633		35,633
Other purposes	42,287	11,725	54,012
Unrestricted	(110,650)	525,970	415,320
Total net position	$ 869,712	$ 2,106,102	$ 2,975,814

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs:			
Governmental activities:			
General Government	$ 121,050	$ 31,589	$ 4,351
Public Works	129,551	17,706	20,373
Public Safety	298,768	15,318	7,315
Community Development	39,099	1,483	35,673
Building and Housing	11,059	11,984	2,804
Public Health	18,236	2,754	11,040
Economic Development	32,508	101	18,234
Interest on debt	26,333		
Total governmental activities	676,604	80,935	99,790
Business-type activities:			
Water	253,822	303,412	301
Electricity	181,862	181,843	4,030
Airport facilities	161,021	131,724	73
Nonmajor activities:			
Sewer	24,824	22,547	54
Public Auditorium	2,742	1,008	
Westside Market	1,752	1,302	4
Eastside Market	89		
Municipal Parking Lots	7,071	7,916	
Cemeteries	1,799	1,503	44
Golf Courses	153		59
Total business-type activities	635,135	651,255	4,565
Total	$ 1,311,739	$ 732,190	$ 104,355

General revenues:
- Income taxes
- Property taxes
- Other taxes
- Shared revenues
- State local government funds
- Unrestricted investment earnings
- Other

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Positon		
	Governmental Activities	Business-Type Activities	Total
$ 2,862	$ (82,248)	$	$ (82,248)
85,253	(6,219)		(6,219)
173	(275,962)		(275,962)
	(1,943)		(1,943)
	3,729		3,729
	(4,442)		(4,442)
	(14,173)		(14,173)
	(26,333)		(26,333)
88,288	(407,591)	-	(407,591)
34,699		84,590	84,590
2		4,013	4,013
19,775		(9,449)	(9,449)
86		(2,137)	(2,137)
439		(1,295)	(1,295)
1,848		1,402	1,402
		(89)	(89)
625		1,470	1,470
140		(112)	(112)
142		48	48
57,756	-	78,441	78,441
$ 146,044	(407,591)	78,441	(329,150)
	337,933		337,933
	52,327		52,327
	35,851		35,851
	37,240		37,240
	23,846		23,846
	1,193	3	1,196
	11,454		11,454
	(1,616)	1,616	-
	498,228	1,619	499,847
	90,637	80,060	170,697
	779,075	2,026,042	2,805,117
	$ 869,712	$ 2,106,102	$ 2,975,814

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 92,693	$ 282,904	$ 375,597
Investments		1,522	1,522
Receivables:			
Taxes	101,892	35,481	137,373
Accounts	33,476	1	33,477
Grants		6,803	6,803
Loans		184,724	184,724
Accrued interest		12	12
Assessments		4,273	4,273
Less: Allowance for doubtful accounts	(24,420)		(24,420)
Receivables, net	110,948	231,294	342,242
Due from other funds	1,334	7,943	9,277
Due from other governments	21,962	20,531	42,493
Inventory of supplies	885	1,387	2,272
TOTAL ASSETS	$ 227,822	$ 545,581	$ 773,403
LIABILITIES			
Accounts payable	$ 7,066	$ 8,663	$ 15,729
Accrued wages and benefits	23,470	1,678	25,148
Due to other governments	1,779	97,295	99,074
Unearned revenue	354	13,799	14,153
Due to other funds	8,112	9,516	17,628
Total liabilities	40,781	130,951	171,732
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow	92,714	53,591	146,305
Total deferred inflows of resouces	92,714	53,591	146,305
FUND BALANCES			
Nonspendable	885	1,387	2,272
Restricted		268,905	268,905
Committed		90,739	90,739
Assigned	15,041	8	15,049
Unassigned	78,401		78,401
Total fund balances	94,327	361,039	455,366
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 227,822	$ 545,581	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.			1,132,222
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			84,761
Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and therefore are not reported in the funds.			(812,028)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net position.			9,391
Net position of governmental activities			$ 869,712

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

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Income taxes	$ 299,669	$ 37,074	$ 336,743
Property taxes	32,349	16,849	49,198
State local government funds	25,077		25,077
Other taxes	35,851		35,851
Other shared revenues	17,541	36,788	54,329
Licenses and permits	13,046	2,358	15,404
Charges for services	33,512	2,608	36,120
Fines, forfeits and settlements	23,348	5,580	28,928
Investment earnings	507	351	858
Grants	1,706	110,229	111,935
Contributions		2,571	2,571
Miscellaneous	8,208	10,326	18,534
Total revenues	490,814	224,734	715,548
EXPENDITURES:			
Current:			
General Government	84,408	6,791	91,199
Public Works	66,553	22,489	89,042
Public Safety	285,937	8,668	294,605
Community Development	245	36,946	37,191
Building and Housing	8,610	2,275	10,885
Public Health	5,604	12,118	17,722
Economic Development	1,514	30,846	32,360
Other	10,580		10,580
Capital outlay	716	100,152	100,868
Inception of capital lease		6,044	6,044
Debt service:			
Principal retirement	250	47,502	47,752
Interest		27,935	27,935
General Government		1,114	1,114
Other		1,077	1,077
Total expenditures	464,417	303,957	768,374
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,397	(79,223)	(52,826)
OTHER FINANCING SOURCES (USES):			
Transfers in	5,597	72,062	77,659
Transfers out	(28,459)	(51,307)	(79,766)
Issuance of debt		69,200	69,200
Premium on bonds		6,666	6,666
Discount on bonds		(13)	(13)
Payment to refund bonds		(20,635)	(20,635)
Sale of City assets	1,044		1,044
Issuance of refunding bonds		20,110	20,110
Total other financing sources (uses)	(21,818)	96,083	74,265
NET CHANGE IN FUND BALANCES	4,579	16,860	21,439
FUND BALANCES AT BEGINNING OF YEAR	89,748	344,179	433,927
FUND BALANCES AT END OF YEAR	$ 94,327	$ 361,039	$ 455,366

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

CITY OF CLEVELAND, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

Amounts reported for governmental activities in the statement of activities (pages 56 and 57) are different because:

Net change in fund balances - total governmental funds (page 59)	$ 21,439
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	110,856
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,821
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences, including accrued interest, in the treatment of long-term debt and related items.	(51,117)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	5,867
The net revenue of certain activities of internal service funds is reported with governmental activities.	(229)
Change in net position of governmental activities (pages 56 and 57)	$ 90,637

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

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (BUDGET AND ACTUAL) - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual*	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 296,275	$ 296,275	$ 297,124	$ 849
Property taxes	33,965	33,965	32,338	(1,627)
State local government funds	27,629	27,629	25,021	(2,608)
Other taxes	33,514	33,514	35,415	1,901
Other shared revenues	13,984	13,984	14,506	522
Licenses and permits	14,467	14,467	13,106	(1,361)
Charges for services	31,564	31,564	33,418	1,854
Fines, forfeits and settlements	18,780	18,780	23,733	4,953
Investment earnings	400	400	454	54
Grants	1,800	1,800	1,774	(26)
Miscellaneous	18,415	18,415	25,971	7,556
Total revenues	490,793	490,793	502,860	12,067
EXPENDITURES:				
Current:				
General Government	89,724	90,724	83,892	6,832
Public Works	66,441	66,441	64,977	1,464
Public Safety	309,188	308,058	299,797	8,261
Community Development	293	293	238	55
Building and Housing	9,744	9,744	8,658	1,086
Public Health	5,764	5,894	5,705	189
Economic Development	1,735	1,735	1,538	197
Other	20,847	20,847	18,848	1,999
Capital outlay	3,681	3,681	3,681	-
Principal retirement	250	250	250	-
Total expenditures	507,667	507,667	487,584	20,083
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,874)	(16,874)	15,276	32,150
OTHER FINANCING SOURCES (USES):				
Transfers in	2,984	2,984	11,329	8,345
Transfers out	(32,923)	(32,923)	(29,572)	3,351
Sale of City assets			1,044	1,044
Total other financing sources (uses)	(29,939)	(29,939)	(17,199)	12,740
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(46,813)	(46,813)	(1,923)	44,890
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			2,247	2,247
NET CHANGE IN FUND BALANCE	(46,813)	(46,813)	324	47,137
FUND BALANCE AT BEGINNING OF YEAR	49,303	49,303	49,303	-
FUND BALANCE AT END OF YEAR	$ 2,490	$ 2,490	$ 49,627	$ 47,137

***** On budgetary basis of accounting (see Note 2 - Summary of Significant Accounting Policies, "D" Budgetary Procedures).

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	
ASSETS						
Current assets:						
Cash and cash equivalents	$ 235,891	$ 47,870	$ 84,485	$ 56,710	$ 424,956	$ 24,963
Restricted cash and cash equivalents	3,743	1,677	5,647		11,067	
Investments	10,037		4,015		14,052	
Receivables:						
Accounts	67,268	15,610	6,093	89,746	178,717	15
Recoverable costs of purchased power		9,634			9,634	
Unbilled revenue	32,825	2,590	4,615	2,888	42,918	
Accrued interest					-	
Less: Allowance for doubtful accounts	(16,860)	(9,611)	(1,797)	(2,754)	(31,022)	
Receivables, net	83,233	18,223	8,911	89,880	200,247	15
Due from other funds	17,395	3,053	6	340	20,794	13,199
Due from other governments			2,520		2,520	
Inventory of supplies	8,076	8,816	2,236	441	19,569	960
Prepaid expenses and other assets	1,258	167	515		1,940	8
Total current assets	359,633	79,806	108,335	147,371	695,145	39,145
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	137,286	30,342	244,171	14,646	426,445	
Accrued interest receivable	11		2		13	
Accrued passenger facility charges			1,933		1,933	
Total restricted assets	137,297	30,342	246,106	14,646	428,391	-
Capital assets:						
Land	5,463	5,029	167,457	13,728	191,677	663
Land improvements	17,427	305	84,172	7,869	109,773	146
Utility plant	1,644,691	520,125		142,919	2,307,735	
Buildings, structures and improvements	262,302	21,315	340,944	107,945	732,506	4,127
Furniture, fixtures, equipment and vehicles	577,995	83,418	48,050	21,116	730,579	12,657
Infrastructure			1,000,398		1,000,398	
Construction in progress	199,922	68,752	47,666	22,592	338,932	
Less: Accumulated depreciation	(968,997)	(345,324)	(821,346)	(176,784)	(2,312,451)	(13,286)
Total capital assets, net	1,738,803	353,620	867,341	139,385	3,099,149	4,307
Total noncurrent assets	1,876,100	383,962	1,113,447	154,031	3,527,540	4,307
TOTAL ASSETS	2,235,733	463,768	1,221,782	301,402	4,222,685	43,452
DEFERRED OUTFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	19,455				19,455	
Loss on refunding	20,972	17,448	21,762	1,537	61,719	
Total deferred outflows of resources	40,427	17,448	21,762	1,537	81,174	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,276,160	$ 481,216	$ 1,243,544	$ 302,939	$ 4,303,859	$ 43,452

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	$ 5,694	$ 11,238	$ 3,471	$ 2,024	$ 22,427	$ 1,700
Accrued wages and benefits	7,629	2,572	3,220	1,540	14,961	2,193
Claims payable						13,976
Due to other funds	3,742	5,214	1,810	14,542	25,308	334
Due to other governments			5,652	95,975	101,627	1,199
Accrued interest payable	13,888	1,455	16,866	396	32,605	
Current payable from restricted assets	3,743	1,677	5,647		11,067	
Current portion of long-term obligations	48,437	7,500	33,155	3,285	92,377	
Total current liabilities	83,133	29,656	69,821	117,762	300,372	19,402
Long-term liabilities:						
Accrued wages and benefits	1,388	436	612	203	2,639	14,426
Construction loans payable	98,310			753	99,063	
Accreted interest payable		11,707			11,707	
Revenue bonds payable	701,053	223,572	811,944	24,546	1,761,115	
Other		3,455			3,455	
Total noncurrent liabilities	800,751	239,170	812,556	25,502	1,877,979	14,426
Total liabilities	883,884	268,826	882,377	143,264	2,178,351	33,828
DEFERRED INFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	19,455			184	19,639	
Total deferred inflows of resources	19,455	-	-	184	19,639	-
NET POSITION						
Net investment in capital assets	955,410	166,363	97,689	115,530	1,334,992	4,307
Restricted for capital projects	99	482		45	626	
Restricted for debt service	95,240	4,349	127,401	5,596	232,586	
Restricted for passenger facility charges			11,725		11,725	
Unrestricted	322,072	41,196	124,352	38,320	525,940	5,317
Total net position	1,372,821	212,390	361,167	159,491	2,105,869	9,624
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 2,276,160	$ 481,216	$ 1,243,544	$ 302,939		$ 43,452
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					233	
NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 2,106,102	

The notes to financial statements are an integral part of this statement. (Concluded)

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 303,408	$ 181,843	$ 131,724	$ 34,276	$ 651,251	$ 100,402
Total operating revenue	303,408	181,843	131,724	34,276	651,251	100,402
OPERATING EXPENSES:						
Operations	99,286	20,688	68,615	19,928	208,517	99,171
Maintenance	54,273	17,504	3,486	8,616	83,879	2,020
Purchased power		115,923			115,923	
Depreciation	71,628	18,354	52,351	8,172	150,505	685
Total operating expenses	225,187	172,469	124,452	36,716	558,824	101,876
OPERATING INCOME (LOSS)	78,221	9,374	7,272	(2,440)	92,427	(1,474)
NON-OPERATING REVENUES (EXPENSES):						
Investment income (loss)	774	37	115	286	1,212	28
Interest expense	(28,138)	(9,285)	(32,095)	(1,649)	(71,167)	
Passenger facility charges			14,798		14,798	
Sound insulation program			(1,250)		(1,250)	
Loss on disposal of capital assets	(26)		(9)		(35)	(1)
Other revenues (expenses)	4,835	3,862	(3,284)	145	5,558	
Total non-operating revenues (expenses)	(22,555)	(5,386)	(21,725)	(1,218)	(50,884)	27
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	55,666	3,988	(14,453)	(3,658)	41,543	(1,447)
Capital contributions	29,391		4,935	3,010	37,336	292
Transfers in				1,616	1,616	491
Change in net position	85,057	3,988	(9,518)	968	80,495	(664)
NET POSITION AT BEGINNING OF YEAR	1,287,764	208,402	370,685	158,523		10,288
NET POSITION AT END OF YEAR	$ 1,372,821	$ 212,390	$ 361,167	$ 159,491		$ 9,624
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					(435)	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 80,060	

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

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 287,531	$ 184,299	$ 126,194	$ 33,632	$ 631,656	$ 95,417
Cash payments to suppliers for goods or services	(79,201)	(18,814)	(44,546)	(13,113)	(155,674)	(66,133)
Cash payments to employees for services	(74,591)	(17,637)	(28,078)	(13,679)	(133,985)	(20,330)
Cash payments for purchased power		(116,276)			(116,276)	
Agency activity on behalf of other sewer authorities				5,856	5,856	
Other		(5,371)			(5,371)	
Net cash provided by (used for) operating activities	133,739	26,201	53,570	12,696	226,206	8,954
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Cash payments for sound insulation of homes			(1,385)		(1,385)	
Cash received through transfers from other funds				1,616	1,616	491
Cash received for royalties				59	59	
Cash received from electric excise tax		2,801			2,801	
Net cash provided by (used for) noncapital financing activities	-	2,801	(1,385)	1,675	3,091	491
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			15,079		15,079	
Proceeds from sale of revenue bonds, loans and notes		76,885	33,325		110,210	
Acquisition and construction of capital assets	(67,887)	(27,164)	(28,681)	(8,109)	(131,841)	(265)
Principal paid on long-term debt	(46,922)	(10,770)	(32,120)	(3,190)	(93,002)	
Interest paid on long-term debt	(36,235)	(8,074)	(35,144)	(1,533)	(80,986)	
Cash paid to escrow agent for refunding		(75,763)	(33,325)		(109,088)	
Capital grant proceeds			4,217		4,217	
Net cash provided by (used for) capital and related financing activities	(151,044)	(44,886)	(76,649)	(12,832)	(285,411)	(265)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(14,996)		(2)		(14,998)	
Proceeds from sale and maturity of investment securities	14,991			5,952	- 20,943	
Interest received on investments	855	40	111	103	1,109	28
Net cash provided by (used for) investing activities	850	40	109	6,055	7,054	28
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,455)	(15,844)	(24,355)	7,594	(49,060)	9,208
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	393,375	95,733	358,658	63,762	911,528	15,755
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 376,920	$ 79,889	$ 334,303	$ 71,356	$ 862,468	$ 24,963

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	$ 78,221	$ 9,374	$ 7,272	$ (2,440)	$ 92,427	$ (1,474)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	71,628	18,354	52,351	8,172	150,505	685
Noncash rental income			(282)		(282)	
Changes in assets and liabilities:						
Receivables, net	(6,275)	719	(2,084)	(219)	(7,859)	(15)
Due from other funds	(1,796)	(398)	(6)	970	(1,230)	(2,900)
Inventory of supplies	(3,407)	(1,002)	(157)	69	(4,497)	260
Prepaid expenses and other assets	(60)	429	(447)		(78)	4
Accounts payable	(1,945)	(965)	(2,856)	(361)	(6,127)	(1,108)
Accrued wages and benefits	(659)	(857)	26	(242)	(1,732)	13,119
Due to other funds	368	558	157	1,951	3,034	186
Due to other governments			(404)	4,796	4,392	197
Accrued expenses and other liabilities	(2,336)	(11)			(2,347)	
Total adjustments	55,518	16,827	46,298	15,136	133,779	10,428
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 133,739	$ 26,201	$ 53,570	$ 12,696	$ 226,206	$ 8,954
NONCASH OPERATING ACTIVITY:						
Rental income			$ 282			
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:						
Contributions of capital assets	$ 29,391			$ 3,010		$ 292

(Concluded)

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

CITY OF CLEVELAND, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 28,762
Taxes receivable	21,587
Due from other governments	1,653
Total assets	$ 52,002
LIABILITIES	
Due to other governments	26,902
Due to others	25,100
Total liabilities	$ 52,002

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

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NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

***The City*:** The City of Cleveland, Ohio (the City) operates under an elected Mayor/Council (17 Council members) administrative/legislative form of government.

***Reporting Entity*:** The accompanying financial statements as of December 31, 2014 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

In evaluating how to define the governmental reporting entity, the City complies with the provisions of GASB Statement No. 61, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions and component units for which the City (primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City's financial reporting entity has no component units but includes in its financial statements the financial activities of all departments, agencies, boards and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services and general administrative services. In addition, the City owns and operates several enterprise activities, the principal ones consisting of a water system, an electric distribution system and two airports.

The following entities are related organizations of the City of Cleveland; however, the City's accountability does not extend beyond its appointing authority:

Cuyahoga Metropolitan Housing Authority – Created under the Ohio Revised Code, the Cuyahoga Metropolitan Housing Authority provides public housing services. The five-member board consists of two appointed by the Mayor of the City of Cleveland, two appointed by Cleveland City Council and one appointed by the Mayor of the City of East Cleveland with approval from its City Council.

Cleveland-Cuyahoga County Port Authority – Created under the Ohio Revised Code, the Cleveland-Cuyahoga County Port Authority conducts port operations and economic development activities. The nine-member Board of Directors consists of three appointed by the Cuyahoga County Commissioners and six appointed by the City of Cleveland.

Cleveland Metropolitan School District (Schools) – In November of 1998, the Mayor of the City of Cleveland was given appointing authority for the Schools. As approved by the State Legislature, the Ohio Revised Code provides for the Mayor to appoint a Chief Executive Officer who must be approved by the Board of Education (the Board). The Board is comprised of nine-members. The members of the Board are appointed by the Mayor from a pool of candidates presented to the Mayor by an independent nominating panel. In November 2002, the voters of Cleveland elected to maintain the current governance structure.

The following entity is a jointly governed organization of the City; however, the City has no ongoing financial interest or responsibility:

Gateway Economic Development Corporation of Greater Cleveland (Gateway) – Gateway is responsible for the operations of a sports complex and related economic development. The five-member board consists of two members appointed by the City, two members appointed by the Board of County Commissioners and one by the President of the Board of County Commissioners with concurrence of the Mayor of the City of Cleveland.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies:

The following is a summary of the more significant policies followed during the preparation of the accompanying financial statements.

A. ***Government-Wide and Fund Financial Statements***

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

Basic Financial Statements:

1. *Government-wide financial statements* consist of a statement of net position and a statement of activities. These statements report all of the assets, deferred outflows, liabilities, deferred inflows, revenues, expenses, gains and losses of the City. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining. Fiduciary funds of the City are not included in these government-wide financial statements.

   Interfund receivables and payables, bonds and notes issued and held by the City as investments within governmental and business-type activities have been eliminated in the government-wide statement of net position. Related interest amounts are eliminated in the government-wide statement of activities. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

   Internal Service Fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown as governmental activities in the statement of activities, except for the Utilities Administration Fund which is shown in the business-type activities column.

   The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

   Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. General revenues are considered unrestricted in nature.

Program revenues and expenses previously reported as “Other” program revenues and expenses in governmental activities on the statement of activities are now classified as General Government program revenues and expenses as appropriate.

Business-type activities on the government-wide statement of activities summarizes other Enterprise Funds as Nonmajor activities. These include Sewer, Public Auditorium, West Side Market, East Side Market, Municipal Parking Lots, Cemeteries and Golf Courses.

2. *Fund financial statements* consist of a series of statements focusing on information about the City’s major governmental and enterprise funds. Separate statements are presented for the governmental, proprietary and fiduciary funds.

   The City’s major governmental fund is the General Fund. Of the City’s business-type activities, the Division of Water Fund, Cleveland Public Power Fund and Department of Port Control Fund are considered major Enterprise Funds.

   The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds. Its revenues consist primarily of income and property taxes, investment earnings, other taxes, other shared revenues, charges for services, licenses and permits, fines forfeits and settlements.

   General Fund expenditures represent costs of General Government; Public Works (including waste collection); Public Safety (including police and fire); Building and Housing; Public Health; Community Development; and Economic Development. General Fund resources are also transferred annually to support other services which are accounted for in other separate funds.

   The Division of Water Fund is a segment of the Department of Public Utilities of the City. The Division of Water was created for the purpose of supplying water services to customers within the Cleveland Metropolitan Area.

   The Cleveland Public Power Fund is a segment of the Department of Public Utilities of the City. The Cleveland Public Power Fund was established by the City to provide electrical services to customers within the City.

   The Department of Port Control Fund was established to account for the operations of the City’s airport facilities.

   While not considered major funds, the City maintains Internal Service Funds used to account for the financing of goods or services provided by one department or division to another department, division or other government on a cost-reimbursement basis.

   Also maintained by the City are fiduciary funds, such as Agency Funds, used to account for assets held by the City as an agent for individuals, private organizations or other governments.

3. The City’s General Fund budget to actual statement is presented as part of the basic financial statements.

4. Notes to financial statements provide information that is essential to a user’s understanding of the basic financial statements.

B. ***Financial Reporting Presentation***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balance (equity), revenues and expenditures (expenses). The fund types and classifications that the City reports are as follows:

GOVERNMENTAL FUNDS

1. **General Fund** – The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

2. **Special Revenue Funds** – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures of specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

3. **Debt Service Funds –** Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

4. **Capital Project Funds –** Capital Project Funds are used to account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

PROPRIETARY FUNDS

1. **Enterprise Funds –** The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. **Internal Service Funds –** The Internal Service Funds are used to account for the financing of goods or services provided by one department or division to other departments or divisions or to other governments on a cost-reimbursement basis. The City's most significant Internal Service Funds are used to account for Motor Vehicle Maintenance, Municipal Income Tax Administration, Workers' Compensation Reserve, Health Self Insurance Fund and Prescription Self Insurance Fund.

FIDUCIARY FUNDS

1. **Agency Funds –** Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments. The Agency Funds are custodial in nature (assets equal liabilities) and do not have a measurement focus. However, the accrual basis of accounting is used to recognize receivables and payables. The City's more significant Agency Funds are used to account for Municipal Court and income tax collections for other municipalities.

Fiduciary funds are not included in the government-wide statements.

C. ***Measurement Focus and Basis of Accounting***

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenue and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements which specify the year when the resources are required to be used or the year when use is first permitted; (2) matching requirements, in which the City must provide local resources to be used for a specified purpose; and (3) expenditure requirements, in which the resources are provided to the City on a cost-reimbursement basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City generally considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days after year end and available to pay obligations of the current period): income taxes, investment earnings and other shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Property taxes and special assessments, though measurable, are not available to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating revenues, such as investment income and passenger facility charges, result from non-exchange transactions or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City uses unrestricted resources that are committed first, assigned second and unassigned last.

D. ***Budgetary Procedures***

The City is required by State law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds), Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve Funds) and Proprietary Operating Funds. Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits) and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from “personnel” to “other” or vice versa, or between divisions. City Council adopted four appropriation amendments during 2014 which reallocated appropriations and increased the budget by less than 1% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

The City’s budgetary process does not include annual budgeting for certain Special Revenue Funds and Capital Project Funds. Appropriations in these funds remain open and carry over to succeeding years (i.e., multi-year) until the related expenditures are made or until they are modified or canceled. Appropriations for these funds are controlled on a project basis.

The City’s budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budget basis and the GAAP basis are that:

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances and pre-encumbrances are recorded as the equivalent of expenditures (budget) as opposed to being included in fund balances (GAAP).

A reconciliation of the General Fund’s results of operations for 2014 reported on the budget basis versus the GAAP basis is as follows:

	(Amounts in 000's)
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses (Budget Basis)	$ (1,923)
Adjustments:	
Revenue Accruals	(17,778)
Expenditure and other financing sources (uses) Accruals	10,848
Encumbrances and Pre-Encumbrances	13,432
Net Change in Fund Balance	$ 4,579

E. ***Other Significant Accounting Policies***

Cash and Cash Equivalents**:** Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer. Investments in the Pooled Cash and Segregated Accounts, consists of obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions are carried at fair value (see Note 4 – Pooled And Segregated Cash And Investments) based on quoted market values, where applicable. Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on the month-end balance of cash and investments of each fund. Cash equivalents are defined as highly liquid investments with a maturity of three months or less at the time they are purchased by the City.

Investments**:** The City reports its investments at fair value based on quoted market values, where applicable, and recognizes the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs.

Unbilled Revenue**:** Unbilled revenues are estimates for services rendered but not billed to customers at year end.

Recoverable Costs of Purchased Power**:** The City passes through certain power costs to the customer as Energy Adjustment Charges. The power costs related to recoverable costs of purchased power will be billed to customers in future billing periods.

Inventory of Supplies: Utility funds' inventory is valued at average cost. All other funds' inventory is valued at cost using the first in/first out method. Inventory generally consists of construction materials, utility plant supplies and parts inventory not yet placed into service. Inventory costs are charged to operations when consumed.

Restricted Assets**:** Issuance of debt and amounts set aside for payment of Enterprise Fund revenue bonds and construction loans are classified as restricted assets since their use is limited by applicable bond indentures. Passenger facility charges are restricted for capital expenditures or related debt. Construction loans are restricted to fund approved capital projects.

Capital Assets**:** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements to the extent the City's capitalization threshold is met. The City defines capital assets as assets with an estimated useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles; and $10,000 for all other assets or projects. Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements prior to January 1, 1980 have not been included as part of governmental capital assets in the government-wide financial statements.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The City applies guidance provided by the Governmental Accounting Standards Board (GASB). This guidance requires capitalization of the interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use. This guidance is applied to Waterworks Improvement Revenue Bonds, Public Power System Revenue Bonds and Airport System Revenue Bonds.

Costs for maintenance and repairs are expensed when incurred. However, costs for repairs and upgrading that materially add to the value or life of an asset and meet the above criteria are capitalized.

The City depreciates capital assets on a straight-line basis using the following estimated useful lives:

Assets	Years
Land improvements	15-100
Utility plant	5-100
Buildings, structures and improvements	5-60
Furniture, fixtures, equipment and vehicles	3-60
Infrastructure	3-50

Compensated Absences: The City accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences.* In the government-wide and proprietary funds financial statements, the entire amount of unpaid compensated absences is reported as a liability. A liability for compensated absences is accrued in the governmental funds only if the amount is currently due and payable at year end. These amounts are recorded as accrued wages and benefits in the fund from which the employees who have accumulated leave are paid. The remaining portion of the liability is not reported in the governmental funds.

Normally, all vacation time is to be taken in the year available. The City allows employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three year average base salary rate, with the balance being forfeited.

Uniformed police and fire employees are eligible to defer earned vacation time and overtime, with the appropriate approvals, until retirement. Once deferred, the employee cannot use deferred time as vacation. Deferred vacation is paid to the employee upon retirement, calculated using their current hourly rate at the date of retirement. Deferred overtime is paid once a year upon request up to the amount budgeted for the year for such purpose. If requests exceed the budgeted amounts, the requests are to be paid on a pro-rata basis.

***Long-Term Obligations*:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities and proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Losses on refundings are deferred and amortized over the life of the new debt, or the life of the refunded debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are reported as other financing sources and uses during the period in which they are incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

***Swap Agreements*:** The City may enter into interest rate swap agreements to modify interest rates on outstanding debt. The City has accordingly recorded the fair value of each swap in the Government-wide financial statements. As further described in Note 5 – Debt And Other Long-Term Obligations, the City has four swap agreements outstanding at December 31, 2014, one for its Subordinated Income Tax Variable Rate Refunding Bonds, one on the Parking Facilities Refunding Revenue Bonds and two associated with the 2008 Water Revenue Bonds Series Q and 2010 Water Revenue Bonds Series U and V.

***Grants and Other Intergovernmental Revenues*:** Grants and assistance awards made on the basis of entitlement programs are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures (expenses) are incurred. The City accounts for loans receivable related to the Economic Development Funds, Urban Development Action Funds, Community Development Block Grants, Neighborhood Development Investment Funds and Supplemental Empowerment Zone as restricted or committed fund balance in the fund financial statements as applicable to the extent that these loans do not have to be repaid to the Federal government. Loans receivable deemed uncollectible are included in the allowance for doubtful accounts. The loan proceeds are earmarked for future reprogramming under federal guidelines and are not available to fund current operating expenditures of the City.

***Encumbrances and Pre-Encumbrances*:** Encumbrance accounting, under which purchase orders, requisitions, contracts and other commitments for expenditures are recorded as encumbrances or pre-encumbrances to reserve the applicable portion of the appropriation.

***Interfund Transactions*:** During the course of normal operations, the City has numerous transactions between funds, including the allocation of centralized expenses and transfers of resources to provide services, construct assets and service debt. Such transactions are generally reflected as transfers or direct expenses of the fund that is ultimately charged for such costs.

***Statement of Cash Flows*:** The City utilizes the direct method of reporting cash flows from operating activities in the Statement of Cash Flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investing activities.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

F. ***Accounting Pronouncements***

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The City has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions and transfers of operations. The City has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* were issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The City has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government–wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this $812.0 million difference are as follows:

		(Amounts in 000's)
Bonds and notes payable	$	(667,644)
Other payable		(28,000)
Interest rate swap		(145)
Unamortized bond premium/discount		(25,184)
Accrued interest payable		(4,531)
Capital leases payable		(15,262)
Claims and adjustments		(3,819)
Loss on refunding		7,283
Compensated absences		(74,726)
Net adjustments to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(812,028)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this $110.9 million difference are as follows:

		(Amounts in 000's)
Capital outlay	$	119,209
Contributed Capital		45,037
Depreciation expense		(53,263)
Capital asset disposal		(127)
Net adjustment to increase *net changes in fund balances* **-** *total governmental funds to arrive at changes in net position of governmental activities*	$	110,856

Another element of that reconciliation states that revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements. The details of this difference are as follows:

		(Amounts in 000's)
Reversal of prior year deferred inflows of resources	$	(80,940)
Current year deferred inflows of resources		84,761
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	3,821

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences, including accrued interest and in the treatment of long-term debt is $51.1 million which is detailed as follows:

		(Amounts in 000's)
Debt issued or incurred:		
Issuance of general obligation bonds and other obligations	$	(125,963)
Accrued interest		1,760
Interest rate swap		309
Principal repayments:		
General obligation debt and other obligations		45,829
Payment on capital lease		3,923
Payment on loan		2,390
Refunding of general obligation bonds and other obligations		20,635
Net adjustment to decrease *net changes in fund balances - total* governmental funds to arrive at *changes in net position of governmental activities*	$	(51,117)

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this $5.9 million difference are as follows:

		(Amounts in 000's)
Compensated absences	$	5,542
Claims judgements		325
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	5,867

NOTE 4 – POOLED AND SEGREGATED CASH AND INVESTMENTS

Monies for the Debt Service Funds, certain Capital Project Funds, certain Agency Funds, Department of Port Control, Division of Water, Division of Water Pollution Control, Division of Cleveland Public Power, Division of Municipal Parking Lots, Cemeteries, Golf Courses, Public Auditorium and certain Special Revenue Funds are deposited or invested in individual segregated bank accounts.

Monies of all other funds of the City, including the accounts of the General Fund, other Special Revenue Funds, other Capital Project Funds, other Enterprise Funds, Internal Service Funds and other fiduciary funds are maintained or invested in a common group of bank accounts. Collectively these common bank accounts and investments represent the Pooled Cash Account (PCA). Each fund whose monies are included in the PCA has equity therein.

Certain funds have made disbursements from the PCA in excess of their individual equities in the PCA. Such amounts have been classified as due to other funds and due from other funds between the Restricted Income Tax Special Revenue Fund and the respective funds that have made disbursements in excess of their individual equities in the PCA.

The City has restrictive arrangements for certain segregated monies held in the banks' trust departments in which the City must act in conjunction with a trust officer in order to make investments. The City's role is that of investment manager and the trust officer's role is that of purchasing agent. For other segregated monies, the City acts alone in placing investments with the banks. Amounts held in escrow are designated for a special purpose and are entrusted to a third party to fulfill certain legal provisions.

***Deposits*:** Ohio law requires that deposits be placed in eligible banks located in Ohio. The City's policy is to place deposits only with major commercial banks having offices within the City of Cleveland. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. Further, City ordinance requires such collateral amounts to exceed deposits by 10%. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio. The City also requires that non-pooled securities pledged be held by either the Federal Reserve Bank or other trust institution, as designated by the City, as trustee. This collateral is held in joint custody with the financial institution pledging the collateral and cannot be sold or released without written consent from the City.

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was $337,188,000 and the actual bank balance totaled $342,734,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $342,734,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the City's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110% of the carrying value of the deposits being secured.

***Investments*:** The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions as previously discussed in "Deposits" or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained. Generally, investments are recorded in segregated accounts by way of book entry through the bank's commercial or trust department and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

Investment securities are exposed to various risks such as interest rate, market and credit. Market values of securities fluctuate based on the magnitude of changing market conditions; therefore, significant changes in market conditions could materially affect portfolio value.

Interest rate risk: In accordance with its investment policy, the City limits its exposure to fair value losses caused by rising interest rates, investing primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy dealing with investment custodial risk beyond the requirement in the State statute.

Credit Risk: The City's investments as of December 31, 2014 include U.S. Agency Obligations, U.S. Treasury Notes, U.S. Treasury Bills, STAROhio, commercial paper, mutual funds, manuscript debt and other investments. The City maintains the highest ratings for its investments. The investments in U.S. Agencies carry a Fitch rating of AAA, the highest rating given by Fitch. Investments in the Dreyfus Government Cash Management Fund, First American Government Obligations Fund, Federated Government Obligations Fund, PNC Treasury Money Market Fund, Huntington Funds U.S. Treasury Money Market Fund and STAROhio carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+. The City has no investment policy that would further limit its investment choices.

The City's investments shown in the following table include those which are classified as cash equivalents in accordance with the provisions of GASB Statement No. 9:

Type of Investment	Fair Value	Cost	Investment Maturities: Less than One Year	Investment Maturities: 1 - 5 Years	Investment Maturities: 5 Years or More
	(Amounts in 000's)				
U.S. Agency Obligations	$ 19,993	$ 19,993	$	$ 19,993	$
U.S. Treasury Notes	20,066	20,000		20,066	
U.S. Treasury Bills	1,592	1,592	1,592		
STAROhio	316,965	316,965	316,965		
Commercial Paper	269,550	269,550	269,550		
Mutual Funds	329,817	329,817	329,817		
Manuscript Debt	6,058	6,058			6,058
Other	6,135	6,135	6,135		
Total Investments	970,176	970,110	924,059	40,059	6,058
Total Deposits	337,188	337,188	337,188		
Total Deposits and Investments	$ 1,307,364	$ 1,307,298	$ 1,261,247	$ 40,059	$ 6,058

STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. The fair value of the City's position in STAROhio is equal to the value of the shares the City owns in the investment pool. Investment type "Other" consist of deposits into collective cash escrow pools managed by either Bank of New York, Huntington or US Bank, as trustee.

Concentration of Credit Risk: The City places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. As of December 31, 2014, the investments in U. S. Agency Obligations, U.S. Treasury Notes, U.S. Treasury Bills, STAROhio, commercial paper, mutual funds, manuscript debt and other are approximately 2.0%, 2.1%, 0.2%, 32.7%, 27.8%, 34.0%, 0.6% and 0.6%, respectively, of the City's total investments.

***Reconciliation to Financial Statements*:** Total cash and investments are reported as follows:

Government-Wide Financial Statements

	(Amounts in 000's)
Unrestricted:	
Cash and cash equivalents	$ 825,516
Investments	15,574
Restricted:	
Cash and cash equivalents	437,512
Total	$ 1,278,602

Fund Financial Statements

		(Amounts in 000's)
Balance Sheet – Governmental Funds:		
Unrestricted:		
Cash and cash equivalents	$	375,597
Investments		1,522
		377,119
Statement of Net Position – Proprietary Funds:		
Enterprise Funds:		
Unrestricted:		
Cash and cash equivalents		424,956
Investments		14,052
Restricted:		
Cash and cash equivalents		437,512
Internal Service Funds:		
Unrestricted:		
Cash and cash equivalents		24,963
Subtotal		901,483
Statement of Fiduciary Assets and Liabilities:		
Unrestricted:		
Cash and cash equivalents		28,762
Total	$	1,307,364

NOTE 5 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in long-term debt and other long-term obligations of the City during the year ended December 31, 2014, are as follows:

	Balance January 1, 2014	Additions	(Reductions)	Balance December 31, 2014	Due Within One Year
		(Amounts in 000's)			
Governmental Long-Term Obligations and Notes					
General Obligation Bonds due through 2033	$ 282,550	$	$ (24,985)	$ 257,565	$ 24,820
Other Obligations:					
Urban Renewal Bonds due through 2018, 6.75%	3,670		(640)	3,030	685
Subordinated Income Tax Refunding Bonds due through 2024, 5.00% to 5.25%	46,915		(3,265)	43,650	3,430
Subordinate Lien Income Tax Bonds due through 2038, 1.00% to 6.34%	124,490	69,200	(5,355)	188,335	7,145
Non-Tax Revenue Bonds:					
Stadium due through 2020, 2.00% to 5.13%	9,445	7,745	(9,445)	7,745	610
Taxable Economic and Community Dev. (Core City Bonds) due through 2033, 0.60% to 5.40%	37,450	12,365	(13,415)	36,400	875
Lower Euclid Ave. TIF 2003A due through 2032, 2.00% to 4.00%	6,213		(155)	6,058	169
Annual Appropriation Bonds - Flats East Bank due through 2035, 5.75% to 6.00%	10,525		(245)	10,280	260
Certificates of Participation-Stadium due through 2028, 0.88% to 5.00%	117,670		(5,890)	111,780	6,185
State Infrastructure Bank Loan	1,559		(241)	1,318	248
West 150th Street Improvement Loan	1,046		(63)	983	63
Capital Lease Obligations, due through 2020, 1.39% to 3.22%	19,185		(3,923)	15,262	3,908
Gateway Note Payable, due through 2016	750		(250)	500	250
Cleveland Browns Stadium		30,000	(2,000)	28,000	2,000
Accrued wages and benefits	50,359	7,811	(10,911)	47,259	28,830
Police and fire overtime	43,250	454	(3,506)	40,198	610
Fire deferred vacation	2,786		(429)	2,357	281
Estimated claims payable	4,456	6,547	(3,614)	7,389	7,389
	762,319	134,122	(88,332)	808,109	87,758
Unamortized (discount)/premium - net	22,006	6,653	(3,475)	25,184	
Total Governmental Activities, Net	$ 784,325	$ 140,775	$ (91,807)	$ 833,293	$ 87,758

(Continued)

	Balance January 1, 2014	Additions	(Reductions)	Balance December 31, 2014	Due Within One Year
		(Amounts in 000's)			
Business-Type Activities (Enterprise Funds)					
Airport System Revenue Bonds:					
Series 2000C due through 2031, 4.00% to 5.00%	$ 149,000	$	$ (5,200)	$ 143,800	$ 5,400
Series 2006A-B due through 2024, 5.00% to 5.25%	113,715		(7,160)	106,555	7,625
Series 2007B due through 2027, 4.00% to 5.00%	9,095		(570)	8,525	600
Series 2008D due through 2024, Variable Rate	5,975			5,975	
Series 2009A-B due through 2027, Variable Rate	34,605		(34,605)	-	
Series 2009C-D due through 2027, 0.03% to 5.00%	170,600		(10,590)	160,010	11,165
Series 2011A due through 2024, 3.00% to 5.00%	71,505		(7,320)	64,185	6,995
Series 2012A due through 2031, 5.00%	235,150			235,150	
Series 2013A due through 2033, Variable Rate	58,000			58,000	
Series 2014A&B due through 2027, Variable Rate		33,325		33,325	1,370
	847,645	33,325	(65,445)	815,525	33,155
Public Power System Revenue Bonds:					
Series 2006 due through 2024, 5.00%	107,560		(56,260)	51,300	1,580
Series 2008 due through 2038, 4.00% to 5.40%	91,863		(5,185)	86,678	
Series 2008 Accreted Interest Payable	9,686	2,021		11,707	
Series 2010 due through 2017, 5.00%	23,470		(8,560)	14,910	5,920
Series 2012 due through 2016, 2.00%	9,510		(9,510)	-	
Series 2014 due through 2038, 5.50%		76,885		76,885	
	242,089	78,906	(79,515)	241,480	7,500
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	66,550		(330)	66,220	345
Series N 2005 due through 2023, 3.50% to 5.00%	22,735		(870)	21,865	905
Series O 2007 due through 2037, 4.25% to 5.00%	130,610		(2,950)	127,660	3,080
Series P 2007 due through 2028, 4.50% to 5.00%	113,280		(9,290)	103,990	9,755
Series Q 2008 due through 2033, Variable Rate	90,800			90,800	
Series T 2009 due through 2021, 2.50% to 5.00%	65,150		(8,130)	57,020	8,335
Series U 2010 due through 2033, Variable Rate	54,935			54,935	
Series V 2010 due through 2033, Variable Rate	26,495			26,495	
Series W 2011 due through 2026, 2.00% to 5.00%	62,760		(18,340)	44,420	18,780
Series X 2012 due through 2042, 3.63% to 5.00%	44,410			44,410	
Series A Second Lien 2012 due through 2027, 4.00% to 5.00%	76,710			76,710	
	754,435	-	(39,910)	714,525	41,200
Ohio Water Development Authority and Public Works					
Commission Loans due through 2033, 0.00% to 4.18%	114,372		(7,557)	106,815	7,752
Parking Facilities Refunding Revenue Bonds:					
Series 2006 due through 2022, 4.00% to 5.25%	29,105		(2,645)	26,460	2,770
Public Power System Other (See Note 8)	3,747		(43)	3,704	249
Deferred Payment Obligation	280		(280)	-	
Accrued wages and benefits	10,100	1,011	(966)	10,145	7,348
Estimated claims payable	1,003	476	(632)	847	847
	2,002,776	113,718	(196,993)	1,919,501	100,821
Unamortized (discount)/premium - net	68,321		(8,864)	59,457	
Total Business-Type Activities, Net	$ 2,071,097	$ 113,718	$ (205,857)	$ 1,978,958	$ 100,821
Total Debt and Other Long-Term Obligations	$ 2,855,422	$ 254,493	$ (297,664)	$ 2,812,251	$ 188,579

Internal Service Funds predominantly serve the governmental funds, except the Utilities Administration Fund, which serves only business-type activity funds. Long-term liabilities for all Internal Service Funds, except the Utilities Administration Fund, are included as part of the totals for governmental activities in the government-wide statement of net position. At December 31, 2014, $1,169,731 of the Internal Service Funds, except for Utilities Administration Fund, compensated absences were included in the governmental activities accrued wages and benefits. Long-term liabilities for the Utilities Administration Fund are included as part of the totals for business-type activities in the government-wide statements. At December 31, 2014, $563,845 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

The Subordinated Income Tax Refunding Bonds were issued to fund the City's obligation for the employer's accrued liability to the Police and Firemen's Disability and Pension Fund of the State of Ohio. All other bonds were issued to fund capital related activities.

The accrued wages and benefits liability will be paid from the fund from which the employees' salaries are paid. The estimated claims payable liability will be paid from the fund that incurred the liability or from Judgment Bond proceeds.

A detailed summary of principal due for General Obligation Bonds and business-type activities debt by purpose is as follows for 2014:

	Original Issue Amount	Balance January 1, 2014	Additions (Amounts in 000's)	(Reductions)	Balance December 31, 2014
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	$ 68,130	$ 47,075	$	$ (3,365)	$ 43,710
Convention Center	1,010	890		(40)	850
Residential Redevelopment	13,985	8,395		(620)	7,775
Bridges and Roadways	107,695	64,790		(5,470)	59,320
Parks & Recreation	38,820	25,680		(1,705)	23,975
Refunding Bonds	201,045	119,945		(13,280)	106,665
Revitalization	6,020	5,115		(175)	4,940
Judgments/Settlements	12,140	10,660		(330)	10,330
Total Governmental Activities	$ 448,845	$ 282,550	$ -	$ (24,985)	$ 257,565
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	$ 946,855	$ 847,645	$ 33,325	$ (65,445)	$ 815,525
Public Power	317,398	232,403	76,885	(79,515)	229,773
Waterworks	1,031,695	754,435		(39,910)	714,525
Parking Facilities	57,520	29,105		(2,645)	26,460
Loans					
Waterworks	153,828	112,559		(7,012)	105,547
Water Pollution Control	8,378	1,813		(545)	1,268
Total Business-Type Activities	$ 2,515,674	$ 1,977,960	$ 110,210	$ (195,072)	$ 1,893,098

The following is a summary of the City's future debt service requirements as of December 31, 2014:

Governmental Activities

(Amounts in 000's)

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Urban Renewal Bonds Principal	Urban Renewal Bonds Interest	Subordinated Income Tax Bonds Principal	Subordinated Income Tax Bonds Interest
2015	$ 24,820	$ 12,378	$ 685	$ 181	$ 10,575	$ 10,432
2016	24,355	11,261	730	134	11,825	10,076
2017	24,170	10,058	780	83	12,230	9,654
2018	23,200	8,925	835	28	12,680	9,172
2019	21,845	7,833			13,200	8,632
2020-2024	81,495	25,218			73,245	33,839
2025-2029	49,310	8,931			60,365	18,009
2030-2034	8,370	749			26,845	5,463
2035-2039					11,020	1,178
	$ 257,565	$ 85,353	$ 3,030	$ 426	$ 231,985	$ 106,455

(Amounts in 000's)

Year Ending December 31	Non-Tax Revenue Bonds Principal	Non-Tax Revenue Bonds Interest	City Annual Appropriation Bonds Principal	City Annual Appropriation Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest
2015	$ 1,654	$ 1,829	$ 260	$ 612	$ 6,185	$ 4,103
2016	3,501	1,709	275	597	6,495	3,793
2017	3,623	1,621	290	582	6,800	3,487
2018	3,734	1,531	310	565	7,140	3,147
2019	3,893	1,408	325	547	7,445	2,841
2020-2024	15,071	5,128	1,940	2,426	41,425	9,381
2025-2029	8,374	2,974	2,590	1,772	36,290	2,695
2030-2034	10,353	1,058	3,465	895		
2035-2039			825	50		
	$ 50,203	$ 17,258	$ 10,280	$ 8,046	$ 111,780	$ 29,447

(Amounts in 000's)

Year Ending December 31	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Note/Loans Payable Principal	Note/Loans Payable Interest	Governmental Activities Total Principal	Governmental Activities Total Interest
2015	$ 3,908	$ 247	$ 561	$ 46	$ 48,648	$ 29,828
2016	4,010	162	569	38	51,760	27,770
2017	2,981	93	327	30	51,201	25,608
2018	2,489	44	335	22	50,723	23,434
2019	1,386	16	343	14	48,437	21,291
2020-2024	488	2	317		213,981	75,994
2025-2029			317		157,246	34,381
2030-2034			32		49,065	8,165
2035-2039					11,845	1,228
	$ 15,262	$ 564	$ 2,801	$ 150	$ 682,906	$ 247,699

Year Ending December 31	Business-Type Activities: Revenue Bonds / Notes Principal	Revenue Bonds / Notes Interest	Construction Loans Principal	Construction Loans Interest
	(Amounts in 000's)			
2015	$ 84,625	$ 83,463	$ 7,752	$ 3,268
2016	86,635	79,221	7,951	3,016
2017	95,050	74,698	7,886	2,759
2018	93,045	70,127	7,982	2,507
2019	97,080	65,536	8,239	2,250
2020-2024	499,595	254,279	42,740	7,214
2025-2029	463,575	161,652	22,494	1,501
2030-2034	274,453	70,537	2,832	69
2035-2039	83,055	32,796		
2040-2044	9,170	703		
	$ 1,786,283	$ 893,012	$ 107,876	$ 22,584

Year Ending December 31	Business-Type Activities Total Principal	Business-Type Activities Total Interest
	(Amounts in 000's)	
2015	$ 92,377	$ 86,731
2016	94,586	82,237
2017	102,936	77,457
2018	101,027	72,634
2019	105,319	67,786
2020-2024	542,335	261,493
2025-2029	486,069	163,153
2030-2034	277,285	70,606
2035-2039	83,055	32,796
2040-2044	9,170	703
	$ 1,894,159	$ 915,596

The schedule of minimum principal and interest payments for construction loans includes the amortization on sixteen loans provided to the Division of Water and the Division of Water Pollution Control by the Ohio Water Development Authority (OWDA) and two loans to the Division of Water Pollution Control by the Ohio Public Works Commission (OPWC). This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water and the Division of Water Pollution Control have received all the loan proceeds. Therefore, at December 31, 2014, the amount financed on these OWDA loan projects, which is reflected in the amortization schedule, less the principal payments made to date, exceeds the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by $1,061,000.

General Obligation Bonds

***General Obligation Bonds*:** General Obligation Bonds are backed by the full faith and credit of the City. Such bonds are payable from ad valorem property taxes levied within the limitations provided by law, irrespective of whether such bonds are secured by other receipts of the City in addition to such ad valorem property taxes.

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue $269,497,372 of additional unvoted debt at December 31, 2014.

Other Governmental Obligations

***Urban Renewal Bonds*:** In 1993, the City issued $10,800,000 of Urban Renewal Bonds (Rock and Roll Hall of Fame and Museum Project) for the purpose of paying a portion of the costs of the acquisition and construction of a "port authority educational and cultural facility" to conduct programs of an educational and instructional nature relating to the field of contemporary music, including rock and roll music, which constitutes the Rock and Roll Hall of Fame and Museum (the Facility). The net proceeds were contributed to the Cleveland-Cuyahoga County Port Authority which owns and leases the Facility to Rock and Roll Hall of Fame and Museum, Inc., an Ohio non-profit corporation. The Facility opened in September 1995. The Urban Renewal Bonds are not general obligations of the City and are not secured by the full faith and credit of the City nor are they payable from the general revenues or assets of the City. The Urban Renewal Bonds are secured solely by pledged receipts, consisting of payments to be made in lieu of real property taxes pursuant to development agreements between the City and certain property owners and interest income on those payments.

***Subordinated Income Tax Variable Rate Refunding Bonds*:** Effective June 1, 1994, the City issued $74,700,000 of Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The proceeds were used to fund the City's obligation for the employer's accrued liability to the Ohio Police and Fire Pension Fund (the Fund). The principal use of the proceeds was the current refunding of the City's obligation to the Fund for the employer's accrued liability in the amount of $104,686,400, which was payable in semi-annual installments of $2,696,243 through May 15, 2035. Pursuant to Section 742.30 (C) of the Ohio Revised Code, the City and the Fund entered into an agreement that permitted the City to make a one-time payment to the Fund to extinguish the City's obligation. The payment amount of $70,493,204 was calculated by applying a 35% discount factor to the $104,686,400 accrued liability plus adding accrued interest of $2,447,044.

Effective August 6, 2008, the City issued $59,960,000 Subordinate Lien Unrestricted Income Tax Bonds, Series 2008 (Police and Fire Pension Payment) to refund all the outstanding Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The interest rate swap related to the Series 1994 Bonds was terminated by the City on July 28, 2008 and the termination payment of $4,325,000 owed to Ambac Financial Services, LLC, the swap counterparty, was paid from the proceeds of the Series 2008 Bonds. The City refunded the Series 1994 Bonds in order to address the increased interest rates incurred on the Bonds as a result of the downgrade of the bond insurer. The Bonds are not general obligations of the City and are not secured by its full faith and credit. The Series 2008 Bonds are unvoted special obligations secured by a pledge of and a lien on the unrestricted municipal income taxes of the City, to the extent that such income taxes are not needed to pay debt service on the City's currently outstanding unvoted General Obligation Bonds or unvoted General Obligation Bonds issued in the future.

Interest Rate Swap Transaction:

<u>*Terms:*</u> On February 7, 2003, the City sold an option to JPMorgan Chase Bank (JPM) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City's Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The swaption is now associated with the Series 2008 Bonds. Under the swap agreement, the City will be the fixed rate receiver, receiving the fixed rate of 4.88%, and JPM will be the floating rate receiver, receiving interest on what would have been the outstanding notional amount of the original 1994 Bonds of $42,100,000 at December 31, 2014, at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) index. If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the "General Bond Ordinance" securing the City's General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the Subordinate Lien Unrestricted Income Tax Bonds, Series 2008, and the periodic floating rate payments under the swap agreement.

Objective: The City entered into the swaption in order to potentially capture in the future the savings which could be derived from converting these bonds back to a variable rate if or when the option is exercised. In exchange for selling the option to JPM, the City received a premium payment of $1,700,000.

Basis Risk: There is no basis risk for the City associated with this transaction with the exception of the risk inherent in all variable rate debt. If the option is exercised, the City will receive a fixed rate of 4.88% which is approximately 29 basis points less than the fixed rate being paid on the Series 2008 Bonds. This transaction would leave the City paying the weekly SIFMA rate plus 29 basis points.

Counterparty Risk: The City selected JPM as a counterparty partly due to its credit strength. Over the long-term, it is possible that the credit strength of JPM could change and this event could trigger a termination payment on the part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to JPM, or by JPM to the City, depending upon the prevailing economic circumstances at the time of the termination.

Fair Value: The fair value of the swaption at December 31, 2014 as reported by JPM was $145,000 which would be payable by the City.

Subordinate Lien Income Tax Bonds**:** On February 11, 2014, the City issued $31,460,000 Subordinate Lien Income Tax Bonds, Series 2014A. The proceeds of these bonds will be used to pay the costs of various public improvements including public facility improvements, cemetery improvements and parks and recreation facility improvements and to pay the costs of issuing the bonds.

Effective June 11, 2014, the City issued $37,740,000 Subordinate Lien Income Tax Bonds, Series 2014B, as part of the annual Capital Improvement Program. The proceeds of these bonds will be used to pay the costs of various public improvements to public facilities, bridges and roadways and parks and recreation facilities along with the costs of issuing the bonds.

These bonds are special obligations of the City and are not general obligation debt and are not secured by a pledge of the full faith and credit of the City. The bonds are payable from the City's municipal income tax revenues to the extent those revenues are not needed to pay debt service charges on the City's unvoted general obligation debt or unvoted general obligation debt issued in the future. It is the City's intention to continue paying the debt service on the Subordinate Lien Income Tax Bonds from the Restricted Income Tax collections to the extent that funds are available from that portion of income tax receipts. The portion of the debt service not covered by the Restricted Income Tax will be paid from the unrestricted General Fund portion of income tax receipts.

Non-Tax Revenue Bonds – Stadium**:** On September 4, 2014, the City issued $7,745,000 Non-Tax Revenue Refunding Bonds, Series 2014 for the Cleveland Stadium Project. These bonds refunded $8,275,000 of the outstanding 2004 Non-Tax Revenue Refunding Bonds (Cleveland Stadium Project). Net proceeds of the Series 2014 Bonds in the amount of $8,478,644 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on December 1, 2014. As a result, the refunded bonds were defeased and the liability for the Series 2004 Bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of $854,000 and an economic gain (the difference between the present values of the old and new debt service) of $842,000 or 10.2%. These bonds do not represent a general obligation debt or pledge of the full faith and credit or taxing power of the City, and are payable solely from non-tax revenues of the City.

Non-Tax Revenue Bonds – Economic Development Bonds Series 2003A and Series 2003B (Lower Euclid Avenue Project): In November 2003, the City issued $7,200,000 Economic Development Revenue Bonds, Series 2003A and $1,000,000 Economic Development Revenue Bonds, Series 2003B-1 for the Lower Euclid Avenue Project. In November 2004, the final $1,000,000 Economic Development Revenue Bonds, Series 2003B-2 were issued. The proceeds of these bonds were made available to the owners of certain properties on Euclid Avenue for the construction and renovation of commercial restaurant and retail facilities and the construction of a parking garage. These Tax Increment Financing (TIF) Bonds are secured by a pledge of (a) service payments in lieu of taxes received by the City from the owners of certain properties located within a tax increment financing district, (b) loan payments payable to the City and (c) by a pledge of certain non-tax revenues of the City, subject to the prior pledge by the City of such non-tax revenues to secure other obligations of the City. Only the Series 2003A Bonds remain outstanding.

Non-Tax Revenue Bonds – Taxable Economic and Community Development Revenue Bonds (Core City): On September 4, 2014, the City issued $12,365,000 Taxable Economic and Community Development Refunding Revenue Bonds, Series 2014 (Core City Fund). The City issued these bonds in order to refund $11,845,000 of the outstanding Taxable Economic and Community Development Bonds, Series 2004. Net proceeds of the Series 2014 Bonds in the amount of $12,156,019 were deposited into an irrevocable escrow account to pay the principal and interest on the refunded bonds on December 1, 2014. As a result, the refunded bonds were defeased and the liability for the Series 2004 Core City Bonds has been removed from long-term debt. This refunding resulted in $1,248,000 of debt service savings and $1,219,000 of net present value debt service savings or 10.3%. The Series 2014 Bonds were issued as fixed rate securities and are special obligations of the City, payable from non-tax revenues and net project revenues.

Effective July 24, 2008, the City issued $28,160,000 Taxable Economic and Community Development Refunding Revenue Bonds, Series 2008 (Core City Fund). The proceeds of these bonds were used to refund the outstanding $26,900,000 Series 2003 Taxable Economic and Community Development Revenue Bonds, to fund a bond reserve fund and to pay the costs of issuing the bonds. The Series 2003 Bonds were refunded in order to address increased interest rates incurred on the bonds due to the collapse of the auction rate securities market. The Series 2008 Bonds, which were special obligations of the City, were issued as variable rate demand obligations secured by a letter of credit provided by Citizens Bank. Upon the expiration of the letter of credit in 2011, the City obtained a new letter of credit for the Series 2008 Bonds from PNC Bank. At the expiration of the PNC Bank letter of credit, the City elected to refund the outstanding $25,360,000 Series 2008 Bonds with $25,360,000 Taxable Economic and Community Development Bonds, Series 2013A, effective May 30, 2013. The bonds remain variable rate bonds and were privately placed with KeyBank National Association for a period of five years. As a result of this refunding, it is estimated that the City will achieve net present value debt service savings of $1,178,000 or 4.65% and total debt service savings of $1,464,000. The Bonds are payable from the City's non-tax revenues and net project revenues.

Annual Appropriation Bonds – Flats East Bank: On December 21, 2010, the City issued $11,000,000 City Annual Appropriation Bonds through the Cleveland-Cuyahoga County Port Authority. The proceeds of the bonds were used to provide funds for land purchase and public improvements in the area of the Flats East Development Project. The bonds are special obligations of the Port Authority payable from appropriation payments made by the City under a cooperative agreement. The City's obligation to make payments is subject to and dependent upon annual appropriations being made by the City. The City intends to make these debt service payments from the Restricted Income Tax collections.

***Certificates of Participation (COPS) - Stadium*:** In June 1997, Certificates of Participation (COPS) in the amount of $139,345,000 were issued to assist in the construction of an open-air stadium for the play of professional football and other events. In October 1999, COPS in the amount of $20,545,000 were issued to retire then outstanding Non-Tax Revenue Bond Anticipation Notes. The City will make lease payments subject to annual appropriation by City Council and certification by the Director of Finance as to the availability of funds from those appropriations. These obligations do not constitute a debt or pledge of the full faith and credit of the City.

Effective October 11, 2007, the City issued $108,390,000 Refunding COPS, Series 2007, to currently refund $105,800,000 of the outstanding COPS, Series 1997. These were issued as auction rate securities and a swap associated with this transaction went into effect on November 15, 2007.

Due to the downgrade of the bond insurers beginning in late 2007 and the collapse of the auction rate securities market, the COPS, Series 2007 experienced failed auctions and interest rates as high as 12% in early 2008. To address these issues, the City converted all of the outstanding $108,390,000 COPS, Series 2007 Auction Rate Certificates to Weekly Rate Certificates effective May 29, 2008. The payment of principal and interest was secured by a direct-pay letter of credit provided by Wachovia Bank, National Association.

Effective April 22, 2010, the City issued $63,225,000 COPS, Series 2010A and $69,900,000 COPS, Series 2010B to refund all of the outstanding $108,390,000 COPS, Series 2007, upon the expiration of the Wachovia letter of credit. Proceeds of the COPS, Series 2010, were used to currently refund the COPS, Series 2007, on the day of closing, to fund a required debt service reserve fund deposit in the amount of $8,324,045, to make a termination payment on the existing hedge agreement with UBS in the amount of $17,322,000 and to pay costs of issuing the COPS. This refunding was undertaken (1) to remove Ambac as the bond and swap insurer and eliminate the risk of early termination of the hedge agreement due to Ambac's possible insolvency, (2) to obtain lower credit enhancement costs and (3) to restructure debt service payments. The COPS, Series 2010A, were issued as fixed rate obligations. The COPS, Series 2010B, were purchased by Wells Fargo Bank, National Association, as floating rate obligations for a period of three years, the interest on which is reset weekly based on the SIFMA index plus a spread. As a result of this refunding, the City achieved an economic gain (the difference between the present values of the old and new debt service) of approximately $3,461,000 or 3.19%.

Effective March 21, 2013, the City completed a conversion and remarketing of the COPS, Series 2010B. This was done in order to change the index rate being charged on the bonds as well as to extend the interest rate period until March 2018. The COPS, Series 2010B were again purchased by Wells Fargo Bank, National Association.

***Capital Lease Arrangements*:** The City has entered into various agreements to lease equipment. Such agreements are treated as lease purchases (Capital Leases) and are classified as long-term lease obligations in the financial statements. The lease contracts contain annual one-year renewal options that can be exercised by the City if sufficient funds are appropriated by City Council. Upon the exercise of each annual one-year renewal option and satisfaction of the lease obligations related thereto, title to the equipment will pass to the City.

In February 2010, the City entered into an equipment lease agreement with The Fifth Third Leasing Company which resulted in the City purchasing approximately $6,690,000 of heavy duty vehicles and apparatus. On June 30, 2011, the City entered into an equipment lease agreement with PNC Equipment Finance LLC. This enabled the City to purchase approximately $6,585,000 of vehicles and equipment for various departments, including police cars, a fire truck, waste collection equipment and EMS ambulances. On June 5, 2012, the City entered into a second vehicle lease agreement with PNC Equipment Finance LLC in the amount of $6,507,400. The funds were used to purchase a variety of vehicles including police cars, EMS ambulances and waste collection equipment. Effective June 20, 2013, the City entered into a $6,535,000 vehicle lease agreement with Huntington Public Capital Corporation. The funds will again be used to purchase a variety of vehicles including police cars, EMS ambulances and waste collection equipment. Payments on all of these equipment leases are made over a period of seven years from issuance from the Restricted Income Tax Fund.

The assets recorded by the City under Capital Leases were as follows as of December 31, 2014:

	Governmental Activities (Amounts in 000's)
Furniture, fixtures and equipment	$ 46,765
Less – accumulated depreciation	(21,419)
Net book value	$ 25,346

***Gateway Note Payable*:** In October 1996, the City and Cuyahoga County each agreed to pay $5,000,000 for additional costs associated with the Gateway Sports Complex. The amounts are to be repaid in annual installments of $250,000 for 20 years. The monies are deducted from the monthly distribution of the State Local Government Fund which is recorded in the City's General Fund. The first deduction was made in March 1997.

State Infrastructure Bank Loan: The Ohio Department of Transportation provided the City with a 3% loan for the construction of the Fulton Road Bridge. The amount of the loan is $2,100,000. The loan is payable over 10 years to the Ohio Treasurer of State on a bi-annual basis.

West 150th Street Improvement Loan: The Ohio Public Works Commission (OPWC) approved a loan to the City to finance a portion of the West 150th Street Improvement project. OPWC committed up to $1,949,332 at a 0% interest rate for 20 years. The City and the City of Brook Park have an agreement to share the debt service requirements of the OPWC loan. The City of Brook Park will pay 100% of the annual debt service requirements and the City will reimburse the City of Brook Park 65% of the annual debt service requirement.

Cleveland Browns Stadium Obligation: Pursuant to an agreement entered into in 2014 between the City and Cleveland Browns Stadium Company LLC (Browns), the City has agreed to pay the Browns $2,000,000 per year on or before June 1 for fifteen years. This period of time coincides with the years remaining on the lease. These payments are to offset the Capital Improvements made by the Browns. The Browns may use this annual payment as they deem appropriate, including for operations and maintenance expenses. This payment is subject to annual appropriation by the City.

***Accrued Wages and Benefits*:** Accrued wages and benefits, included in long-term obligations, consist of the non-current portion of vacation and sick pay benefits earned by employees of the City. The City accrues vacation and sick pay benefits when earned and future compensation is likely.

Police and Fire Overtime and Deferred Vacation Pay: Uniformed employees of the Police and Fire Divisions accumulate overtime compensation in accordance with the union contracts and the requirements of the Fair Labor Standards Act. In addition, uniformed employees may defer earned vacation time, with the appropriate approvals, until retirement. The liabilities for overtime and deferred vacation time, at current pay rates including their related fringe benefits and converted to straight time hours, at December 31, 2014, follow:

	Overtime		Deferred Vacation	
Division	**Hours**	**Dollars**	**Hours**	**Dollars**
		(Amounts in 000's)		
Police	1,133	$ 35,344		$
Fire	162	4,854	79	2,357
Total	1,295	$ 40,198	79	$ 2,357

Business-Type (Enterprise Fund) Obligations

***Airport System Revenue Bonds*:** These bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture. Further, the City has assigned to the trustee all its interests in and rights to the airline use agreements under the revenue bond indenture.

The City issued $24,255,000 Airport System Revenue Bonds, Series 2014A (AMT) and $9,070,000 Airport System Revenue Bonds, Series 2014B (Taxable) effective February 12, 2014. The bonds were issued to refund the outstanding $24,255,000 Series 2009A Airport System Revenue Bonds and the $9,070,000 Series 2009B Airport System Revenue Bonds upon the expiration of the existing letter of credit. The bonds were directly purchased by U.S. Bank National Association as variable rate bonds with the City paying the SIFMA index rate plus a spread on the 2014A Bonds and paying an amount equal to the one month LIBOR rate plus a spread on the 2014B Bonds. As a result of this refunding, the refunded bonds were defeased and the liability for the 2009A and 2009B Bonds has been removed from long-term debt. The City expects to achieve an economic gain (the difference between the present values of the old and new debt service payments) of approximately $4.8 million or 19.6% on the Series 2014A Bonds and approximately $591,000 or 6.5% on the Series 2014B Bonds. The debt service savings from the refundings are estimated to be $5.5 million or 22.6% on the Series 2014A Bonds and $635,000 or 7.0% on the Series 2014B Bonds.

Effective April 24, 2013, the City issued $58,000,000 Airport System Revenue Bonds, Series 2013A. Proceeds of the bonds were used to refund the outstanding $58,000,000 Airport System Revenue Bonds, Series 2008F, upon the expiration of the existing letter of credit. The bonds were directly purchased by U.S. Bank National Association as variable rate bonds with the City paying on a monthly basis an amount equal to one month LIBOR plus a spread. As a result of this refunding, the refunded bonds were defeased and the liability for the 2008F Bonds has been removed from long-term debt. The City expects to achieve an economic gain (the difference between the present values of the old and new debt service payments) of approximately $2.7 million or 4.61% and debt service savings from the refundings of approximately $3.4 million or 5.87%.

***Public Power System Revenue Bonds*:** These bonds are payable from the net revenues derived from the Public Power System and are secured by a pledge of and lien on such net revenues.

Effective October 30, 2014, the City issued $76,885,000 Public Power System Taxable Revenue Refunding Bonds, Series 2014. These bonds were issued to refund $68,745,000 of outstanding Public Power System Bonds for the purpose of restructuring the Division's debt in order to level out the annual principal and interest payments over the life of Division's bonds. The 2014 Bonds refunded $49,980,000 of outstanding Series 2006A-1 Bonds, $6,280,000 of Series 2006A-2 Bonds, $2,065,000 of Series 2008A Bonds, $2,145,000 of Series 2008B-1 Bonds, $415,000 of Series 2010 Bonds and $7,860,000 of Series 2012 Bonds. Net proceeds of $75,755,473 were placed in an irrevocable trust account to pay the principal and interest on the refunded bonds as it comes due. Consequently, the refunded bonds were defeased and the liability for these bonds has been removed from long-term debt. As a result of this restructuring, the Division will pay approximately $4 million less in annual debt service payments through 2024, with yearly debt service payments of approximately $18 million from 2014 through 2038.

***Waterworks Improvement Revenue Bonds*:** These bonds are payable from the revenues derived from operation of the Waterworks System after the payment of all operating and maintenance expenses (net revenue) and from monies and investments on deposit in the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Contingency Fund and the Additions and Improvements Fund.

Upon the mandatory tender by the direct purchasers of the Water Revenue Bonds, Series U, 2010 and the Water Revenue Bonds, Series V, 2010, the City entered into new direct purchase agreements on both series of bonds. Effective November 1, 2013, the $54,935,000 Water Series U Bonds were directly purchased by PNC Bank, National Association and subsequently, on December 2, 2013, the $26,495,000 Water Series V Bonds were also directly purchased by PNC Bank. The City will be paying an interest rate equal to 65.001% of one month LIBOR plus a spread for the next three years.

In conjunction with the issuance of the Water Revenue Bonds, Second Lien Series A 2012, the City established a Subordinate Bonds indenture for the Division of Water. Bonds issued under this indenture are special obligations of the City payable solely from and secured solely by a pledge of and lien on the Subordinate Pledged Revenues and the Subordinate Pledged funds. The Subordinate Pledged Revenues generally consist of the net revenues of the Division which remain after the payment of all operating expenses and the deposit of all funds required to be made on behalf of the Senior Lien bonds. Bonds issued under this indenture are subordinate to those issued as senior lien bonds under the Division of Water's Amended and Restated Indenture.

Interest Rate Swap Transactions:

Series Q, Series U and Series V Bonds (previously Series Q, Series R and Series S Bonds):

When the Water Series R and Series S Bonds were refunded in 2010, the swap associated with these bonds was transferred to a portion of the new Series U and Series V Bonds. The portion of the swap associated with Series Q remained unchanged.

<u>Terms:</u> Simultaneously with the issuance of the City's $175,000,000 Water Revenue Bonds, Series M on August 10, 2004, the City entered into floating to fixed rate swap agreements with notional amounts equal to the total declining balance of the Series M Bonds. Bear Stearns Financial Products Inc. (Bear Stearns) (which has since been acquired by JPMorgan Chase Bank, N.A. (JPM)) was the counterparty on a two-thirds pro-rata share of the transaction and Morgan Stanley Capital Services Inc. (Morgan Stanley) was the counterparty on a one-third pro-rata share of the transaction. Under the original swap agreements for the Series M Bonds, the Water System was the fixed rate payor, paying a fixed rate of 3.533%. Each counterparty was a floating rate payor, with each paying the Water System 61.25% of one month LIBOR plus a spread of 28 basis points. Net payments were exchanged semiannually on January 1 and July 1. The obligation of the Water System to make periodic payments (but not any

termination payment) was secured by a pledge of and lien on the net revenues of the Water System on a parity with the pledge and lien securing the payment of debt service on the bonds. Both the bond debt service payments on the Series M Bonds and the periodic swap payments were insured by Financial Security Assurance (FSA).

As part of the refunding of the Series M Bonds, the City amended and restated the original swap agreements to (a) eliminate the swap insurance and related insurer rights, (b) modify the payment frequency, (c) transfer the original swap agreement from Bear Stearns to JPM and (d) split each original swap agreement into two separate interest rate swaps in order to hedge separate series of bonds. The original Bear Stearns swap which has been assumed by JPM hedged the entire principal amount of Series R and certain maturities of the Series Q Bonds.

The original Morgan Stanley swap hedged the entire principal amount of Series S and a portion of the Series Q Bonds. The floating rate received by the City was not altered. However, the fixed rate paid by the City was adjusted to 3.553% for the JPM swap and 3.5975% for the Morgan Stanley swap. The termination date for the swaps associated with Series Q is January 1, 2021 while the termination date for the Series R and Series S swaps is January 1, 2033. Net payments are now exchanged monthly. With the refunding of the Series R and Series S Bonds, the JPM swap now hedges all but $200,000 of the Series U Bonds and the Morgan Stanley swap hedges all but $200,000 of the Series V Bonds.

Objective: The City entered into the swaps in order to maximize the savings associated with the refunding of the bonds. The actual savings to be realized by Water System will depend upon the payments made on the variable rate bonds and the payments received under the swap agreement.

Basis Risk: By entering into swaps based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. If the payments received from the counterparties are less than the amount paid on the variable rate bonds, the Water System must make up the difference in addition to paying the fixed rate resulting from the swap. As a result of the turmoil in the financial markets beginning in 2008, the SIFMA/LIBOR ratio has been significantly higher and significantly lower than 67% for periods of time. In addition, a reduction in federal income tax rates might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of financing.

Counterparty Risk: The City selected highly rated counterparties in order to minimize this risk. However, in the wake of the sub-prime mortgage crisis, Bear Stearns was acquired by JPM. The portion of the City's swap with Bear Stearns as the counterparty has been assumed by JPM. Over the long-term it is possible that the credit strength of JPM and/or Morgan Stanley could change and this event could trigger a termination payment on part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to JPM and Morgan Stanley or by JPM and Morgan Stanley to the City, depending upon the prevailing economic circumstances at the time of the termination.

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2014 as reported by JPM and Morgan Stanley totaled $19,455,000 which would be payable by the City.

***Ohio Water Development Authority and Ohio Public Works Commission Loans*:** These loans are payable from net revenues derived from the Waterworks and Water Pollution Control Systems. These obligations do not have a lien on revenues of the Divisions. In 2013, Water expended an additional $9,747,250 out of an anticipated $10,954,516 for the Crown Waterworks Chemical Project and also expended $2,203,181 on a new Shaker Heights Water Main Replacement project.

***Parking Facilities Refunding Revenue Bonds*:** These bonds are payable from net revenues generated from certain parking facilities and other operating revenues of the Division of Parking Facilities, including parking meter revenue. In addition, the City has pledged other non-tax revenue to meet debt service requirements. The City has pledged and assigned to the trustee a first lien on pledged revenues consisting of fines and penalties collected as a result of the violation of municipal parking ordinances and fines, waivers and costs relating to citations for misdemeanor offenses and the special funds as defined within the bond indenture.

Effective October 6, 2011, the City completed the sale of the City-owned Gateway North Parking Garage to Rock Ohio Caesars Gateway LLC. The garage is now being used by the purchaser in conjunction with a casino constructed in the Higbee Building adjacent to the garage. The net proceeds of the sale of the garage received by the City totaled $20,915,504. Of this amount, $19,578,288 was placed into an irrevocable escrow fund, along with $1,967,425 released from the debt service reserve fund as a result of the transaction, to be used to pay the principal and interest as it comes due on $16,145,000 Parking Facilities Refunding Revenue Bonds, Series 2006. As a result, these bonds were considered to be defeased and the liability for the bonds has been removed from long-term debt. In addition, $480,000 of the sale proceeds was used to terminate the portion of an existing basis swap which was associated with the bonds being defeased. Sale proceeds were also utilized to pay costs of the transaction. As a result of this transaction, the City expects to save approximately $600,000 annually through 2022.

Effective August 15, 2006, the City issued $57,520,000 of Parking Facilities Refunding Revenue Bonds, Series 2006. The bonds were issued to currently refund $56,300,000 of the outstanding Parking Facilities Refunding Revenue Bonds, Series 1996. In addition, proceeds were also used to fund a portion of a payment owed by the City upon early termination under an interest rate swaption agreement entered into in 2003. At the time of the issuance of the Series 2006 Bonds, the City entered into a basis swap agreement with UBS which is described below.

On April 16, 2013, the City entered into a novation agreement with UBS, AG and PNC Bank, National Association (PNC) under which the basis swap was transferred from UBS to PNC effective March 15, 2013. All of the terms of the original basis swap remain the same. The City agreed to transfer the swap to PNC based upon UBS' mandate to downsize its swap portfolio.

Interest Rate Swap Transaction:

Terms: Simultaneously with the issuance of the City's $57,520,000 Parking Facilities Refunding Revenue Bonds, Series 2006 on August 15, 2006, the City entered into a floating-to-floating rate basis swap agreement with a notional amount equal to the total declining balance of the Series 2006 Bonds. UBS was the counterparty on the transaction. As stated above, the basis swap was transferred to PNC Bank, National Association in 2013. Under the swap agreement for the Series 2006 Bonds, the City is the floating rate payor, paying a floating rate based on the SIFMA index. The counterparty is also a floating rate payor, paying the City 67% of one month LIBOR. The City also received an upfront payment in the amount of $1,606,000. Net payments are exchanged semi-annually each March 15 and September 15. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the parking revenues and additional pledged revenues as defined in the trust indenture securing the Parking Facilities Refunding Revenue Bonds, Series 2006, on parity with the pledge and lien securing the payment of debt service on the bonds.

Objective: The City entered into the swap in order to maximize the savings associated with the refunding of the bonds and to reduce the City's risk exposure. The actual overall savings to be realized by the City will depend upon the net payments received under the swap agreement.

Basis Risk: By entering into a swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between the SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher for various periods of time due to the disruptions in the financial markets. The payments received from the counterparty may be less than the amount owed to the counterparty, resulting in a net increase in debt service. However, in 2013 and 2014 the SIFMA/LIBOR relationship was significantly lower than 67%. In this case, payments received from the counterparty have been greater than the amount owed to the counterparty which results in a net decrease in debt service. In addition, a reduction in federal income tax rates might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of the financing.

Counterparty Risk: The City selected a highly rated counterparty in order to minimize this risk. However, over the long-term it is possible that the credit strength of PNC could change and this event could trigger a termination payment on part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to PNC or by PNC to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained insurance to mitigate much of the risk associated with termination due to the event of a downgrade of the City's bond rating. An amount due by the City to PNC upon early termination of the agreement is insured by FSA (now Assured Guaranty Municipal Corp.) up to a maximum amount of $8,000,000.

Fair Value: The fair value of the swap at December 31, 2014 as reported by PNC totaled $184,000, which would be payable by the City.

***Debt Covenants*:** The Enterprise Funds' bond agreements have certain restrictive covenants and principally require that bond reserve funds be maintained for most series of bonds and that fees charged to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal and maintenance of properties in good condition.

Defeasance of Debt

The City has defeased certain debt by placing cash or the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not recorded in the City's financial statements.

The aggregate amount of defeased debt outstanding at December 31, 2014 is as follows:

Bond Issue	(Amounts in 000's)	Bond Issue	(Amounts in 000's)
Parking Facilities Bonds:		Unvoted Tax Supported General Obligation:	
Series 2006	$ 12,545	Series 2005A	$ 13,275
Public Power System Revenue Bonds:			
Series 2006A-1, A-2	$ 56,260		
Series 2008A	2,065		
Series 2008B-1	2,145		
Series 2010	415		

Airport Special Facilities Revenue Bonds

Airport Special Facilities Revenue Bonds, Series 1990, totaling $76,320,000 were issued to finance the acquisition and construction of a terminal, hangar and other support facilities leased to Continental Airlines at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999 totaling $71,440,000. Additional Airport Special Facilities Revenue Bonds, Series 1998, totaling $75,120,000, were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, including a new regional jet concourse. Because principal and interest on these bonds are unconditionally guaranteed by Continental Airlines (now United Continental Holdings, Inc.) and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

Pledges of Future Revenues

The City has pledged future airport revenues to repay $815,525,000 in various Airport System Revenue Bonds issued in various years since 2001. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 73% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $1,190,581,000. Principal and interest paid for the current year and total net revenues (including other available funds) were $67,723,000 and $93,679,000 respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay $229,773,000 in various Public Power System Revenue Bonds issued in various years since 2006. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 68% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $429,869,000. Principal and interest paid for the current year and total net revenues were $18,832,000 and $27,762,000, respectively.

The City has pledged future water system revenues, net of specified operating expenses, to repay $714,525,000 in various Senior Lien Water Revenue Bonds and Subordinate Lien Bonds issued in various years since 1993. Proceeds from the bonds provided financing for Water System improvements. The bonds are payable from Water System net revenues and are payable through 2042. Annual principal and interest payments on the bonds are expected to require less than 47% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $1,025,800,000. Principal and interest paid for the current year on the Senior Lien Bonds and total net revenues were $69,363,000 and $150,623,000, respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $26,460,000 in Parking Facilities Refunding Revenue Bonds issued in 2006. Proceeds from the bonds initially issued provided financing for the construction of parking facilities. The bonds are payable from parking facilities net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require the full amount of net operating revenues. The total principal and interest remaining to be paid on the Parking Facilities Refunding Revenue Bonds is $33,045,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,117,000 and $4,034,000 respectively.

In 2014, no additional pledged revenue was required to meet the debt service on the Parking Facilities Refunding Revenue Bonds. The trust indenture requires, among other things, that the Division of Parking Facilities will fix parking rates and will charge and collect fees for the use of the parking facilities and will restrict operating expenses. As of December 31, 2014, the Division of Parking Facilities was in compliance with the terms and requirements of the trust indenture.

Derivative Instruments

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The City has entered into various derivative or hedging agreements since 1999. A detailed description of each outstanding derivative, including its terms, objectives, risks and fair value, can be found in the section discussing the bonds to which the derivative relates.

The table below presents the fair value balances and notional amounts of the City's derivative instruments outstanding at December 31, 2014, classified by type, and the changes in fair value of these derivatives during fiscal year 2014 as reported in the 2014 financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2014 and the specific terms and conditions of each swap, have been provided by the respective counterparty for each swap and confirmed by the City's financial advisor.

	Changes in Fair Value		Fair Value at December 31, 2014		
	Classification	Amount	Classification	Amount	Notional
			(Amounts in 000's)		
Investment Derivatives:					
Governmental Activities:					
Fixed to floating interest rate swap					
2003 Subordinated Income Tax Swaption	Investment Revenue	$ 309	Investment	$ (145)	$ 42,100
Business-Type Activities:					
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	183	Investment	(184)	26,460
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred inflow	837	Debt	(5,416)	61,370
2010 U Water Swap	Deferred outflow	(2,083)	Debt	(9,386)	54,735
2010 V Water Swap	Deferred outflow	(1,003)	Debt	(4,653)	26,295

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2014, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Subordinated Income Tax Bonds	Receive Fixed Interest Rate Swaption	Hedge of changes in fair value of Series 1994 Subordinated Income Tax Bonds	$ 42,100,000	2/7/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa3/A+/A+
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 40,185,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 21,185,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A
2006 Parking Bonds	Basis Swap - Pay Floating/Receive Floating	Exchange floating rate payments on Series 2006 Parking System Bonds	$ 26,460,000	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

The following table presents the aggregate debt service requirements on the City's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2014. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2014 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented below.

Aggregate Cash Flows on Hedging Derivative Instruments

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(Amounts in 000's)		
2015	$	$ 430	$ 4,287	$ 4,717
2016		430	4,229	4,659
2017		430	4,190	4,620
2018		430	3,864	4,294
2019		430	3,448	3,878
2020-2024	48,430	1,688	10,357	60,475
2025-2029	75,930	333	1,289	77,552
2030-2033	47,870	47	119	48,036
Total	$ 172,230	$ 4,218	$ 31,783	$ 208,231

NOTE 6 – DEFERRED PAYMENT OBLIGATION / I-X CENTER

In January 1999, the City purchased the International Exposition (I-X) Center and the land on and around it for $66.5 million as part of its master plan to expand Cleveland Hopkins International Airport. As part of the purchase agreement, the City leased the building back to the former owner for 15 years, after which the City may demolish the building to make way for airport development. Of the $66.5 million purchase price, $36.5 million was paid in cash in 1999. The remaining $30 million, including interest at 7.75%, is being deferred by the seller and will be offset by future lease payments owed to the City over the 15 year lease period. The future lease payments are equal to the remaining purchase price plus interest at 7.75%, and as such, no cash will be exchanged between the City and the lessee over the term of the lease.

In the event that either a similar facility is developed that exceeds a specified size, or there is an expansion of an existing facility that exceeds a specified size within the municipal boundary of the City of Cleveland, the lessee has the right to terminate the lease. Such termination would require the City to pay the lessee the remaining portion of the deferred purchase price.

Rental income recognized by the City under this agreement totaled $282,000 in 2014. Of this amount $2,000 was offset against interest expense and $280,000 was offset against the principal balance of the deferred obligation. The deferred payment obligation agreement expired on January 31, 2014.

NOTE 7 – RISK MANAGEMENT

***Self Insurance*:** The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City does not carry commercial insurance for such risks, except for certain proprietary funds and the football stadium. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claims that meet this criteria are reported as liabilities of either governmental or business-type activities in the government-wide statement of net position. In the fund financial statements, claims liabilities that relate to proprietary funds are reported. The current portion of claims is reported as a fund liability in governmental funds; however, the long-term portion of claims liabilities is not reported.

The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the estimated claims payable for all funds during the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
	(Amounts in 000's)	
Estimated claims payable, January 1	$ 5,459	$ 3,993
Current year claims (including IBNRs) and changes in estimates	7,023	4,116
Claim payments	(4,246)	(2,650)
Estimated claims payable, December 31	$ 8,236	$ 5,459

The estimated claims liabilities are based on the estimated cost of settling claims (including incremental claim adjustment expenses) through a case-by-case review of all outstanding claims and by using historical experience. Claims payable are included as accounts payable on the modified accrual financial statements and are reclassed to long-term obligations as due within one year or due in more than one year on the Statement of Net Position.

***Insurance*:** Certain proprietary funds carry insurance to cover particular liability risks and property protection. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014. There was no significant decrease in any insurance coverage in 2014. In addition, there were no insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of four separate health insurance plans to its employees. On April 1, 2014 the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The operating funds are charged a monthly rate per employee by type of coverage.

Expenses for claims are recorded on a current basis. Claims are accrued based upon an actuarially estimated claims liability IBNR (incurred but not reported). These estimates are based on past experience and current claims outstanding. Actual claims may differ from the estimates. This claims liability is recorded in the Internal Service Fund as claims payable.

Changes in the estimated claims payable for the Health and Prescription Self Insurance Funds during the year ended December 31, 2014 is as follows:

	2014 (Amounts in 000's)
Estimated claims payable, January 1	$
Current year claims (including IBNRs) and changes in estimates	66,816
Claim payments	(52,840)
Estimated claims payable, December 31	$ 13,976

In January of 2003, the City exercised the option of retrospective rating as the premium rating mechanism for its workers' compensation program. The total estimated claims liability outstanding at December 31, 2014 was $20,238,070. Of this amount, $6,317,240 was recorded as a fund liability within each respective fund. The remaining $13,920,830 is due in future years and is recorded as a liability in the Workers' Compensation Reserve Internal Service Fund. This liability is funded by charging the appropriate funds their proportionate share of this liability and recording the associated due to or due from as appropriate.

NOTE 8 – CONTINGENCIES

***General Contingencies*:** Various claims and lawsuits are pending against the City. In accordance with GASB Statement No. 10, those claims which are considered "probable" are accrued (see Note 7 – Risk Management), while those claims that are considered "reasonably possible" are disclosed but not accrued.

As of December 31, 2014, the City had $4,900,000 in claims for which an unfavorable outcome is deemed to be reasonably possible.

These estimates were based on a case-by-case review of outstanding claims by the City's in-house legal department.

Contingent Liabilities: The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 80,000 kilowatts of a total 771,281 kilowatts, giving the City a 10.37 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is $13,813,694. The City received a credit of $6,447,719 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $3,617,994, related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of $3,747,981. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. The City made payments in 2014 totaling $124,933 leaving a net impaired cost estimate of $3,704,495 at December 31, 2014.

The City intends to recover these costs and repay AMP over the next 15 years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Statement No. 65. The City intends to recover 50% of these costs from the customers through the Energy Adjustment Charge passed along to customer's monthly bills.

***Contingencies Under Grant Programs*:** The City participates in a number of federally assisted Investment Act Grant Programs, principal of which are Community Development Block Grants, Home Weatherization Assistance, the Healthy Start Initiative, Federal HOME Program, Youth Opportunity Area Grant, Workforce Investment Act Grant, Empowerment Zone and Federal Aviation Administration Airport Improvement Grant Programs. These programs are subject to financial and compliance audits by the grantors or their representatives.

In addition to the federally assisted Investment Act Grant Programs, the City received a portion of the American Recovery and Reinvestment Act (ARRA) funds. These funds were funded through existing programs. The ARRA funds are subject to financial and compliance audits by the grantor or their representative and are subject to availability.

HUD Office of the Inspector General (OIG) has issued three findings against the City regarding the Afford A-Home program, two findings regarding the Housing Trust Fund, two findings regarding the Repair-A-Home Program, and one finding regarding the use and reporting of program income. Although the City has made several procedural and policy changes based on the OIG audit, the City is contesting and appealing the audit's findings.

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES

Interfund Transactions: During the course of normal operations, the City records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations and service debt. The City has the following types of transactions among funds:

(1) Reciprocal interfund services provided and used – Purchases and sales of goods and services between funds for a price approximating their external exchange value.

(2) Nonreciprocal interfund transfers – Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes transfers to subsidize various funds.

(3) Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For the year ended December 31, 2014, transfers consisted of the following:

	Transfers In					
Transfers Out	**Total**	**General Fund**	**Other Govern-mental Funds**	**Total Govern-mental Funds**	**Enterprise Funds**	**Internal Service Funds**
	(Amounts in 000's)					
Governmental Funds:						
General	$ 28,459	$	$ 26,352	$ 26,352	$ 1,616	$ 491
Other Governmental	51,307	5,597	45,710	51,307		
Total Governmental Funds	79,766	5,597	72,062	77,659	1,616	491
Total	$ 79,766	$ 5,597	$ 72,062	$ 77,659	$ 1,616	$ 491

Interfund Balances: Interfund balances at December 31, 2014 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2014 are as follows:

		Due From								
Due To	Total	General Fund	Other Govern-mental Funds	Total Govern-mental Funds	Division of Water Fund	Cleveland Public Power Fund	Department of Port Control Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
					(Amounts in 000's)					
Governmental Funds:										
General	$ 8,112	$	$	$ -	$	$ 1,456	$ 6	$ 27	$ 1,489	$ 6,623
Other Governmental	9,516	929	7,909	8,838		13		22	35	643
Total Governmental	$ 17,628									
Enterprise Funds:										
Division of Water	$ 3,742	12	18	30		1,253		155	1,408	2,304
Cleveland Public Power	5,214	6		6	3,855			8	3,863	1,345
Department of Port Control	1,810	240		240		21		118	139	1,431
Other Enterprise	14,542	143	16	159	13,540	302		5	13,847	536
Total Enterprise	$ 25,308									
Internal Service Funds	334	4		4		8		5	13	317
Total Due To/Due From	$ 43,270	$ 1,334	$ 7,943	$ 9,277	$ 17,395	$ 3,053	$ 6	$ 340	$ 20,794	$ 13,199

NOTE 10 – INCOME TAXES

During 2014, the City income tax rate remained at 2% and the credit provided to City residents for income taxes paid to other municipalities remained at 50% and the maximum credit is limited to 1%. A portion of the City income tax is restricted in its use to capital expenditures and debt service and is included in the Restricted Income Tax Special Revenue Fund. All other income tax proceeds are included in the General Fund.

Employers within the City are required to withhold income taxes on employee compensation and remit withholdings to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 11 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. The 2014 levy was based upon an assessed valuation of approximately $4.9 billion. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 4.4 mills, of which 4.35 mills is dedicated to debt service and .05 mills is dedicated to the payment of fire pension obligations. 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 reappraisal was completed in 2012. Assessed values are established by the Cuyahoga County (County) Auditor. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

Real property taxes, excluding public utility property, are assessed at 35% of appraised market value. Pertinent real property tax dates are:

- Collection Dates — January 24 and July 10 of the current year
- Lien Date — January 1 of the year preceding the collection year
- Levy Date — October 1 of the year preceding the collection year

An electric company's taxable utility production equipment is assessed at 25% of true value, while all of its other taxable property is assessed at 88% of true value. Pertinent public utility tangible personal property tax dates are:

- Collection Dates — January 20 and June 20 of the current year
- Lien Date — December 31 of the second year preceding the collection year
- Levy Date — October 1 of the year preceding the collection year

NOTE 12 – DEFERRED INFLOWS / DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualifies for reporting in this category. It is the deferred charge for derivative instruments – interest rate swaps in the government-wide and proprietary fund statements of net position along with the loss on refunding.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

On the modified accrual basis of accounting, the City has recorded certain receivables where the related revenue is unavailable. Unavailable revenues have been reported as deferred inflows of resources on the governmental fund balance sheet for the following:

	Governmental Type Funds		
	General	Other Governmental Funds	Totals
	(Amounts in 000's)		
Income taxes receivable	$ 16,032	$ 2,024	$ 18,056
Property taxes receivable	57,440	29,924	87,364
Special assessments receivable	4,211	10,854	15,065
Local government receivable	8,654		8,654
Estate tax receivable	9		9
Homestead rollback	3,305	1,722	5,027
Emergency medical service receivable	356		356
Motor vehicle taxes receivable		1,369	1,369
Municipal gas tax receivable		1,066	1,066
State gasoline tax receivable		2,049	2,049
Grant receivable		4,165	4,165
Due from other governments	2,707	418	3,125
Total deferred inflows of resources	$ 92,714	$ 53,591	$ 146,305

NOTE 13 – DEFINED BENEFIT PENSION PLANS

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

The City's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were $30,870,635, $32,743,188 and $25,369,016 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

Ohio Police and Fire Pension Fund**:** The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. The report is also available on OP&F's website at www.op-f.org.

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, Employers were required to contribute 19.50% and 24.00% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2014, 2013 and 2012 were $33,305,812, $26,565,919 and $22,183,185, respectively. The required payments due in 2014, 2013 and 2012 have been made.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System**:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS'eligibilty requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014 and 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014 and 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions to OPERS to fund postemployment benefits were $5,142,705 in 2014, $2,517,622 in 2013 and $10,146,896 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

***Ohio Police and Fire Pension Fund*:** The City contributes to the OP&F sponsored health care program; a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents. OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

The Ohio Revised Code provides for contribution requirements of the participating employers and plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% of covered payroll for police and 24.00% of covered payroll for firefighters. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police and 24.00% of covered payroll for firefighters. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .50% of covered payroll from January 1, 2014 through December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by provisions of Sections 115 and 401(h). The OP&F Board of Trustees is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions to the OP&F that was allocated to the health care plan was $820,533 for the year ending December 31, 2014 $5,390,151 for 2013 and $10,424,190 for 2012. The required payments due in 2014, 2013, and 2012 have been made.

NOTE 15 – CAPITAL ASSETS

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

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
		(Amount in 000's)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 66,188	$ 537	$ (4)	$ 66,721
Construction in progress	158,865	67,816	(44,692)	181,989
Total capital assets, not being depreciated	225,053	68,353	(44,696)	248,710
Capital assets, being depreciated:				
Land improvements	162,449	9,465		171,914
Buildings, structures and improvements	633,092	82,164		715,256
Furniture, fixtures, equipment and vehicles	199,160	10,367	(3,368)	206,159
Infrastructure	638,322	40,465	(1,249)	677,538
Total capital assets, being depreciated	1,633,023	142,461	(4,617)	1,770,867
Less accumulated depreciation for:				
Land improvements	(107,367)	(5,870)		(113,237)
Buildings, structures and improvements	(307,486)	(14,233)		(321,719)
Furniture, fixtures, equipment and vehicles	(154,167)	(11,009)	3,250	(161,926)
Infrastructure	(263,513)	(24,049)	1,193	(286,369)
Total accumulated depreciation	(832,533)	(55,161)	4,443	(883,251)
Total capital assets being depreciated, net	800,490	87,300	(174)	887,616
Governmental activities capital assets, net	$ 1,025,543	$ 155,653	$ (44,870)	$ 1,136,326

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
		(Amount in 000's)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 191,677	$	$	$ 191,677
Construction in progress	317,259	125,233	(103,560)	338,932
Total capital assets, not being depreciated	508,936	125,233	(103,560)	530,609
Capital assets, being depreciated:				
Land improvements	100,378	9,395		109,773
Utility plant	2,198,414	122,242	(12,921)	2,307,735
Buildings, structures and improvements	726,262	6,277	(33)	732,506
Furniture, fixtures, equipment and vehicles	749,937	11,215	(29,303)	731,849
Infrastructure	996,934	3,464		1,000,398
Total capital assets, being depreciated	4,771,925	152,593	(42,257)	4,882,261
Less accumulated depreciation for:				
Land improvements	(44,585)	(2,176)		(46,761)
Utility plant	(653,314)	(64,266)	12,895	(704,685)
Buildings, structures and improvements	(391,828)	(16,092)	33	(407,887)
Furniture, fixtures, equipment and vehicles	(608,923)	(35,539)	29,285	(615,177)
Infrastructure	(497,202)	(41,806)		(539,008)
Total accumulated depreciation	(2,195,852)	(159,879)	42,213	(2,313,518)
Total capital assets being depreciated, net	2,576,073	(7,286)	(44)	2,568,743
Business-Type activities capital assets, net	$ 3,085,009	$ 117,947	$ (103,604)	$ 3,099,352

The additions to accumulated depreciation may not match depreciation expense due to assets transferred between Business-Type Activities and Governmental Activities, if the transferred assets have been depreciated prior to this year.

Depreciation: Depreciation expense was charged to functions/programs of the City as follows:

		(Amounts in 000's)
Governmental Activities:		
General Government	$	28,880
Public Works		14,258
Public Safety		7,979
Building and Housing		141
Community Development		1,517
Public Health		369
Economic Development		119
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets		554
Total depreciation expense charged to governmental activities	$	53,817
Business-Type Activities:		
Water	$	71,628
Electricity		18,354
Airport Facilities		52,351
Nonmajor activities		8,172
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets		131
Total depreciation expense charged to business-type activities	$	150,636

Capital Commitments: Significant commitments of the City as of December 31, 2014 are composed of the following:

Project Description	Spent-to-Date	Remaining Commitment
	(Amounts in 000's)	
Governmental Activities:		
Lorain Avenue W.150-W.117	$ 491	$ 9,509
Fleet Avenue	1,055	8,656
3rd District Police Station Design & Construction	13,210	6,943
East Side Maintenance Facility	1,827	6,059
West 130 Brookpark to Lorain	173	5,427
Fire Station #36 Design	375	5,168
Northcoast Pedestrian Bridge		5,097
Highland Park Mausoleum	8	4,681
Tree Roots and Sidewalk Program	716	4,284
Financial Management System	7,286	3,529
Ward 1 Recreation Center		3,500
W.73 St. Extension	15,601	3,277
West 25 I-71 to Detroit	339	3,071

Project Description	Spent-to-Date	Remaining Commitment
	(Amounts in 000's)	
Business-Type Activities:		
Crown Water Plant	$ 13,170	$ 11,409
Southern Transmission Line	971	9,933
Terminal Exterior Façade	936	8,997
Post PEP Plant		6,500
Transmission Main Renewal Program	2,583	5,417
Sound Insulation of Homes	92,932	5,309
Suburban Water Main Renewal Program	20,212	5,254
Watermain Renewal 2015		5,000
Wetlands & Stream Mitigation	21,476	4,577
MS1/MS2 Tie-In	1,570	4,430
Ridge Road Substation	322	4,282
Terminal Ticketing Renovations	592	3,758
Runway 10/28 Phase IV	19,909	3,416

Capital Grant Programs: The City participates in the State Issue 2 program and the Local Transportation Improvement Program. Through these programs, the State of Ohio (State) provides financial assistance to the City for its various road and bridge improvements and storm water detention facilities. The Ohio Public Works Commission (OPWC) is the State agency which oversees the allocation of State bond proceeds and tax revenue to selected projects which have met funding requirements. Upon approval of the OPWC, the City and the State create project agreements establishing each entity's financial contribution toward each project. Through December 31, 2014, the State funded $184,935,000 of road and bridge improvement projects and $6,974,000 for storm water detention facilities.

Capitalized Interest: Interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest income earned on invested debt proceeds. For 2014, interest expense incurred for the Enterprise Funds was $85,716,000 of which $14,475,000 was capitalized net of $74,000 of interest income capitalized.

***Idle Facilities*:** In April 1977, Cleveland Public Power (CPP) closed its generation plant and since that time, CPP's revenues have been derived primarily from the distribution of purchased power. CPP continued its past practice of depreciating the plant at rates which completed the amortization of the plant in 1999. With the present availability of competitively priced purchased power, management believes the plant will remain idle.

NOTE 16 – SERVICE CONCESSION ARRANGEMENTS

In 2010 the City entered into an agreement with Cleveland Metropolitan Park District (Cleveland Metroparks) under which Cleveland Metroparks will operate and collect user fees from Seneca Golf Course for the next 99 years. Cleveland Metroparks has paid the City $99 for this agreement. They have agreed to complete at least $4,000,000 of capital improvements before December 31, 2015. As completed, all capital improvements performed by Cleveland Metroparks will become an asset of Seneca Golf Course and the City. Upon expiration of the agreement, all improvements will be vest in the City. Cleveland Metroparks is required to operate and maintain the golf course in accordance with the City Contract.

In 2012 the City entered into an agreement with Mark A Nance Golf Ohio, LLC (MAN) under which MAN will operate and collect user fees from the Highland Park Golf Course for the next 10 years. MAN will pay 5% of revenues greater than $800,000 in years 2012 through 2017. In years 2018 and beyond, MAN will pay 5% on gross revenues up to $800,000; 10% of gross revenues $801,000 through $1,000,000; and 15% of gross revenues greater than $1,000,000. In addition to receiving a portion of gross revenues, MAN will also make necessary capital improvements to the golf course. As completed, all capital improvements performed by MAN will become an asset of Highland Park Golf Course and the City. MAN is required to operate and maintain the golf course in accordance with the City Contract.

The City reports the golf courses and related equipment as a capital asset with a carrying amount of $3,342,000 at year end.

NOTE 17 – SEGMENT INFORMATION

The City has issued revenue bonds and construction loans to finance the activities accounted for in the following Enterprise Funds:

- Division of Water
- Cleveland Public Power
- Department of Port Control
- Municipal Parking Lots

Investors in the revenue bonds rely solely on the revenues generated from the specific enterprise activity to which the debt obligations pertain for repayment.

Shown below is summarized financial information for the City's enterprise activity that has issued long-term obligations and is not reported as a major fund in the proprietary funds financial statements:

Condensed Statement of Net Position Information		Municipal Parking Lots (Amounts in 000's)
Assets:		
Current assets	$	5,024
Restricted assets		8,804
Capital assets, net		34,718
Total assets		48,546
Deferred outflows of resources:		
Loss on refunding		1,537
Total assets and deferred outflows of resources	$	50,083
Liabilities:		
Current liabilities	$	3,911
Long-term liabilities		24,564
Total liabilities		28,475
Deferred inflows of resources:		
Derivative instruments-interest rate swaps		184
Total liabilities		184
Net position:		
Net investment in capital assets		12,131
Restricted for debt service		5,596
Unrestricted		3,697
Total net position		21,424
Total liabilities, deferred inflows of resources and net position	$	50,083

Condensed Statement of Revenues, Expenses and Changes in Net Position Information		Municipal Parking Lots (Amounts in 000's)
Charges for services	$	7,916
Depreciation (expense)		(1,360)
Other operating (expenses)		(4,118)
Operating income (loss)		2,438
Nonoperating revenues (expenses):		
Investment income		184
Interest expense		(1,588)
Capital Contibutions		441
Change in net position		1,475
Net position at beginning of year		19,949
Net position at end of year	$	21,424

Condensed Statement of Cash Flows Information	Municipal Parking Lots (Amounts in 000's)
Net cash provided by (used for):	
Operating activities	$ 3,872
Capital and related financing activities	(4,439)
Investing activities	1
Net increase (decrease) in cash and cash equivalents	(566)
Beginning cash and cash equivalents	14,308
Ending cash and cash equivalents	$ 13,742

The balances of the restricted asset accounts in the enterprise funds are as follows:

Purpose	Division of Water	Cleveland Public Power	Department of Port Control	Municipal Parking Lots	Cemeteries	Water Pollution Control
			(Amounts in 000's)			
Construction activities	$ 45,789	$ 27,670	$ 57,469	$ 3,208	$	$ 393
Debt retirement	95,240	4,349	127,401	5,596		
Accrued passenger facility charges			11,725			
Other	11		55,158		5,449	
Total	$ 141,040	$ 32,019	$ 251,753	$ 8,804	$ 5,449	$ 393

NOTE 18 – FUND BALANCES / NET POSITION

Fund Balance Classifications: Fund balance is classified in five categories (1) Nonspendable, (2) Restricted, (3) Committed, (4) Assigned and (5) Unassigned. Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact. Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws or other governments. Committed fund balances include amounts that are committed to a specific purpose by council ordinance. Per City policy, assigned fund balances include amounts that have an intended use by the Mayor and/or the Director of Finance to be used for a specific purpose. Unassigned fund balances include amounts that have not been assigned to any purpose. Fund expenditures and encumbrances are from restricted resources to the extent of the restricted fund reserve and followed by committed then assigned and unassigned resources.

Below are the fund balance classifications for the governmental funds by category with specific purpose information at December 31, 2014:

	General Fund	Other Governmental (Amounts in 000's)	Total Governmental
Fund Balances			
Nonspendable			
Inventory	$ 885	$ 1,387	$ 2,272
Nonspendable Total	885	1,387	2,272
Restricted			
Debt Service		63,204	63,204
Recreation capital expenditures		22,109	22,109
Public Facilities capital expeditures		57,611	57,611
Road & Bridges capital expenditures		44,892	44,892
Cemetery capital expenditures		5,039	5,039
Other capital expenditures		6,036	6,036
Repair & building of streets		1,337	1,337
Health & wellness		587	587
Protection & enforcement		6,699	6,699
Housing, community & economic development		47,468	47,468
Parks, properties & recreational services		741	741
Municipal Court		7,284	7,284
Casino		3,805	3,805
General governance		2,093	2,093
Restricted Total	-	268,905	268,905
Committed			
Health & wellness		59	59
Protection & enforcement		302	302
Parks, properties & recreational services		390	390
Housing, community & economic development		82,371	82,371
Municipal Court		1,715	1,715
General governance		5,902	5,902
Committed Total	-	90,739	90,739
Assigned			
Debt Service		8	8
General governance	4,790		4,790
Health & wellness	190		190
Protection & enforcement	1,528		1,528
Parks, properties & recreational services	2,810		2,810
Housing, community & economic development	269		269
Other purpose	5,454		5,454
Assigned Total	15,041	8	15,049
Unassigned	78,401		78,401
Total Fund Balances	$ 94,327	$ 361,039	$ 455,366

Net Position: Net position represent the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings issued to acquire, construct or improve those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position are restricted for debt service, loans and other purposes. Other purposes include street construction and maintenance, grant programs and debt or capital funding from restricted income tax.

Rainy Day Reserve Fund: The City, in accordance with Section 5705.13(A), Revised Code, has established by ordinance the Rainy Day Reserve Fund (Rainy Day). Rainy Day should accumulate to at least a level equal to two percent of the General Fund expenditures and cannot exceed five percent of the General Fund expenditures. The City funds the Rainy Day through transfers from the General Fund, when funds become available. In order to use the Rainy Day, the City must pass an ordinance. The amount of the Rainy Day is reported within the unassigned fund balance classification in the City's General Fund.

NOTE 19 – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

In accordance with an agreement with Gateway Economic Development Corporation (Gateway), Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facilities Refunding Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In October 2011, the City sold one of the Gateway garages and defeased the applicable bonds. Going forward the amounts required to be reimbursed will be calculated based upon the net revenues of the remaining garage and remaining applicable bonds outstanding.

The first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The third parking facility, Willard Park Garage, was completed in April 1996.

In 2014, net revenues generated by the one remaining Gateway garage were less than the debt service payments attributed to that garage by $1,633,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $48,398,000 at December 31, 2014. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full; therefore, these amounts do not appear in the accompanying financial statements.

To enhance the security of the bonds issued by the County for the construction of facilities at Gateway, the City has agreed to pledge annually a percentage of admissions taxes on all events held at the arena to pay debt service if other revenue sources are not sufficient. Any exempted admissions tax not required for debt service will be reimbursed to the City. The City's current admissions tax rate is 8%. For the year ended December 31, 2014, the City pledged $3,148,398.

NOTE 20 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2014, the Health Self Insurance Fund had a net position deficiency of $2,039,000 and the Prescription Self Insurance Fund had a net position deficiency of $669,000. These deficiencies will be eliminated by increasing the rates charged to user departments during 2015.

NOTE 21 – SUBSEQUENT EVENTS

On January 15, 2015, Spirit Airlines began flying to and from Cleveland. Spirit is an ultra-low cost carrier that will bring more flying options at lower fares for travelers. On April 30, 2015, JetBlue Airlines began service at CLE. JetBlue began by offering nonstop access to Boston and has already begun to include other destinations.

On or about April 3, 2015, an oily substance was discovered on Lake Erie. Pollution responders with the U.S. Coast Guard and U.S. Environmental Protection Agency (EPA) worked with a contractor to place booms, skimmers and other equipment in the water to clear the oily water mixture that was last reported to be about 2,900 gallons. The City agreed to cooperate as a potentially responsible party under the Oil Pollution Control Act of 1990 and Federal Water Pollution Control Act when a leaking tank containing lube oil at their facility was believed to be the cause of the spill. The City entered into an emergency purchase order to continue the clean-up and is negotiating a contract to conduct additional clean-up work. The Coast Guard ordered the City to set up a claims process as well.

Effective April 9, 2015 the City issued $86,105,000 Subordinate Lien Income Tax Bonds, Series 2015. Proceeds of these bonds will be used to fund various projects including public facility improvements, bridge and roadway improvements, parks and recreation facility improvements and housing and neighborhood development. On the same day, the City issued $15,280,000 Taxable Economic and Community Development Revenue Bonds, Series 2015 (Core City Fund) to provide funds for various neighborhood projects.

On April 14, 2015 the City sold $132,135,000 Water Revenue Bonds, Series 2015 consisting of $116,205,000 Water Revenue Bonds, Series Y and $15,930,000 Water Revenue Bonds, Series Z. These bonds were issued to refund certain outstanding Series N Water Revenue Bonds and Series O Water Revenue Bonds for debt service savings. A portion of the Series O Bonds were tendered for purchase and cancelled in lieu of being refunded. The Series Y Bonds were issued effective May 27, 2015. The Series Z Bonds were sold on a forward delivery basis and are expected to close on or about October 5, 2015. As a result of this refunding the Division will achieve net present value debt service savings of $12.8 million or 9.6%.

Effective May 27, 2015 the City issued $90,800,000 Water Revenue Bonds, Series AA. These bonds were issued to refund the outstanding $90,800,000 Water Revenue Bonds, Series Q upon the expiration of the existing letter of credit. The bonds were issued as variable rate bonds with the City paying 65.1% of LIBOR plus a spread and were directly purchased by Bank of America, N.A.

SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 296,275	$ 296,275	$ 297,124	$ 849
Property taxes	33,965	33,965	32,338	(1,627)
State local government funds	27,629	27,629	25,021	(2,608)
Other taxes	33,514	33,514	35,415	1,901
Other shared revenues	13,984	13,984	14,506	522
Licenses and permits	14,467	14,467	13,106	(1,361)
Charges for services	31,564	31,564	33,418	1,854
Fines, forfeits and settlements	18,780	18,780	23,733	4,953
Investment earnings	400	400	454	54
Grants	1,800	1,800	1,774	(26)
Miscellaneous	18,415	18,415	25,971	7,556
TOTAL REVENUES	490,793	490,793	502,860	12,067
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	4,924	4,924	4,916	8
Other	2,013	2,013	1,498	515
Total council and clerk of council	6,937	6,937	6,414	523
Municipal court-judicial division:				
Personnel	19,405	19,405	18,827	578
Other	2,668	2,668	2,567	101
Total municipal court-judicial division	22,073	22,073	21,394	679
Municipal court-clerks division:				
Personnel	9,402	9,402	8,992	410
Other	5,010	5,010	4,989	21
Total municipal court-clerks division	14,412	14,412	13,981	431
Municipal court-housing division:				
Personnel	3,426	3,401	3,286	115
Other	157	182	171	11
Total municipal court-housing division	3,583	3,583	3,457	126
Office of the mayor:				
Personnel	2,446	2,436	2,304	132
Other	122	132	106	26
Total office of the mayor	2,568	2,568	2,410	158
Office of capital projects:				
Personnel	4,564	4,489	3,991	498
Other	552	627	481	146
Total office of capital projects	5,116	5,116	4,472	644

(Continued)

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Landmarks commission:				
Personnel	$ 237	$ 237	$ 136	$ 101
Other	7	7	6	1
Total landmarks commission	244	244	142	102
Board of building standards and appeals:				
Personnel	124	124	120	4
Other	12	12	7	5
Total board of building standards and appeals	136	136	127	9
Board of zoning appeals:				
Personnel	220	220	219	1
Other	15	15	13	2
Total board of zoning appeals	235	235	232	3
Civil service commission:				
Personnel	613	638	608	30
Other	191	191	166	25
Total civil service commission	804	829	774	55
Community relations board:				
Personnel	1,267	1,267	1,242	25
Other	46	46	45	1
Total community relations board	1,313	1,313	1,287	26
City planning commission:				
Personnel	1,538	1,538	1,463	75
Other	104	104	99	5
Total city planning commission	1,642	1,642	1,562	80
Boxing and wrestling commission:				
Personnel	8	8	5	3
Total boxing and wrestling commission	8	8	5	3
Office of equal opportunity:				
Personnel	824	824	488	336
Other	24	24	19	5
Total office of equal opportunity	848	848	507	341
Office of budget and management:				
Personnel	763	763	674	89
Other	21	21	14	7
Total office of budget and management	784	784	688	96

(Continued)

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Department of aging:				
Personnel	$ 841	$ 841	$ 757	$ 84
Other	278	278	267	11
Total department of aging	1,119	1,119	1,024	95
Office of personnel:				
Personnel	1,394	1,394	1,333	61
Other	788	788	746	42
Total office of personnel	2,182	2,182	2,079	103
Department of law:				
Personnel	6,520	6,295	6,233	62
Other	4,105	5,305	5,197	108
Total department of law	10,625	11,600	11,430	170
Finance administration:				
Personnel	917	917	663	254
Other	346	346	342	4
Total finance administration	1,263	1,263	1,005	258
Division of accounts:				
Personnel	1,336	1,336	1,162	174
Other	683	683	599	84
Total division of accounts	2,019	2,019	1,761	258
Division of assessments and licenses:				
Personnel	2,395	2,395	1,950	445
Other	1,375	1,375	859	516
Total division of assessments and licenses	3,770	3,770	2,809	961
Division of treasury:				
Personnel	634	634	631	3
Other	95	95	90	5
Total division of treasury	729	729	721	8
Division of purchases and supplies:				
Personnel	686	686	561	125
Other	35	35	34	1
Total division of purchases and supplies	721	721	595	126
Bureau of internal audit:				
Personnel	590	590	474	116
Other	634	634	320	314
Total bureau of internal audit	1,224	1,224	794	430

(Continued)

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Division of financial reporting and control:				
Personnel	$ 1,335	$ 1,335	$ 1,000	$ 335
Other	20	20	18	2
Total division of financial reporting and control	1,355	1,355	1,018	337
Division of information system services:				
Personnel	2,117	2,117	1,559	558
Other	1,897	1,897	1,645	252
Total division of information system services	4,014	4,014	3,204	810
TOTAL GENERAL GOVERNMENT	89,724	90,724	83,892	6,832
Public Health:				
Public health administration:				
Personnel	671	751	719	32
Other	334	334	334	-
Total public health administration	1,005	1,085	1,053	32
Division of health:				
Personnel	1,926	1,876	1,787	89
Other	1,453	1,453	1,453	-
Total division of health	3,379	3,329	3,240	89
Division of environment:				
Personnel	780	830	779	51
Other	208	218	218	-
Total division of environment	988	1,048	997	51
Division of air quality:				
Personnel	111	141	124	17
Other	281	291	291	-
Total division of air quality	392	432	415	17
TOTAL PUBLIC HEALTH	5,764	5,894	5,705	189

(Continued)

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Safety:				
Public safety administration:				
Personnel	$ 3,554	$ 3,804	$ 3,700	$ 104
Other	1,345	1,345	1,032	313
Total public safety administration	4,899	5,149	4,732	417
Division of police:				
Personnel	168,752	167,282	164,891	2,391
Other	10,272	10,272	9,694	578
Total division of police	179,024	177,554	174,585	2,969
Division of fire:				
Personnel	82,318	82,118	80,896	1,222
Other	3,786	3,986	3,944	42
Total division of fire	86,104	86,104	84,840	1,264
Division of emergency medical services:				
Personnel	20,427	20,427	19,249	1,178
Other	2,616	2,616	2,610	6
Total division of emergency medical services	23,043	23,043	21,859	1,184
Division of animal control services:				
Personnel	1,030	1,120	1,072	48
Other	395	395	383	12
Total division of animal control services	1,425	1,515	1,455	60
Division of correction:				
Personnel	10,877	10,877	9,062	1,815
Other	3,816	3,816	3,264	552
Total division correction	14,693	14,693	12,326	2,367
TOTAL PUBLIC SAFETY	309,188	308,058	299,797	8,261

(Continued)

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Works:				
Division of public works administration:				
Personnel	$ 2,810	$ 2,660	$ 2,651	$ 9
Other	203	203	203	-
Total division of public works administration	3,013	2,863	2,854	9
Division of recreation:				
Personnel	8,154	7,904	7,875	29
Other	3,996	3,996	3,842	154
Total division of recreation	12,150	11,900	11,717	183
Division of parking facilities:				
Personnel	1,149	1,149	1,057	92
Other	85	85	69	16
Total division of parking facilities	1,234	1,234	1,126	108
Division of property management:				
Personnel	5,533	5,333	5,308	25
Other	2,478	2,478	2,257	221
Total division of property management	8,011	7,811	7,565	246
Division of park maintenance and properties:				
Personnel	8,400	8,215	8,050	165
Other	5,169	5,419	5,409	10
Total division of park maintenance and properties	13,569	13,634	13,459	175
Division of waste collection and disposal:				
Personnel	13,674	14,124	13,933	191
Other	11,324	11,499	11,002	497
Total division of waste collection and disposal	24,998	25,623	24,935	688
Division of traffic engineering:				
Personnel	2,658	2,558	2,508	50
Other	808	818	813	5
Total division of traffic engineering	3,466	3,376	3,321	55
TOTAL PUBLIC WORKS	66,441	66,441	64,977	1,464

(Continued)

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Community Development:				
Director's office:				
Personnel	$ 281	$ 281	$ 228	$ 53
Other	12	12	10	2
Total director's office	293	293	238	55
TOTAL COMMUNITY DEVELOPMENT	293	293	238	55
Building and Housing:				
Director's office:				
Personnel	1,703	1,703	1,453	250
Other	514	514	444	70
Total director's office	2,217	2,217	1,897	320
Division of code enforcement:				
Personnel	5,713	5,713	5,322	391
Other	194	194	193	1
Total division of code enforcement	5,907	5,907	5,515	392
Division of construction permitting:				
Personnel	1,594	1,594	1,227	367
Other	26	26	19	7
Total division of construction permitting	1,620	1,620	1,246	374
TOTAL BUILDING AND HOUSING	9,744	9,744	8,658	1,086
Economic Development:				
Economic development administration:				
Personnel	1,669	1,669	1,472	197
Other	66	66	66	-
Total economic development administration	1,735	1,735	1,538	197
TOTAL ECONOMIC DEVELOPMENT	1,735	1,735	1,538	197
Non-Departmental Expenditures:				
Other	20,847	20,847	18,848	1,999
TOTAL NON-DEPARTMENTAL EXPENDITURES	20,847	20,847	18,848	1,999
Capital outlay	3,681	3,681	3,681	-
Principal retirement	250	250	250	-
TOTAL EXPENDITURES	507,667	507,667	487,584	20,083

(Continued)

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(16,874)	(16,874)	15,276	32,150
OTHER FINANCING SOURCES (USES):				
Transfers in	2,984	2,984	11,329	8,345
Transfers out	(32,923)	(32,923)	(29,572)	3,351
Sale of City assets			1,044	1,044
TOTAL OTHER FINANCING SOURCES (USES)	(29,939)	(29,939)	(17,199)	12,740
DECERTIFICATION OF PRIOR YEAR				
ENCUMBRANCES AND PRE-ENCUMBRANCES			2,247	2,247
NET CHANGE IN FUND BALANCE	(46,813)	(46,813)	324	47,137
FUND BALANCE AT BEGINNING OF YEAR	49,303	49,303	49,303	-
FUND BALANCE AT END OF YEAR	$ 2,490	$ 2,490	$ 49,627	$ 47,137

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CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted or committed by the City to expenditures for particular purposes. The City's Special Revenue Funds are described below:

Division of Streets	To account for motor vehicle license tax and gasoline excise tax used for the repair and building of streets.
Restricted Income Tax	To account for one-ninth of the City's income tax collections. Monies are to be used for capital improvement purposes and repayment of debt.
Cleveland Stadium Operations	To account for the operating activities of Cleveland Browns Stadium.
Community Development Block Grants	To account for revenue from the federal government and expenditures as prescribed under the Community Development Block Grant Program.
Community Development Funds	To account for revenue earmarked for City-wide development.
Building and Housing Funds	To account for revenue earmarked to administer and enforce the provisions of the Cleveland building, housing and zoning codes plus the national electrical code and state building, plumbing and elevator codes.
Urban Development Action Funds	To account for revenue from the federal government under the Urban Development Action Grant Program.
Economic Development Funds	To account for revenue earmarked to revitalize distressed cities by stimulating economic development.
Home Weatherization Grants	To account for revenue from the State of Ohio and expenditures as prescribed under the Home Weatherization Assistance Program.
Work Force Investment Act Grants (WIA)	To account for revenue and expenditures from the State of Ohio under the Work Force Investment Act.
General Government Funds	To account for revenue earmarked for general government activities.
Public Works Funds	To account for revenue earmarked for the public works activity.
Public Safety Funds	To account for revenue earmarked for public safety activities.

SPECIAL REVENUE FUNDS (Continued)

Public Health Funds	To account for revenue earmarked for the improvement of public health.
Cleveland Stadium Debt Service Fund	To account for the accumulation of resources earmarked for the repayment of debt related to Cleveland Browns Stadium.
Gateway Shared Income Tax Funds	To account for municipal income tax revenue derived from persons employed at the Arena and Progressive Field with 50% of the revenues shared with the other taxing districts in the City.
Neighborhood Development Investment Fund	To account for revenue earmarked for the Neighborhood Development Investment Fund.
Core City Program Funds	To account for revenue earmarked for certain economic and community development projects.
Supplemental Empowerment Zone	To account for revenue from the U.S. Department of Housing and Urban Development Program designed to help rebuild specified urban communities.

SPECIAL REVENUE FUNDS (for budgetary purposes only)

These funds are rolled into the General Fund for Modified Accrual Financial Statements.

Rainy Day Reserve Fund	To account for revenue which is eligible to be used during significant periods of economic downturn.
Schools Recreation and Cultural Activities Fund	To account for revenue from special taxes earmarked for Cleveland Municipal Schools for recreation and cultural activities.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs. The City's Debt Service Funds are described below:

Unvoted Tax Supported Obligations Fund	To account for the accumulation of resources for the payment of General Obligation Bonds of the City. These bonds do not require a vote of the electors, other than self-supporting obligations. They are payable from ad valorem property taxes levied within the limitations provided by law.
Stadium Bond Fund	To account for the accumulation of resources for the payment of the Certificates of Participation (COPS) - Stadium from pledged City taxes.
Subordinated Income Tax Fund	To account for the accumulation of resources for the payment of Subordinated Income Tax Variable Rate Refunding Bonds payable from pledged income taxes.

DEBT SERVICE FUNDS (Continued)

Lower Euclid Avenue TIF	To account for the accumulation of resources for the payment of Economic Development Bonds payable from tax increment financing revenues and a pledge of the non-tax revenue of the City.
Core City Bonds	To account for the accumulation of resources for the payment of taxable Economic and Community Development Bonds payable from non-tax and net project revenues.
Subordinate Lien Income Tax Fund	To account for the accumulation of resources for the payment of Subordinate Lien Income Tax Bonds payable from pledged income taxes.
Urban Renewal Fund	To account for the accumulation of resources for the payment of tax increment Urban Renewal Bonds payable from deposits made in lieu of taxes.
Urban Renewal Reserve Fund	The account is to be maintained at an amount equal to one year's maximum annual debt service on certain Urban Renewal Bonds and can be used to cover any debt insufficiency payable from certain urban renewal bonds.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City's Capital Project Funds are described below:

Capital/Urban Renewal Bond Construction	To account for all bond proceeds and capital projects costs of bond–funded capital acquisitions, tax increment Urban Renewal Bond issues and construction within the City.
Grant Improvement	To account for capital grant revenues which fund Capital Improvement Projects within the City.
Capital Improvement	To account for miscellaneous revenues which fund capital projects.
Certificates of Participation/Capital Leases	To account for Certificates of Participation (COPS) and capital lease proceeds which fund certain capital funds.
Cleveland Stadium Construction	To account for bond proceeds and capital projects costs of the Cleveland Browns Stadium.

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
ASSETS				
Cash and cash equivalents	$ 1,213	$ 6,856	$ 23,812	$ 31,881
Investments				-
Receivables:				
Taxes		5,557		5,557
Accounts	1			1
Grants				-
Loans				-
Accrued interest			2	2
Assessments				-
Receivables, net	1	5,557	2	5,560
Due from other funds	33	1,820		1,853
Due from other governments	6,729	16		6,745
Inventory of supplies	1,387			1,387
TOTAL ASSETS	$ 9,363	$ 14,249	$ 23,814	$ 47,426
LIABILITIES				
Accounts payable	$ 511	$ 172	$	$ 683
Accrued wages and benefits	1,127			1,127
Due to other governments			337	337
Unearned revenue				-
Due to other funds	517			517
Total liabilities	2,155	172	337	2,664
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	4,484	2,004		6,488
Total deferred inflows of resouces	4,484	2,004	-	6,488
FUND BALANCES				
Nonspendable	1,387			1,387
Restricted	1,337	12,073	23,477	36,887
Committed				-
Assigned				-
Total fund balances	2,724	12,073	23,477	38,274
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 9,363	$ 14,249	$ 23,814	$ 47,426

Special Revenue Funds - Non-Budgeted

Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
$	$ 2,793	$	$ 17,519	$ 19,717	$	$	$ 20,960
	755			1,003	341	430	624
8,835	8,220		38,644	55,553			
1,174	1,292	1,767					40
10,009	10,267	1,767	38,644	56,556	341	430	664
1,125		2,192					92
				10,974			943
$ 11,134	$ 13,060	$ 3,959	$ 56,163	$ 87,247	$ 341	$ 430	$ 22,659
$ 32	$	$ 122	$	$ 71	$	$ 19	$ 564
192	21			2		30	40
88	2,024			52,017			153
7,258	487	220		1,596			599
2,412	1,531	1,434	3	1,649	341	381	66
9,982	4,063	1,776	3	55,335	341	430	1,422
1,152	1,292	1,763		10,812			438
1,152	1,292	1,763	-	10,812	-	-	438
	6,289	161		11,674			13,182
	1,416	259	56,160	9,426			7,617
-	7,705	420	56,160	21,100	-	-	20,799
$ 11,134	$ 13,060	$ 3,959	$ 56,163	$ 87,247	$ 341	$ 430	$ 22,659

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Cleveland Stadium Debt Service Fund
ASSETS				
Cash and cash equivalents	$ 911	$ 7,700	$ 1,725	$ 8,670
Investments				
Receivables:				
Taxes				
Accounts				
Grants	29	435	606	
Loans	2			
Accrued interest				1
Assessments				
Receivables, net	31	435	606	1
Due from other funds	895		137	
Due from other governments				
Inventory of supplies				
TOTAL ASSETS	$ 1,837	$ 8,135	$ 2,468	$ 8,671
LIABILITIES				
Accounts payable	$ 76	$ 106	$ 170	$
Accrued wages and benefits		14	252	
Due to other governments	227	6	11	
Unearned revenue	381	986	1,288	
Due to other funds	22	22	101	
Total liabilities	706	1,134	1,822	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow				
Total deferred inflows of resouces	-	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	741	6,699	587	8,671
Committed	390	302	59	
Assigned				
Total fund balances	1,131	7,001	646	8,671
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,837	$ 8,135	$ 2,468	$ 8,671

Special Revenue Funds - Non-Budgeted					
Gateway Shared Income Tax Funds	Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$ 1,773	$ 4,340	$ 1,197	$ 3,025	$ 90,330	$ 122,211
				-	-
				-	5,557
				-	1
			1,492	5,715	5,715
	10,770	28,147	34,553	184,724	184,724
				1	3
				4,273	4,273
-	10,770	28,147	36,045	194,713	200,273
			1,649	6,090	7,943
144				12,061	18,806
				-	1,387
$ 1,917	$ 15,110	$ 29,344	$ 40,719	$ 303,194	$ 350,620
$	$	$	$	$ 1,160	$ 1,843
				551	1,678
984			40,719	96,229	96,566
				12,815	12,815
933				8,895	9,412
1,917	-	-	40,719	119,650	122,314
				15,457	21,945
-	-	-	-	15,457	21,945
				-	1,387
		29,344		77,348	114,235
	15,110			90,739	90,739
				-	-
-	15,110	29,344	-	168,087	206,361
$ 1,917	$ 15,110	$ 29,344	$ 40,719	$ 303,194	$ 350,620

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Debt Service Funds - Budgeted			
	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Lower Euclid Avenue TIF
ASSETS				
Cash and cash equivalents	$ 1,556	$ 8	$ 2,666	$ 856
Investments	1,522			
Receivables:				
Taxes	29,924			
Accounts				
Grants				
Loans				
Accrued interest				
Assessments				
Receivables, net	29,924	-	-	-
Due from other funds				
Due from other governments	1,725			
Inventory of supplies				
TOTAL ASSETS	$ 34,727	$ 8	$ 2,666	$ 856
LIABILITIES				
Accounts payable	$	$	$	$
Accrued wages and benefits				
Due to other governments				
Unearned revenue				
Due to other funds				
Total liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	31,646			
Total deferred inflows of resouces	31,646	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	3,081		2,666	856
Committed				
Assigned		8		
Total fund balances	3,081	8	2,666	856
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 34,727	$ 8	$ 2,666	$ 856

Core City Bonds	Subordinate Lien Income Tax Fund	Total Budgeted Funds	Debt Service Funds Non-Budgeted Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
$ 3,896	$ 4,945	$ 13,927	$ 1,337	$ 2,202	$ 3,539	$ 17,466
		1,522			-	1,522
		29,924			-	29,924
		-			-	-
		-			-	-
		-			-	-
		-			-	-
		-			-	-
-	-	29,924	-	-	-	29,924
		-			-	-
		1,725			-	1,725
		-			-	-
$ 3,896	$ 4,945	$ 47,098	$ 1,337	$ 2,202	$ 3,539	$ 50,637
$	$	$ -	$	$	$ -	$ -
		-			-	-
		-			-	-
		-			-	-
		-			-	-
-	-	-	-	-	-	-
		31,646			-	31,646
-	-	31,646	-	-	-	31,646
		-			-	-
3,896	4,945	15,444	1,337	2,202	3,539	18,983
		-			-	-
		8			-	8
3,896	4,945	15,452	1,337	2,202	3,539	18,991
$ 3,896	$ 4,945	$ 47,098	$ 1,337	$ 2,202	$ 3,539	$ 50,637

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Capital Projects Funds Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
ASSETS			
Cash and cash equivalents	$ 133,167	$	$ 5,523
Investments			
Receivables:			
Taxes			
Accounts			
Grants		1,088	
Loans			
Accrued interest	9		
Assessments			
Receivables, net	9	1,088	-
Due from other funds			
Due from other governments			
Inventory of supplies			
TOTAL ASSETS	$ 133,176	$ 1,088	$ 5,523
LIABILITIES			
Accounts payable	$ 2,717	$	$ 4,099
Accrued wages and benefits			
Due to other governments	729		
Unearned revenue		984	
Due to other funds		104	
Total liabilities	3,446	1,088	4,099
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow			
Total deferred inflows of resouces	-	-	-
FUND BALANCE			
Nonspendable			
Restricted	129,730		1,424
Committed			
Assigned			
Total fund balances	129,730	-	1,424
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 133,176	$ 1,088	$ 5,523

Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$ 940	$ 3,597	$ 143,227	$ 282,904
		-	1,522
		-	35,481
		-	1
		1,088	6,803
		-	184,724
		9	12
		-	4,273
-	-	1,097	231,294
		-	7,943
		-	20,531
		-	1,387
$ 940	$ 3,597	$ 144,324	$ 545,581
$ 4	$	$ 6,820	$ 8,663
		-	1,678
		729	97,295
		984	13,799
		104	9,516
4	-	8,637	130,951
		-	53,591
-	-	-	53,591
		-	1,387
936	3,597	135,687	268,905
		-	90,739
		-	8
936	3,597	135,687	361,039
$ 940	$ 3,597	$ 144,324	$ 545,581

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
REVENUES:				
Income taxes	$	$ 37,070	$	$ 37,070
Property taxes				-
Other shared revenues	13,288		5,861	19,149
Licenses and permits	1,134			1,134
Charges for services	16		250	266
Fines, forfeits and settlements				-
Investment earnings	1	28	22	51
Grants				-
Contributions				-
Miscellaneous	137			137
Total revenues	14,576	37,098	6,133	57,807
EXPENDITURES:				
Current:				
General Government				-
Public Works	20,445		788	21,233
Public Safety				-
Community Development				-
Building and Housing				-
Public Health				-
Economic Development				-
Capital outlay		5,912		5,912
Inception of capital lease				-
Debt service:				
Principal retirement		4,257		4,257
Interest		1,008		1,008
General Government				-
Other		1,074		1,074
Total expenditures	20,445	12,251	788	33,484
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,869)	24,847	5,345	24,323
OTHER FINANCING SOURCES (USES):				
Transfers in	6,460		9,700	16,160
Transfers out		(27,545)	(9,484)	(37,029)
Issuance of debt				-
Premium on bonds				-
Discount on bonds				-
Payment to refund bonds				-
Issuance of refunding bonds				-
Total other financing sources (uses)	6,460	(27,545)	216	(20,869)
NET CHANGE IN FUND BALANCES	591	(2,698)	5,561	3,454
FUND BALANCES AT BEGINNING OF YEAR	2,133	14,771	17,916	34,820
FUND BALANCES AT END OF YEAR	$ 2,724	$ 12,073	$ 23,477	$ 38,274

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
$	$	$	$	$	$	$	$ 4
			63	10,053			1,663
626	181						1,418
							3,549
26	39			11			34
23,805	8,999	1,950		4,971	2,513	1,896	1,870
							1
474	356	285	3,025	1,490		7	243
24,931	9,575	2,235	3,088	16,525	2,513	1,903	8,782
						1,903	4,866
24,606	9,827				2,513		
		2,275					
			5,041	16,672			
325			183	20			2,068
24,931	9,827	2,275	5,224	16,692	2,513	1,903	6,934
-	(252)	(40)	(2,136)	(167)	-	-	1,848
		250		3,804			119
			(250)	(684)			
-	-	250	(250)	3,120	-	-	119
	(252)	210	(2,386)	2,953	-	-	1,967
	7,957	210	58,546	18,147			18,832
$ -	$ 7,705	$ 420	$ 56,160	$ 21,100	$ -	$ -	$ 20,799

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted				
	Public Works Funds	Public Safety Funds	Public Health Funds	Cleveland Stadium Debt Service Fund	Gateway Shared Income Tax Funds
REVENUES:					
Income taxes	$	$	$	$	$
Property taxes					
Other shared revenues					
Licenses and permits			1,224		
Charges for services	107		10		
Fines, forfeits and settlements		2,031			
Investment earnings	2		2	10	
Grants	1,195	4,124	10,633		
Contributions					
Miscellaneous	25	1,490	407		
Total revenues	1,329	7,645	12,276	10	-
EXPENDITURES:					
Current:					
General Government					
Public Works	1,256				
Public Safety		8,668			
Community Development					
Building and Housing					
Public Health			12,118		
Economic Development					
Capital outlay	37	103			
Inception of capital lease					
Debt service:					
Principal retirement				5,890	
Interest				2,930	
General Government					
Other					
Total expenditures	1,293	8,771	12,118	8,820	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36	(1,126)	158	(8,810)	-
OTHER FINANCING SOURCES (USES):					
Transfers in				9,325	
Transfers out					
Issuance of debt					
Premium on bonds					
Discount on bonds					
Payment to refund bonds					
Issuance of refunding bonds					-
Total other financing sources (uses)	-	-	-	9,325	-
NET CHANGE IN FUND BALANCES	36	(1,126)	158	515	-
FUND BALANCES AT BEGINNING OF YEAR	1,095	8,127	488	8,156	
FUND BALANCES AT END OF YEAR	$ 1,131	$ 7,001	$ 646	$ 8,671	$ -

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$	$	$	$ 4	$ 37,074
			-	-
127	353		12,259	31,408
			1,224	2,358
			2,342	2,608
			5,580	5,580
17	35		176	227
		7,885	69,841	69,841
			1	1
	800		8,602	8,739
144	1,188	7,885	100,029	157,836
			6,769	6,769
			1,256	22,489
			8,668	8,668
			36,946	36,946
			2,275	2,275
			12,118	12,118
1,221	27	7,885	30,846	30,846
			2,736	8,648
			5,890	10,147
			2,930	3,938
			-	-
			-	1,074
1,221	27	7,885	110,434	143,918
(1,077)	1,161	-	(10,405)	13,918
			13,498	29,658
(5,522)	(5,414)		(11,870)	(48,899)
			-	-
			-	-
			-	-
			-	-
			-	-
(5,522)	(5,414)	-	1,628	(19,241)
(6,599)	(4,253)	-	(8,777)	(5,323)
21,709	33,597		176,864	211,684
$ 15,110	$ 29,344	$ -	$ 168,087	$ 206,361

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Debt Service Funds - Budgeted				
	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Lower Euclid Avenue TIF	Core City Bonds
REVENUES:					
Income taxes	$	$	$	$	$
Property taxes	16,849				
Other shared revenues	5,161				
Licenses and permits					
Charges for services					
Fines, forfeits and settlements					
Investment earnings	6		2		
Grants					
Contributions					
Miscellaneous					
Total revenues	22,016	-	2	-	-
EXPENDITURES:					
Current:					
General Government					
Public Works					
Public Safety					
Community Development					
Building and Housing					
Public Health					
Economic Development					
Capital outlay					
Inception of capital lease					
Debt service:					
Principal retirement	24,985	1,170	3,265	155	1,570
Interest	13,378	332	2,336	148	577
General Government		139			204
Other					
Total expenditures	38,363	1,641	5,601	303	2,351
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,347)	(1,641)	(5,599)	(303)	(2,351)
OTHER FINANCING SOURCES (USES):					
Transfers in	16,002	1,502	5,671	667	2,452
Transfers out					
Issuance of debt					
Premium on bonds		878			
Discount on bonds					(13)
Payment to refund bonds and notes		(8,479)			(12,156)
Issuance of refunding bonds		7,745			12,365
Total other financing sources (uses)	16,002	1,646	5,671	667	2,648
NET CHANGE IN FUND BALANCES	(345)	5	72	364	297
FUND BALANCES AT BEGINNING OF YEAR	3,426	3	2,594	492	3,599
FUND BALANCES AT END OF YEAR	$ 3,081	$ 8	$ 2,666	$ 856	$ 3,896

		Debt Service Funds Non-Budgeted			
Subordinate Lien Income Tax Fund	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
$	$ -	$	$	$ -	$ -
	16,849			-	16,849
	5,161			-	5,161
	-			-	-
	-			-	-
	-			-	-
6	14			-	14
	-			-	-
	-			-	-
506	506	1,077		1,077	1,583
512	22,530	1,077	-	1,077	23,607
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
5,355	36,500	640		640	37,140
7,000	23,771	226		226	23,997
	343			-	343
	-			-	-
12,355	60,614	866	-	866	61,480
(11,843)	(38,084)	211	-	211	(37,873)
13,951	40,245			-	40,245
	-			-	-
	-			-	-
	878			-	878
	(13)			-	(13)
	(20,635)			-	(20,635)
	20,110			-	20,110
13,951	40,585	-	-	-	40,585
2,108	2,501	211		211	2,712
2,837	12,951	1,126	2,202	3,328	16,279
$ 4,945	$ 15,452	$ 1,337	$ 2,202	$ 3,539	$ 18,991

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Capital Projects Funds		
	Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
REVENUES:			
Income taxes	$	$	$
Property taxes			
Other shared revenues			219
Licenses and permits			
Charges for services			
Fines, forfeits and settlements			
Investment earnings	97		7
Grants		40,388	
Contributions			2,570
Miscellaneous		4	
Total revenues	97	40,392	2,796
EXPENDITURES:			
Current:			
General Government	22		
Public Works			
Public Safety			
Community Development			
Building and Housing			
Public Health			
Economic Development			
Capital outlay	44,670	40,392	4,165
Inception of capital lease			
Debt service:			
Principal retirement			
Interest			
General Government	771		
Other			
Total expenditures	45,463	40,392	4,165
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(45,366)	-	(1,369)
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out	(2,408)		
Issuance of debt	69,200		
Premium on bonds	5,788		
Discount on bonds			
Payment to refund bonds			
Issuance of refunding bonds			
Total other financing sources (uses)	72,580	-	-
NET CHANGE IN FUND BALANCES	27,214	-	(1,369)
FUND BALANCES AT BEGINNING OF YEAR	102,516		2,793
FUND BALANCES AT END OF YEAR	$ 129,730	$ -	$ 1,424

Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$	$ -	$ 37,074
		-	16,849
		219	36,788
		-	2,358
		-	2,608
		-	5,580
2	4	110	351
		40,388	110,229
		2,570	2,571
		4	10,326
2	4	43,291	224,734
		22	6,791
		-	22,489
		-	8,668
		-	36,946
		-	2,275
		-	12,118
		-	30,846
	2,277	91,504	100,152
6,044		6,044	6,044
215		215	47,502
		-	27,935
		771	1,114
3		3	1,077
6,262	2,277	98,559	303,957
(6,260)	(2,273)	(55,268)	(79,223)
	2,159	2,159	72,062
		(2,408)	(51,307)
		69,200	69,200
		5,788	6,666
		-	(13)
		-	(20,635)
		-	20,110
-	2,159	74,739	96,083
(6,260)	(114)	19,471	16,860
7,196	3,711	116,216	344,179
$ 936	$ 3,597	$ 135,687	$ 361,039

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Division of Streets			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues	12,708	12,708	13,081	373
Licenses and permits	894	894	1,100	206
Charges for services	5,855	5,855	4,123	(1,732)
Investment earnings			1	1
Miscellaneous			137	137
Total revenues	19,457	19,457	18,442	(1,015)
EXPENDITURES:				
Public Works:				
Personnel	15,154	15,954	15,135	819
Other	12,294	11,494	10,069	1,425
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	27,448	27,448	25,204	2,244
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,991)	(7,991)	(6,762)	1,229
OTHER FINANCING SOURCES (USES):				
Transfers in	7,975	7,975	6,460	(1,515)
Transfers out				-
Total other financing sources (uses)	7,975	7,975	6,460	(1,515)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(16)	(16)	(302)	(286)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			288	288
FUND BALANCES AT BEGINNING OF YEAR	16	16	16	-
FUND BALANCES AT END OF YEAR	$ -	$ -	$ 2	$ 2

Restricted Income Tax				Rainy Day Reserve Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$ 37,034	$ 37,034	$ 37,140	$ 106	$	$	$	$ -
			-				-
			-				-
			-				-
40	40	28	(12)	65	65	52	(13)
			-				-
37,074	37,074	37,168	94	65	65	52	(13)
			-				-
			-				-
4,381	4,381	4,547	(166)				-
5,497	5,497	5,331	166				-
1,008	1,008	1,008	-				-
10,886	10,886	10,886	-	-	-	-	-
26,188	26,188	26,282	94	65	65	52	(13)
			-				-
(27,545)	(27,545)	(27,545)	-				-
(27,545)	(27,545)	(27,545)	-	-	-	-	-
(1,357)	(1,357)	(1,263)	94	65	65	52	(13)
		10	10				-
1,357	1,357	1,357	-	18,623	18,623	18,623	-
$ -	$ -	$ 104	$ 104	$ 18,688	$ 18,688	$ 18,675	$ (13)

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Schools Recreation and Cultural Activities			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues				-
Licenses and permits				-
Charges for services				-
Investment earnings				-
Miscellaneous				-
Total revenues	-	-	-	-
EXPENDITURES:				
Public Works:				
Personnel				-
Other	1,175	1,175	1,125	50
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	1,175	1,175	1,125	50
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,175)	(1,175)	(1,125)	50
OTHER FINANCING SOURCES (USES):				
Transfers in	1,175	1,175	1,125	(50)
Transfers out				-
Total other financing sources (uses)	1,175	1,175	1,125	(50)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				-
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES				-
FUND BALANCES AT BEGINNING OF YEAR				-
FUND BALANCES AT END OF YEAR	$ -	$ -	$ -	$ -

Cleveland Stadium Operations Original Budget	Cleveland Stadium Operations Revised Budget	Cleveland Stadium Operations Actual	Cleveland Stadium Operations Variance- Positive (Negative)	Totals Original Budget	Totals Revised Budget	Totals Actual	Totals Variance- Positive (Negative)
$	$	$	$ -	$ 37,034	$ 37,034	$ 37,140	$ 106
5,861	5,861	5,861	-	18,569	18,569	18,942	373
			-	894	894	1,100	206
250	250	250	-	6,105	6,105	4,373	(1,732)
		22	22	105	105	103	(2)
			-	-	-	137	137
6,111	6,111	6,133	22	62,707	62,707	61,795	(912)
			-	15,154	15,954	15,135	819
805	805	781	24	14,274	13,474	11,975	1,499
			-	4,381	4,381	4,547	(166)
			-	5,497	5,497	5,331	166
			-	1,008	1,008	1,008	-
805	805	781	24	40,314	40,314	37,996	2,318
5,306	5,306	5,352	46	22,393	22,393	23,799	1,406
10,113	10,113	9,700	(413)	19,263	19,263	17,285	(1,978)
(9,918)	(9,918)	(9,484)	434	(37,463)	(37,463)	(37,029)	434
195	195	216	21	(18,200)	(18,200)	(19,744)	(1,544)
5,501	5,501	5,568	67	4,193	4,193	4,055	(138)
			-	-	-	298	298
18,244	18,244	18,244	-	38,240	38,240	38,240	-
$ 23,745	$ 23,745	$ 23,812	$ 67	$ 42,433	$ 42,433	$ 42,593	$ 160

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Property taxes	$ 17,674	$ 17,690	$ 16,846	$ (844)
Other shared revenues	5,166	5,166	5,161	(5)
Investment earnings	12	10	6	(4)
Miscellaneous				-
Total revenues	22,852	22,866	22,013	(853)
EXPENDITURES:				
Principal retirement	24,985	24,985	24,985	-
Interest	13,378	13,378	13,378	-
General Government				-
Total expenditures	38,363	38,363	38,363	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,511)	(15,497)	(16,350)	(853)
OTHER FINANCING SOURCES (USES):				
Transfers in:				
From other subfunds			2	2
Restricted income tax fund	16,000	16,000	16,000	-
Transfers out:				
To other subfunds				-
Premium from Bonds and Notes				-
Proceeds from the Sale of Debt				-
Discount from Bonds and Notes				-
Payment to refund bonds and notes				-
Total other financing sources (uses)	16,000	16,000	16,002	2
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	489	503	(348)	(851)
FUND BALANCES AT BEGINNING OF YEAR	3,426	3,426	3,426	-
FUND BALANCES AT END OF YEAR	$ 3,915	$ 3,929	$ 3,078	$ (851)

Stadium Bond Fund				Subordinated Income Tax Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$	$	$	$ -
			-				-
1	1		(1)	3	3	2	(1)
			-				-
1	1	-	(1)	3	3	2	(1)
1,170	1,170	1,170	-	3,265	3,265	3,265	-
460	457	332	125	2,336	2,336	2,336	-
	200	139	61				-
1,630	1,827	1,641	186	5,601	5,601	5,601	-
(1,629)	(1,826)	(1,641)	185	(5,598)	(5,598)	(5,599)	(1)
1,630	1,627	1,502	(125)	5,671	5,671	5,671	-
			-				-
			-				-
	878	878	-				-
9,200	8,000	7,745	(255)				-
			-				-
(9,200)	(8,650)	(8,479)	171				-
1,630	1,855	1,646	(209)	5,671	5,671	5,671	-
1	29	5	(24)	73	73	72	(1)
3	3	3	-	2,594	2,594	2,594	-
$ 4	$ 32	$ 8	$ (24)	$ 2,667	$ 2,667	$ 2,666	$ (1)

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Lower Euclid Avenue TIF				Core City Bonds			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:								
Property taxes	$	$	$	$ -	$	$	$	$ -
Other shared revenues				-				-
Investment earnings				-	1	1		(1)
Miscellaneous				-				-
Total revenues	-	-	-	-	1	1	-	(1)
EXPENDITURES:								
Principal retirement	155	155	155	-	1,570	1,570	1,570	-
Interest	148	148	148	-	1,036	1,035	577	458
General Government				-	15	216	204	12
Total expenditures	303	303	303	-	2,621	2,821	2,351	470
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(303)	(303)	(303)	-	(2,620)	(2,820)	(2,351)	469
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	303	663	667	4	4,244	2,493	2,452	(41)
Restricted income tax fund				-				-
Transfers out:								
To other subfunds				-	(1,755)	(1,755)		1,755
Premium from Bonds and Notes				-				-
Proceeds from the Sale of Debt				-	13,000	12,760	12,365	(395)
Discount from Bonds and Notes				-			(13)	(13)
Payment to refund bonds and notes				-	(13,000)	(13,150)	(12,156)	994
Total other financing sources (uses)	303	663	667	4	2,489	348	2,648	2,300
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	360	364	4	(131)	(2,472)	297	2,769
FUND BALANCES AT BEGINNING OF YEAR	492	492	492	-	3,599	3,599	3,599	-
FUND BALANCES AT END OF YEAR	$ 492	$ 852	$ 856	$ 4	$ 3,468	$ 1,127	$ 3,896	$ 2,769

Subordinate Lien Income Tax Bonds				Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$ 17,674	$ 17,690	$ 16,846	$ (844)
			-	5,166	5,166	5,161	(5)
6	8	6	(2)	23	23	14	(9)
506	506	506	-	506	506	506	-
512	514	512	(2)	23,369	23,385	22,527	(858)
5,355	5,355	5,355	-	36,500	36,500	36,500	-
7,617	7,617	7,000	617	24,975	24,971	23,771	1,200
			-	15	416	343	73
12,972	12,972	12,355	617	61,490	61,887	60,614	1,273
(12,460)	(12,458)	(11,843)	615	(38,121)	(38,502)	(38,087)	415
1,300	2,405	2,406	1	13,148	12,859	12,700	(159)
10,713	11,545	11,545	-	26,713	27,545	27,545	-
			-	(1,755)	(1,755)	-	1,755
			-	-	878	878	-
			-	22,200	20,760	20,110	(650)
			-	-	-	(13)	(13)
			-	(22,200)	(21,800)	(20,635)	1,165
12,013	13,950	13,951	1	38,106	38,487	40,585	2,098
(447)	1,492	2,108	616	(15)	(15)	2,498	2,513
2,837	2,837	2,837	-	12,951	12,951	12,951	-
$ 2,390	$ 4,329	$ 4,945	$ 616	$ 12,936	$ 12,936	$ 15,449	$ 2,513

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CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private sector businesses where the intent of the governing body is that the expense (including depreciation) of providing goods or services primarily or solely to the general public be financed or recovered primarily through user charges. The City's nonmajor Enterprise Funds are as follows:

Water Pollution Control	The Division of Water Pollution Control is a segment of the Department of Public Utilities of the City. The Division of Water Pollution Control was created for the purpose of providing sewage services to customers and to maintain the local sewer system of the City.
Public Auditorium	The Public Auditorium is a multi-purpose performing arts, entertainment and conference center. It was constructed in the grand opera tradition and features a spacious 21,780 square foot registration lobby, a 10,000 seat auditorium, the 3,000 seat Cleveland Music Hall and 600 seat Little Theater.
West Side Market	The West Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.
East Side Market	The East Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.
Municipal Parking Lots	The Division of Parking was established to provide municipal parking within the City's limits.
Cemeteries	The Division of Cemeteries was established to provide interment and cremation services for the City and its neighboring communities.
Golf Courses	The Golf Course Division was established to provide the City and neighboring communities with recreational facilities for golfing and cross country skiing. Currently, both City golf courses are being leased out. Seneca is being leased by Cleveland Metroparks and Highland is leased by Mark A Nance Golf Ohio.

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
ASSETS			
Current assets:			
Cash and cash equivalents	$ 49,853	$ 41	$ 1,603
Receivables:			
Accounts	89,560	165	
Unbilled revenue	2,888		
Less: Allowance for doubtful accounts	(2,687)	(67)	
Receivables, net	89,761	98	-
Due from other funds	288	6	3
Inventory of supplies	412		
Total current assets	140,314	145	1,606
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	393		
Total restricted assets	393	-	-
Capital assets:			
Land	297	4,261	198
Land improvements			
Utility plant	142,919		
Buildings, structures and improvements	8,963	21,218	13,234
Furniture, fixtures, equipment and vehicles	15,361	1,143	1,722
Construction in progress	10,216	4,506	1,841
Less: Accumulated depreciation	(107,218)	(21,356)	(8,537)
Total capital assets, net	70,538	9,772	8,458
Total noncurrent assets	70,931	9,772	8,458
TOTAL ASSETS	211,245	9,917	10,064
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding			
Total deferred outflows of resources	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 211,245	$ 9,917	$ 10,064

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 28	$ 4,938	$ 113	$ 134	$ 56,710
	21			89,746
				2,888
				(2,754)
-	21	-	-	89,880
	43			340
	22	7		441
28	5,024	120	134	147,371
	8,804	5,449		14,646
-	8,804	5,449	-	14,646
413	5,478	1,259	1,822	13,728
484	1,256	2,096	4,033	7,869
				142,919
2,400	54,167	6,148	1,815	107,945
450	1,252	709	479	21,116
	789	5,090	150	22,592
(2,524)	(28,224)	(3,968)	(4,957)	(176,784)
1,223	34,718	11,334	3,342	139,385
1,223	43,522	16,783	3,342	154,031
1,251	48,546	16,903	3,476	301,402
	1,537			1,537
-	1,537	-	-	1,537
$ 1,251	$ 50,083	$ 16,903	$ 3,476	$ 302,939

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
LIABILITIES			
Current liabilities:			
Accounts payable	$ 1,450	$ 174	$ 130
Accrued wages and benefits	1,204	99	37
Due to other funds	14,237	60	54
Due to other governments	95,744		
Accrued interest payable			
Current portion of long-term obligations	515		
Total current liabilities	113,150	333	221
Long-term liabilities:			
Accrued wages and benefits	140	18	4
Construction loans payable	753		
Revenue bonds payable			
Total liabilities	114,043	351	225
DEFERRED INFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps			
Total deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	69,270	9,772	8,458
Restricted for capital projects	45		
Restricted for debt service			
Unrestricted	27,887	(206)	1,381
Total net position	97,202	9,566	9,839
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 211,245	$ 9,917	$ 10,064

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 6	$ 260	$ 4	$	$ 2,024
	85	110	5	1,540
	169	19	3	14,542
	231			95,975
	396			396
	2,770			3,285
6	3,911	133	8	117,762
	18	23		203
				753
	24,546			24,546
6	28,475	156	8	143,264
	184			184
-	184	-	-	184
1,223	12,131	11,334	3,342	115,530
				45
	5,596			5,596
22	3,697	5,413	126	38,320
1,245	21,424	16,747	3,468	159,491
$ 1,251	$ 50,083	$ 16,903	$ 3,476	$ 302,939

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION-NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
OPERATING REVENUES:			
Charges for services	$ 22,547	$ 1,008	$ 1,302
Total operating revenue	22,547	1,008	1,302
OPERATING EXPENSES:			
Operations	10,670	2,669	1,069
Maintenance	8,459	21	20
Depreciation	5,579	62	660
Total operating expenses	24,708	2,752	1,749
OPERATING INCOME (LOSS)	(2,161)	(1,744)	(447)
NON-OPERATING REVENUE (EXPENSES):			
Investment income	54		4
Interest expense	(61)		
Other revenues (expenses)	86		
Total non-operating revenues (expenses)	79	-	4
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,082)	(1,744)	(443)
Capital contributions		439	1,848
Transfers in		1,471	
CHANGE IN NET POSITION	(2,082)	166	1,405
NET POSITION AT BEGINNING OF YEAR	99,284	9,400	8,434
NET POSITION AT END OF YEAR	$ 97,202	$ 9,566	$ 9,839

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 7,916	$ 1,503	$	$ 34,276
-	7,916	1,503	-	34,276
29	4,021	1,461	9	19,928
	97	1	18	8,616
60	1,360	325	126	8,172
89	5,478	1,787	153	36,716
(89)	2,438	(284)	(153)	(2,440)
	184	44		286
	(1,588)			(1,649)
			59	145
-	(1,404)	44	59	(1,218)
(89)	1,034	(240)	(94)	(3,658)
	441	140	142	3,010
12		133		1,616
(77)	1,475	33	48	968
1,322	19,949	16,714	3,420	158,523
$ 1,245	$ 21,424	$ 16,747	$ 3,468	$ 159,491

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 21,361	$ 1,072	$ 1,294
Cash payments to suppliers for goods or services	(7,205)	(1,202)	(748)
Cash payments to employees for services	(9,704)	(1,356)	(354)
Agency activity on behalf of other sewer authorities	5,856		
Net cash provided by (used for) operating activities	10,308	(1,486)	192
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds		1,471	
Cash received for royalties			
Net cash provided by (used for) noncapital financing activities	-	1,471	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(7,235)		
Principal paid on long-term debt	(545)		
Interest paid on long-term debt	(61)		
Net cash provided by (used for) capital and related financing activities	(7,841)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturity of investment securities			
Interest received on investments	54		4
Net cash provided by (used for) investing activities	54	-	4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,521	(15)	196
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,725	56	1,407
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 50,246	$ 41	$ 1,603

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 8,403	$ 1,502	$	$ 33,632
(26)	(3,488)	(426)	(18)	(13,113)
	(1,043)	(1,202)	(20)	(13,679)
				5,856
(26)	3,872	(126)	(38)	12,696
12		133		1,616
			59	59
12	-	133	59	1,675
	(322)	(552)		(8,109)
	(2,645)			(3,190)
	(1,472)			(1,533)
-	(4,439)	(552)	-	(12,832)
		5,952		5,952
	1	44		103
-	1	5,996	-	6,055
(14)	(566)	5,451	21	7,594
42	14,308	111	113	63,762
$ 28	$ 13,742	$ 5,562	$ 134	$ 71,356

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (2,161)	$ (1,744)	$ (447)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	5,579	62	660
Changes in assets and liabilities:			
Receivables, net	(275)	62	
Due from other funds	941	3	
Inventory of supplies	(49)		
Accounts payable	(272)	86	1
Accrued wages and benefits	(184)	9	(13)
Due to other funds	1,938	36	(9)
Due to other governments	4,791		
Total adjustments	12,469	258	639
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 10,308	$ (1,486)	$ 192
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of capital assets		$ 439	$ 1,848

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ (89)	$ 2,438	$ (284)	$ (153)	$ (2,440)
60	1,360	325	126	8,172
	(8)	2		(219)
	26			970
	123	(5)		69
3	(23)	(156)		(361)
	(27)	(16)	(11)	(242)
	(22)	8		1,951
	5			4,796
63	1,434	158	115	15,136
$ (26)	$ 3,872	$ (126)	$ (38)	$ 12,696
	$ 441	$ 140	$ 142	$ 3,010

(Concluded)

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other departments of the City on a cost-reimbursement basis. The City's Internal Service Funds are described below:

Motor Vehicle Maintenance	The Division of Motor Vehicle Maintenance was established to provide centralized maintenance, repairs and fueling of certain City vehicles.
Printing and Reproduction	The Division of Printing and Reproduction was established to provide printing and reproduction services for all City divisions.
City Storeroom and Warehouse	The City's Storeroom and Warehouse Division provides centralized mailroom service.
Utilities Administration	The Division of Utilities Administration was established to provide administrative assistance to the Department of Public Utilities.
Sinking Fund Administration	The Sinking Fund Administration Fund was established to account for personnel and other operating expenditures related to the administration of the Debt Service Fund.
Municipal Income Tax Administration	The Municipal Income Tax Administration Fund was established to account for operating expenditures related to the collection of municipal income tax for Cleveland and other municipalities.
Telephone Exchange	The Division of Telephone Exchange was established to operate the communications system for the City at minimal cost.
Radio Communications	The Office of Radio Communications was established to operate the 800MHZ radio communication system.
Workers' Compensation Reserve	The Workers' Compensation Reserve was established to account for liabilities related to workers' compensation claims under the retrospective rating policy.
Health Self Insurance Fund	The Health Self Insurance Fund was established to account for liabilities related to health insurance claims.
Prescription Self Insurance Fund	The Prescription Self Insurance Fund was established to account for liabilities related to prescription drug claims.

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,675	$ 746	$ 73	$ 985
Receivables:				
Accounts				
Due from other funds	1,390	169	37	
Inventory of supplies	843	117		
Prepaid expenses and other assets				8
Total current assets	4,908	1,032	110	993
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	3,131	884		
Furniture, fixtures, equipment and vehicles	9,729	1,167		1,270
Less: Accumulated depreciation	(10,716)	(1,272)		(1,067)
Total capital assets, net	2,953	779	-	203
Total noncurrent assets	2,953	779	-	203
TOTAL ASSETS	$ 7,861	$ 1,811	$ 110	$ 1,196

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 70	$ 2,129	$ 312	$ 2,953	$ 8,672	$ 6,098	$ 250	$ 24,963
		3	12				15
28		1,201	206	5,248	3,976	944	13,199
							960
							8
98	2,129	1,516	3,171	13,920	10,074	1,194	39,145
							663
							146
			112				4,127
	220	153	118				12,657
	(70)	(122)	(39)				(13,286)
-	150	31	191	-	-	-	4,307
-	150	31	191	-	-	-	4,307
$ 98	$ 2,279	$ 1,547	$ 3,362	$ 13,920	$ 10,074	$ 1,194	$ 43,452

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2014
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities:				
Accounts payable	$ 687	$ 86	$ 2	$ 39
Accrued wages and benefits	581	108	6	690
Claims payable				
Due to other funds	95	36		72
Due to other governments				
Total current liabilities	1,363	230	8	801
Long-term liabilities:				
Accrued wages and benefits	155	24	2	162
Total liabilities	1,518	254	10	963
NET POSITION				
Net investment in capital assets	2,953	779		203
Unrestricted	3,390	778	100	30
Total net position	6,343	1,557	100	233
TOTAL LIABILITIES AND NET POSITION	$ 7,861	$ 1,811	$ 110	$ 1,196

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 3	$ 268	$ 363	$ 252	$	$	$	$ 1,700
18	611	130	49				2,193
					12,113	1,863	13,976
1	109	12	9				334
	1,193		6				1,199
22	2,181	505	316	-	12,113	1,863	19,402
7	98	38	20	13,920			14,426
29	2,279	543	336	13,920	12,113	1,863	33,828
	150	31	191				4,307
69	(150)	973	2,835		(2,039)	(669)	5,317
69	-	1,004	3,026	-	(2,039)	(669)	9,624
$ 98	$ 2,279	$ 1,547	$ 3,362	$ 13,920	$ 10,074	$ 1,194	$ 43,452

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
OPERATING REVENUES:				
Charges for services	$ 19,271	$ 2,346	$ 513	$ 8,250
Total operating revenue	19,271	2,346	513	8,250
OPERATING EXPENSES:				
Operations	18,238	2,140	484	8,465
Maintenance	1,155	89		92
Depreciation	443	64		131
Total operating expenses	19,836	2,293	484	8,688
OPERATING INCOME (LOSS)	(565)	53	29	(438)
NON-OPERATING REVENUES (EXPENSES):				
Investment income	8	2		3
Loss on disposal of capital assets	(1)			
Total non-operating revenues (expenses)	7	2	-	3
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(558)	55	29	(435)
Capital contributions	292			
Transfers in				
CHANGE IN NET POSITION	(266)	55	29	(435)
NET POSITION AT BEGINNING OF YEAR	6,609	1,502	71	668
NET POSITION AT END OF YEAR	$ 6,343	$ 1,557	$ 100	$ 233

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 128	$ 8,659	$ 6,751	$ 3,220	$ 1,132	$ 41,019	$ 9,113	$ 100,402
128	8,659	6,751	3,220	1,132	41,019	9,113	100,402
656	8,508	5,573	1,135	1,132	43,058	9,782	99,171
	128	155	401				2,020
	30	5	12				685
656	8,666	5,733	1,548	1,132	43,058	9,782	101,876
(528)	(7)	1,018	1,672	-	(2,039)	(669)	(1,474)
	7	1	7				28
							(1)
-	7	1	7	-	-	-	27
(528)	-	1,019	1,679	-	(2,039)	(669)	(1,447)
							292
491							491
(37)	-	1,019	1,679	-	(2,039)	(669)	(664)
106		(15)	1,347				10,288
$ 69	$ -	$ 1,004	$ 3,026	$ -	$ (2,039)	$ (669)	$ 9,624

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 19,523	$ 2,330	$ 516
Cash payments to suppliers for goods or services	(14,113)	(1,493)	(424)
Cash payments to employees for services	(5,183)	(799)	(59)
Net cash provided by (used for) operating activities	227	38	33
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds			
Net cash provided by (used for) noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets			
Net cash provided by (used for) capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	8	2	
Net cash provided by investing activities	8	2	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	235	40	33
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,440	706	40
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,675	$ 746	$ 73
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (565)	$ 53	$ 29
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	443	64	
Change in assets and liabilities:			
Receivables, net			
Due from other funds	251	(15)	2
Due from other governments			
Inventory of supplies	256	4	
Prepaid expenses			
Accounts payable	(202)	(98)	2
Accrued wages and benefits	(16)	25	
Due to other funds	60	5	
Due to other governments			
Total adjustments	792	(15)	4
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 227	$ 38	$ 33
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of capital assets	$ 292		

Utilities Administration	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 8,250	$ 125	$ 8,853	$ 6,528	$ 3,278	$ 802	$ 37,043	$ 8,169	$ 95,417
(1,176)	(467)	(3,081)	(5,380)	(1,135)		(30,945)	(7,919)	(66,133)
(7,141)	(188)	(5,296)	(1,232)	(432)				(20,330)
(67)	(530)	476	(84)	1,711	802	6,098	250	8,954
	491							491
-	491	-	-	-	-	-	-	491
(76)		(60)	(36)	(93)				(265)
(76)	-	(60)	(36)	(93)	-	-	-	(265)
3		7	1	7				28
3	-	7	1	7	-	-	-	28
(140)	(39)	423	(119)	1,625	802	6,098	250	9,208
1,125	109	1,706	431	1,328	7,870			15,755
$ 985	$ 70	$ 2,129	$ 312	$ 2,953	$ 8,672	$ 6,098	$ 250	$ 24,963
$ (438)	$ (528)	$ (7)	$ 1,018	$ 1,672	$	$ (2,039)	$ (669)	$ (1,474)
131		30	5	12				685
			(3)	(12)				(15)
	(3)		(219)	69	1,935	(3,976)	(944)	(2,900)
								260
4								4
4	1	123	(897)	(41)				(1,108)
166	(1)	99		3	(1,133)	12,113	1,863	13,119
66	1	36	12	6				186
		195		2				197
371	(2)	483	(1,102)	39	802	8,137	919	10,428
$ (67)	$ (530)	$ 476	$ (84)	$ 1,711	$ 802	$ 6,098	$ 250	$ 8,954

$ 292

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CITY OF CLEVELAND, OHIO

AGENCY FUNDS

Agency Funds are used to account for assets received and held by the City acting in the capacity of an agent or custodian. The City's Agency Funds are described below:

Municipal Courts	To account for assets received and disbursed by the Municipal Courts as agent or custodian related to Civil and Criminal Court matters.
Central Collection Agency	To account for the collection of the Municipal Income Tax for the City of Cleveland and any other municipalities that employ the Central Collection Agency as their agency.
Other Agencies	To account for miscellaneous assets held by the City for governmental units or individuals.

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	$ 3,243	$ 15,379	$ 13,864	$ 4,758
Total assets	$ 3,243	$ 15,379	$ 13,864	$ 4,758
LIABILITIES				
Due to others	$ 3,243	$ 15,379	$ 13,864	$ 4,758
Total liabilities	$ 3,243	$ 15,379	$ 13,864	$ 4,758
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	$ 4,927	$ 3,662	$ 4,927	$ 3,662
Taxes receivable	19,978	21,587	19,978	21,587
Due from other governments	1,373	1,653	1,373	1,653
Total assets	$ 26,278	$ 26,902	$ 26,278	$ 26,902
LIABILITIES				
Due to other governments	$ 26,278	$ 26,902	$ 26,278	$ 26,902
Total liabilities	$ 26,278	$ 26,902	$ 26,278	$ 26,902

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	$ 21,691	$ 283,664	$ 285,013	$ 20,342
Total assets	$ 21,691	$ 283,664	$ 285,013	$ 20,342
LIABILITIES				
Due to others	$ 21,691	$ 283,664	$ 285,013	$ 20,342
Total liabilities	$ 21,691	$ 283,664	$ 285,013	$ 20,342
TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 29,861	$ 302,705	$ 303,804	$ 28,762
Taxes receivable	19,978	21,587	19,978	21,587
Due from other governments	1,373	1,653	1,373	1,653
Total assets	$ 51,212	$ 325,945	$ 325,155	$ 52,002
LIABILITIES				
Due to other governments	$ 26,278	$ 26,902	$ 26,278	$ 26,902
Due to others	24,934	299,043	298,877	25,100
Total liabilities	$ 51,212	$ 325,945	$ 325,155	$ 52,002

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CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY TYPE*
DECEMBER 31, 2014
(Amounts in 000's)

Governmental Funds Capital Assets:	
Land	$ 66,058
Land improvements	171,768
Buildings, structures and improvements	711,129
Furniture, fixtures, equipment and vehicles	194,772
Infrastructure	677,538
Construction in progress	181,989
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,003,254

* This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2014
(Amounts in 000's)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Construction In Progress
General Government:							
General government	$ 344,110	$ 208	$ 1,484	$ 305,601	$ 24,924	$ 6,663	$ 5,230
City Hall	28,408	877		25,916		1,347	268
Engineering and construction	532,141		28,505		1,867	474,770	26,999
Justice Center	29,776			28,930	846		
Research, planning and development	49,035	903	39,786	4,326	61	2,997	962
Charles V. Carr Municipal Center	647		15	632			
Total general government	984,117	1,988	69,790	365,405	27,698	485,777	33,459
Public Works:							
Waste collection	35,187	499		9,263	23,412	1,460	553
Streets	273,828	1,540	11,602	14,393	20,245	161,538	64,510
Traffic engineering	5,327			813	2,297	2,200	17
Park maintenance and properties	116,927	37,385	24,727	18,796	16,258	316	19,445
Recreation	134,840	976	57,217	73,384	2,493		770
Other	124,870	2,669		108,485	968		12,748
Total public works	690,979	43,069	93,546	225,134	65,673	165,514	98,043
Public Safety:							
Police	158,081	4,805	573	59,791	52,662	162	40,088
Fire	66,550	1,663		30,901	33,535		451
Emergency medical service	17,417			1,090	10,622	5,614	91
Correction	7,603	264		6,570	746	23	
Dog pound	1,400			1,048	349		3
Total public safety	251,051	6,732	573	99,400	97,914	5,799	40,633
Public Health:							
Health and environment	13,793	1,112	208	10,746	1,667	56	4
Total public health	13,793	1,112	208	10,746	1,667	56	4
Community Development:							
Community development	45,876	7,130	7,376	9,384	1,382	15,807	4,797
Total community development	45,876	7,130	7,376	9,384	1,382	15,807	4,797
Economic Development:							
Economic development	13,049	6,027	275	740		1,004	5,003
Total economic development	13,049	6,027	275	740	-	1,004	5,003
Building and Housing:							
Building and housing	4,389			320	438	3,581	50
Total building and housing	4,389	-	-	320	438	3,581	50
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,003,254	$ 66,058	$ 171,768	$ 711,129	$ 194,772	$ 677,538	$ 181,989

* This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in 000's)

	Balance January 1, 2014	Additions	Deductions	Transfers	Balance December 31, 2014
General Government:					
General government	$ 342,285	$ 1,840	$ (28)	$ 13	$ 344,110
City Hall	28,402	6			28,408
Engineering and construction	522,297	9,844			532,141
Justice Center	29,776				29,776
Research, planning and development	49,025	10			49,035
Charles V. Carr Municipal Center	647				647
Total general government	972,432	11,700	(28)	13	984,117
Public Works:					
Waste collection	32,804	2,989		(606)	35,187
Streets	227,658	47,542	(1,371)	(1)	273,828
Traffic engineering	5,191	136			5,327
Park maintenance and properties	115,597	1,783	(212)	(241)	116,927
Recreation	129,405	5,457	(22)		134,840
Other	49,753	75,117			124,870
Total public works	560,408	133,024	(1,605)	(848)	690,979
Public Safety:					
Police	141,478	17,673	(941)	(129)	158,081
Fire	65,775	1,028	(309)	56	66,550
Emergency medical service	16,976	441			17,417
Correction	7,560	43			7,603
Dog pound	1,167	217		16	1,400
Total public safety	232,956	19,402	(1,250)	(57)	251,051
Public Health:					
Health and environment	13,795	20	(12)	(10)	13,793
Total public health	13,795	20	(12)	(10)	13,793
Community Development:					
Community development	45,841	35			45,876
Total community development	45,841	35	-	-	45,876
Economic Development:					
Economic development	12,992	57			13,049
Total economic development	12,992	57	-	-	13,049
Building and Housing:					
Building and housing	4,389				4,389
Total building and housing	4,389	-	-	-	4,389
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,842,813	$ 164,238	$ (2,895)	$ (902)	$ 2,003,254

* This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

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CITY OF CLEVELAND, OHIO
Statistical Section

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

City of Cleveland, Ohio

Net Position By Component

Last Ten Years

(Accrual Basis of Accounting)

(Amounts in 000's)

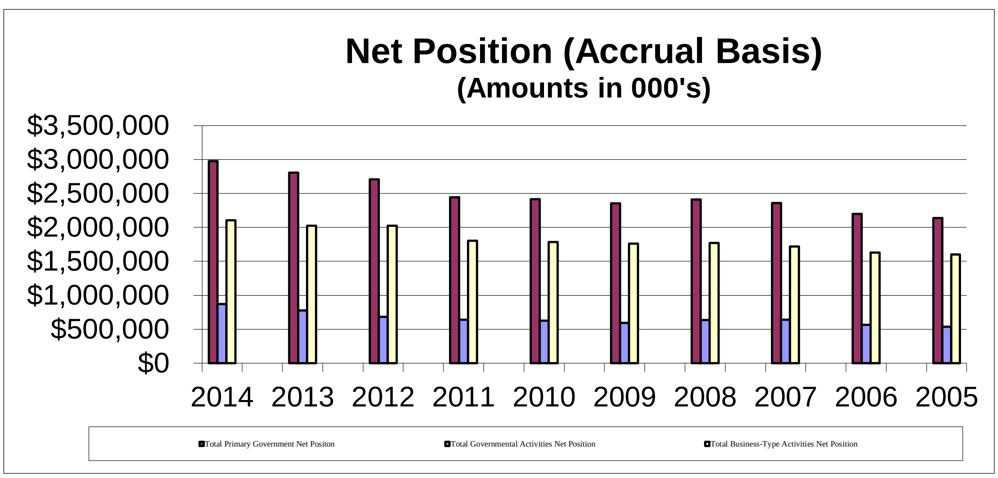
	2014	2013	2012	2011
Governmental Activities				
Net investment in capital assets	$ 828,002	$ 686,794	$ 572,213	$ 543,460
Restricted	152,360	145,729	122,488	117,765
Unrestricted	(110,650)	(53,448)	(12,383)	(19,771)
Total Governmental Activities Net Position	$ 869,712	$ 779,075	$ 682,318	$ 641,454
Business-Type Activities				
Net investment in capital assets	$ 1,335,195	$ 1,307,661	$ 1,303,584	$ 1,130,178
Restricted	244,937	244,196	227,826	234,050
Unrestricted	525,970	474,185	492,956	438,767
Total Business-Type Activities Net Position	$ 2,106,102	$ 2,026,042	$ 2,024,366	$ 1,802,995
Primary Government				
Net investment in capital assets	$ 2,163,197	$ 1,994,455	$ 1,875,797	$ 1,673,638
Restricted	397,297	389,925	350,314	351,815
Unrestricted	415,320	420,737	480,573	418,996
Total Primary Government Net Position	$ 2,975,814	$ 2,805,117	$ 2,706,684	$ 2,444,449

Note:

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. This statement changed the treatment of bond issuance costs to expense in the period incurred. Previously, the costs were recorded as assets and amortized over the life of the related debt issued. This change is reflected in the 2013 net position figures. The City did not restate prior years in this statisistical table.

In 2011 Water restated their capital assets due to entering into amended Water agreements with 21 member communities prior to 2011. As part of the agreements, ownership of distribution mains was transferred to the Division of Water. The City did not restate these figures in this statistical table.

2010	2009	2008	2007	2006	2005
$ 557,804	$ 561,586	$ 555,076	$ 484,758	$ 412,430	$ 395,600
159,942	166,280	179,318	214,811	211,361	193,529
(90,565)	(134,033)	(95,968)	(59,630)	(56,318)	(52,676)
$ 627,181	$ 593,833	$ 638,426	$ 639,939	$ 567,473	$ 536,453
$ 1,080,332	$ 1,016,182	$ 985,556	$ 957,587	$ 886,978	$ 838,164
243,511	275,907	272,613	252,514	247,802	287,039
462,397	469,010	512,876	506,745	496,624	474,875
$ 1,786,240	$ 1,761,099	$ 1,771,045	$ 1,716,846	$ 1,631,404	$ 1,600,078
$ 1,638,136	$ 1,577,768	$ 1,540,632	$ 1,442,345	$ 1,299,408	$ 1,233,764
403,453	442,187	451,931	467,325	459,163	480,568
371,832	334,977	416,908	447,115	440,306	422,199
$ 2,413,421	$ 2,354,932	$ 2,409,471	$ 2,356,785	$ 2,198,877	$ 2,136,531



City of Cleveland, Ohio
Changes in Net Position
Last Ten Years
(Accrual Basis of Accounting)
(Amounts in 000's)

	2014	2013	2012 (2)	2011
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government (1)	$ 31,589	$ 29,983	$ 30,696	$ 32,336
Public Works (1)	17,706	17,561	18,369	16,271
Public Service (1)				
Public Safety	15,318	17,078	15,049	15,034
Community Development (1)	1,483			
Building and Housing	11,984	11,734	5,757	18,072
Public Health	2,754	2,917	2,967	2,931
Parks, Recreation and Properties (1)				
Economic Development	101	377	100	37
Subtotal - Charges for Services	80,935	79,650	72,938	84,681
Operating Grants and Contributions:				
General Government (1)	4,351	5,601	4,345	3,673
Public Works (1)	20,373	29,770	28,342	27,364
Public Service (1)				
Public Safety	7,315	9,180	13,805	12,497
Community Development	35,673	42,608	69,004	68,887
Building and Housing	2,804	9,133	6,679	5,698
Public Health	11,040	9,249	10,321	13,228
Parks, Recreation and Properties (1)				
Economic Development	18,234	14,046	11,387	4,008
Subtotal - Operating Grants and Contributions	99,790	119,587	143,883	135,355
Capital Grants and Contributions:				
General Government	2,862	56,610	1,330	23
Public Works (1)	85,253	38,348	24,515	13,982
Public Service (1)				
Public Safety	173			
Community Development				
Parks, Recreation and Properties (1)				
Subtotal - Capital Grants and Contributions	88,288	94,958	25,845	14,005
Total Governmental Activities Program Revenues	269,013	294,195	242,666	234,041
Business-Type Activities:				
Charges for Services:				
Water	303,412	272,674	280,323	236,626
Electricity	181,843	170,342	165,227	168,448
Airport facilities	131,724	113,244	116,694	114,967
Nonmajor activities	34,276	34,135	35,188	34,600
Subtotal - Charges for Services	651,255	590,395	597,432	554,641
Operating Grants and Contributions:				
Water	301	5,984	4,567	3,305
Electricity	4,030	656	97	883
Airport facilities	73	132	177	
Nonmajor activities	161	86	478	278
Subtotal - Operating Grants and Contributions	4,565	6,858	5,319	4,466
Capital Grants and Contributions:				
Water	34,699	12,446	21,800	2,284
Electricity	2	393	964	206
Airport facilities	19,775	35,089	25,025	56,385
Nonmajor activities	3,280	808	5,773	5,716
Subtotal - Capital Grants and Contributions	57,756	48,736	53,562	64,591
Total Business-Type Activities Program Revenues	713,576	645,989	656,313	623,698
Total Primary Government Program Revenues	$ 982,589	$ 940,184	$ 898,979	$ 857,739

2010	2009	2008	2007	2006	2005
$ 31,570	$ 34,937	$ 36,824	$ 30,470	$ 32,311	$ 22,174
12,024	5,517	5,517	4,490	5,158	6,208
13,839	18,296	21,709	21,087	12,773	15,953
		5,440	1,203	2	
7,327	13,402	12,323	10,528	10,701	10,871
3,033	3,187	2,893	2,979	2,898	2,918
8,047	1,129	1,351	1,160	746	913
1,469	759	1,057	471	4,496	46
77,309	77,227	87,114	72,388	69,085	59,083
1,348	1,121	1,789	1,994	1,508	1,876
13,821	13,469	14,317	14,459	14,230	14,234
8,647	13,192	7,448	5,789	9,364	9,153
73,563	41,490	42,129	50,344	56,882	51,848
9,064	11,857	1,106	3,353	3,407	
12,693	15,048	12,786	14,079	13,838	10,963
13,830	14,404	16,417	16,123	16,232	354
8,156	23,984	33,121	21,077	40,397	42,164
141,122	134,565	129,113	127,218	155,858	130,592
41		3,057	5,380	23,839	26,899
11,179	11,680	13,094	75,871		
			1,315		
					89
11,220	11,680	16,151	82,566	23,839	26,988
229,651	223,472	232,378	282,172	248,782	216,663
237,270	228,235	242,872	242,014	209,694	222,635
166,665	155,865	158,237	155,559	146,293	150,263
106,696	98,143	111,402	105,887	105,711	111,087
39,358	43,110	41,950	40,614	33,821	33,843
549,989	525,353	554,461	544,074	495,519	517,828
3,553	4,917	8,384	11,033	8,242	
566	169	2,118	2,589	1,796	
619	1,232	3,809	3,718	2,944	7,726
4,051	3,857	5,557	6,399	1,616	100
8,789	10,175	19,868	23,739	14,598	7,826
7,645	1,677	3,460	7,906	6,817	12,408
1,035		2,803	1,485	1,135	2,285
57,089	44,219	54,646	73,358	53,280	40,975
19,765	5,429	3,155	2,591	6,201	5,505
85,534	51,325	64,064	85,340	67,433	61,173
644,312	586,853	638,393	653,153	577,550	586,827
$ 873,963	$ 810,325	$ 870,771	$ 935,325	$ 826,332	$803,490

(Continued)

City of Cleveland, Ohio
Changes in Net Position
Last Ten Years
(Amounts in 000's)

	2014	2013	2012 (2)	2011
Expenses				
Governmental Activities:				
General Government (1)	$ 121,050	$ 115,793	$ 106,141	$ 95,833
Public Works (1)	129,551	130,108	128,276	139,577
Public Service (1)				
Public Safety	298,768	310,246	310,745	308,051
Community Development (1)	39,099	44,337	70,705	75,778
Building and Housing	11,059	17,694	14,729	14,098
Public Health	18,236	15,405	17,385	19,596
Parks, Recreation and Properties (1)				
Economic Development	32,508	18,142	13,845	22,323
Interest on debt	26,333	24,913	26,153	27,686
Total Governmental Activities Expenses	676,604	676,638	687,979	702,942
Business-Type Activities				
Water	253,822	258,014	244,647	232,497
Electricity	181,862	171,669	163,547	167,799
Airport facilities	161,021	155,343	153,627	167,531
Nonmajor activities	38,430	35,235	39,671	46,302
Total Business-Type Activities Expenses	635,135	620,261	601,492	614,129
Total Primary Government Program Expenses	1,311,739	1,296,899	1,289,471	1,317,071
Net (Expense)/Revenue				
Governmental Activities	(407,591)	(382,443)	(445,313)	(468,901)
Business-Type Activities	78,441	25,728	54,821	9,569
Total Primary Government Net Expense	(329,150)	(356,715)	(390,492)	(459,332)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Income taxes	337,933	332,719	330,863	311,492
Property taxes	52,327	45,055	56,086	63,839
Other taxes	35,851	37,765	28,680	27,312
Shared revenues	37,240	34,434	27,338	19,558
Grants and contributions not restricted to specific programs				
State and local government funds	23,846	30,081	25,966	43,821
Unrestricted investment earnings	1,193	683	692	97
Other	11,454	21,194	18,141	19,086
Transfers	(1,616)	(1,527)	(1,589)	(2,031)
Total Governmental Activities	498,228	500,404	486,177	483,174
Business-Type Activities				
Unrestricted investment earnings	3	3		30
Other				
Special items - gain on sale of capital assets				5,125
Transfers	1,616	1,527	1,589	2,031
Total Business-Type Activities Expenses	1,619	1,530	1,589	7,186
Total Primary Government General Revenues and Other Changes in Net Position	499,847	501,934	487,766	490,360
Change in Net Position				
Governmental Activities	90,637	117,961	40,864	14,273
Business-Type Activities	80,060	27,258	56,410	16,755
Total Primary Government Change in Net Position	$ 170,697	$ 145,219	$ 97,274	$ 31,028

Note:

Program revenues and expenses previously reported as "Other" program revenues and expenses in Governmental activities on the Statement of Activities are now classified as General Government program revenues and expenses as appropriate.

Business-type activities on the Government-wide Statement of Activities summarizes other Enterprise Funds as Nonmajor activities. These include Sewer, Public Auditorium, West Side Market, East Side Market, Municipal Parking Lots, Cemeteries and Golf Courses.

(1) In 2012 a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government.

(2)The Govermental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. This statement changed the treatment of bond issuance costs to expense in the period incurred. Previously, the costs were recorded as assets and amoritzed over the life of the related debt issued. The City did not restate prior years in this statisistical table.

2010	2009	2008	2007	2006	2005
$ 81,898	$ 90,311	$ 101,878	$ 99,311	$ 99,187	$ 97,544
93,425	85,947	87,154	86,435	81,248	80,888
315,900	329,765	329,922	322,840	301,208	293,242
70,589	59,204	44,550	54,425	62,701	56,413
17,445	20,925	15,831	13,999	13,832	10,650
19,740	22,999	20,351	21,412	27,674	24,950
46,963	58,799	61,628	54,332	45,546	44,840
24,729	38,083	53,944	39,168	44,739	41,030
47,531	30,448	32,896	27,763	32,162	27,557
718,220	736,481	748,154	719,685	708,297	677,114
232,862	224,269	213,335	205,470	204,994	192,187
165,330	158,100	154,426	148,832	141,546	153,676
158,262	168,734	172,274	167,967	157,976	146,807
43,443	46,546	44,507	45,762	42,112	41,526
599,897	597,649	584,542	568,031	546,628	534,196
1,318,117	1,334,130	1,332,696	1,287,716	1,254,925	1,211,310
(488,569)	(513,009)	(515,776)	(437,513)	(459,515)	(460,451)
44,415	(10,796)	53,851	85,122	30,922	52,631
(444,154)	(523,805)	(461,925)	(352,391)	(428,593)	(407,820)
298,209	296,507	329,316	317,268	302,084	288,191
88,087	63,573	65,398	69,313	66,762	64,390
28,450	25,053	25,918	28,567	26,492	25,051
23,869	28,741	28,587	23,805	16,949	22,468
					1
49,266	43,420	52,450	51,164	55,905	55,696
654	1,740	3,344	5,670	4,273	2,989
14,104	10,207	9,556	14,482	18,460	21,135
19,278	(825)	(306)	(290)	(390)	(375)
521,917	468,416	514,263	509,979	490,535	479,546
4	25	42	30	14	2,205
					946
(19,278)	825	306	290	390	375
(19,274)	850	348	320	404	3,526
502,643	469,266	514,611	510,299	490,939	483,072
33,348	(44,593)	(1,513)	72,466	31,020	19,095
25,141	(9,946)	54,199	85,442	31,326	56,157
$ 58,489	$ (54,539)	$ 52,686	$ 157,908	$ 62,346	$ 75,252

(Concluded)

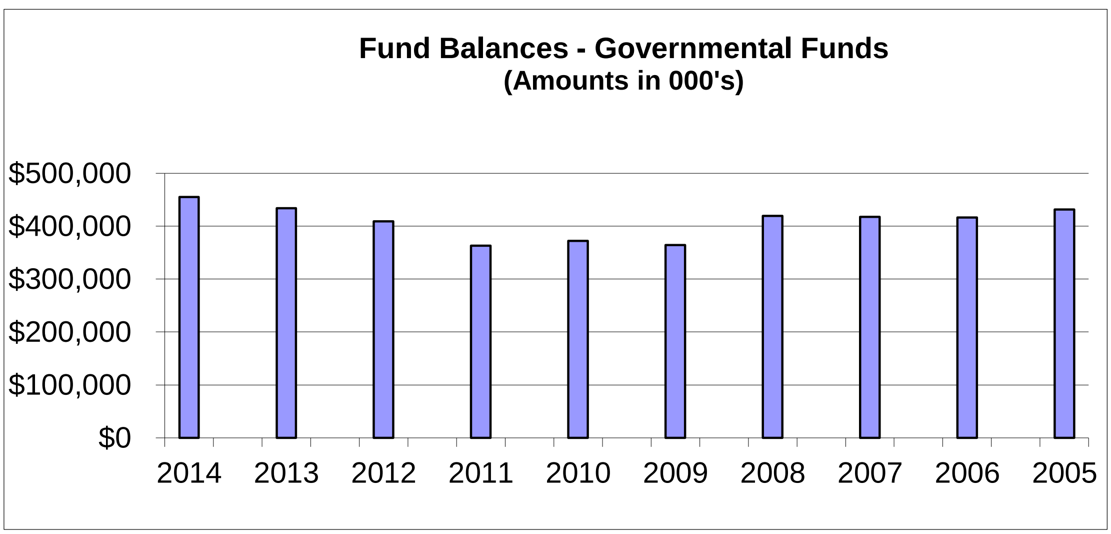
City of Cleveland, Ohio

Fund Balances, Governmental Funds
Last Ten Years (1)
(Modified Accrual Basis of Accounting)
(Amounts in 000's)

	2014	2013	2012	2011
General Fund				
Reserved	$	$	$	$
Unreserved				
Nonspendable	885	648	632	576
Assigned	15,041	13,209	9,239	12,027
Unassigned	78,401	75,891	61,879	38,991
Total General Fund	94,327	89,748	71,750	51,594
All Other Governmental Funds				
Reserved				
Unreserved reported in:				
Special Revenue funds				
Capital Projects funds				
Nonspendable	1,387	355	495	1,172
Restricted	268,905	245,015	233,832	204,590
Committed	90,739	98,806	102,901	105,624
Assigned	8	3	2	1
Unassigned				(96)
Total All Other Governmental Funds	361,039	344,179	337,230	311,291
Total Governmental Funds	$ 455,366	$ 433,927	$ 408,980	$ 362,885

(1) Fund balance classifications changed in 2011 with the implementation of GASB No.54.

	2010	2009	2008	2007	2006	2005
	$ 15,070	$ 15,513	$ 14,689	$ 14,455	$ 13,029	$ 11,520
	(2,529)	(9,648)	16,856	17,399	22,502	24,693
	12,541	5,865	31,545	31,854	35,531	36,213
	257,696	263,059	272,039	277,669	278,984	280,042
	64,432	45,781	72,421	77,223	77,287	65,786
	37,753	49,556	43,438	31,136	24,458	49,750
	359,881	358,396	387,898	386,028	380,729	395,578
	$ 372,422	$ 364,261	$ 419,443	$ 417,882	$ 416,260	$ 431,791



City of Cleveland, Ohio

Changes in Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)
(Amounts in 000's)

	2014	2013	2012	2011
Revenues				
Income taxes	$ 336,743	$ 333,359	$ 331,118	$ 312,508
Property taxes	49,198	49,740	55,312	55,949
State and local government funds	25,077	28,439	31,821	45,640
Other taxes and shared revenues (2)			86,084	77,636
Other taxes (2)	35,851	37,764		
Other shared revenues (2)	54,329	59,907		
Licenses and permits	15,404	16,034	15,070	16,877
Charges for services	36,120	39,297	41,436	39,433
Fines, forfeits and settlements	28,928	27,020	26,830	28,376
Investment earnings	858	865	468	518
Grants	111,935	115,851	129,724	120,119
Contributions	2,571	15,948	1,364	52
Miscellaneous	18,534	27,770	18,770	15,356
Total Revenues	715,548	751,994	737,997	712,464
Expenditures				
Current:				
General Government (1)	91,199	85,638	85,125	77,792
Public Works (1)	89,042	86,576	85,753	91,926
Public Service (1)				
Public Safety	294,605	303,234	303,767	302,009
Community Development (1)	37,191	42,677	69,238	73,682
Building and Housing	10,885	17,444	14,542	14,031
Public Health	17,722	14,983	16,986	19,160
Parks, Recreation and Properties (1)				
Economic Development	32,360	18,030	12,794	19,348
Other	10,580	11,877	10,992	11,171
Capital outlay	100,868	115,170	69,945	66,575
Inception of capital lease	6,044	5,046	5,648	4,566
Debt service:				
Principal retirement	47,752	46,252	48,115	47,481
Interest	27,935	30,380	33,741	30,628
General Government	1,114	615	1,264	438
Other	1,077	1,176	1,168	315
Total Expenditures	768,374	779,098	759,078	759,122
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,826)	(27,104)	(21,081)	(46,658)
Other Financing Sources (Uses)				
Transfers in	77,659	56,516	59,830	68,643
Transfers out	(79,766)	(58,466)	(62,145)	(71,514)
Issuance of debt	69,200	35,840	82,945	31,260
Issuance of refunding bonds	20,110	25,360		
Proceeds from sale of debt				
Premium on bonds and notes	6,666	4,415	8,770	1,105
Discount on bonds and notes	(13)		(145)	(217)
Payment to refund bonds and notes	(20,635)	(25,360)	(28,910)	
Proceeds from sale of general obligation bonds and notes				
Loan proceeds		2,786		
Sale of City assets	1,044	4,425	324	1,229
Capital leases		6,535	6,507	6,615
Total Other Financing Sources (Uses)	74,265	52,051	67,176	37,121
Net Change in Fund Balances	$ 21,439	$ 24,947	$ 46,095	$ (9,537)
Debt Service as a Percentage of Noncapital Expenditures	11.1%	11.5%	11.8%	11.1%

(1) In 2012, a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government. Data for years prior to 2011 is unavailable.

(2) In 2013, other taxes and other shared revenues are reported separately. For years prior to 2013, the figures are combined. Data for years prior to 2013 is unavailable.

2010	2009	2008	2007	2006	2005
$ 300,427	$ 298,546	$ 326,464	$ 311,784	$ 303,446	$ 292,193
58,660	63,754	65,258	69,254	66,787	66,055
47,972	45,590	52,269	53,506	55,908	55,899
79,620	81,440	81,200	80,789	73,810	59,576
13,529	17,061	15,047	13,802	14,520	14,806
33,779	22,136	26,000	24,388	20,973	23,182
28,643	32,321	34,763	31,246	27,877	19,985
621	2,691	8,871	16,875	13,809	8,774
116,920	112,024	94,769	167,125	137,278	126,139
72	659	549	549	3,113	3,650
16,490	25,811	27,649	18,581	18,683	14,394
696,733	702,033	732,839	787,899	736,204	684,653
80,865	90,074	91,664	84,578	74,905	71,107
53,567	58,229	60,105	60,700	58,739	60,049
308,321	319,334	318,339	311,606	293,093	282,684
70,437	58,101	43,677	53,668	62,031	55,688
17,401	20,841	15,691	13,892	13,668	10,472
19,229	22,460	19,724	21,014	26,903	24,121
37,822	39,598	42,593	40,494	37,817	35,503
24,635	36,849	51,921	33,787	44,632	40,446
11,490	10,446	10,627	9,206	9,256	11,212
56,227	66,720	60,513	120,680	65,216	84,438
3,201			3,933	3,302	4,130
48,223	53,048	51,566	44,258	37,648	39,384
28,682	32,942	34,318	30,075	31,462	29,822
18,722	477	5,394			
795	475	1,868	2,438	662	2,338
779,617	809,594	808,000	830,329	759,334	751,394
(82,884)	(107,561)	(75,161)	(42,430)	(23,130)	(66,741)
106,617	53,414	57,550	61,064	41,853	43,245
(88,152)	(54,525)	(58,243)	(61,894)	(42,665)	(43,697)
171,505	44,580				
	13,820				
		266,160			121,395
1,885	2,289	4,042	3,730		13,306
(237)		(386)	(18)		(54)
(108,390)	(13,767)	(192,675)	(140,457)		(94,145)
			181,420		
1,127	6,568	274	207	8,411	8,454
6,690					8,425
91,045	52,379	76,722	44,052	7,599	56,929
$ 8,161	$ (55,182)	$ 1,561	$ 1,622	$ (15,531)	$ (9,812)
10.4%	11.5%	11.3%	10.3%	9.8%	10.3%

City of Cleveland, Ohio

Assessed Valuation and Estimated Actual Values of Taxable Property
Last Ten Years
(Amounts in 000's)

	Real Property			Tangible Personal Property	
	Assessed Value			Public Utility	
Collection Year	Residential/ Agricultural	Commercial Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value
2014	$ 2,051,307	$ 2,550,042	$ 13,146,711	$ 298,603	$ 339,322
2013	2,075,286	2,526,924	13,149,171	266,558	302,907
2012	2,641,867	2,743,313	15,386,229	246,081	279,638
2011	2,675,681	2,722,417	15,423,137	242,172	275,195
2010	2,693,686	2,585,663	15,083,857	233,870	265,761
2009	3,062,170	2,434,549	15,704,911	220,820	250,932
2008	3,041,791	2,438,801	15,658,834	210,970	239,739
2007	3,056,587	2,532,466	15,968,723	316,899	360,113
2006	2,662,461	2,285,525	14,137,103	314,385	357,256
2005	2,665,935	2,319,194	14,243,226	350,690	398,511

The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.

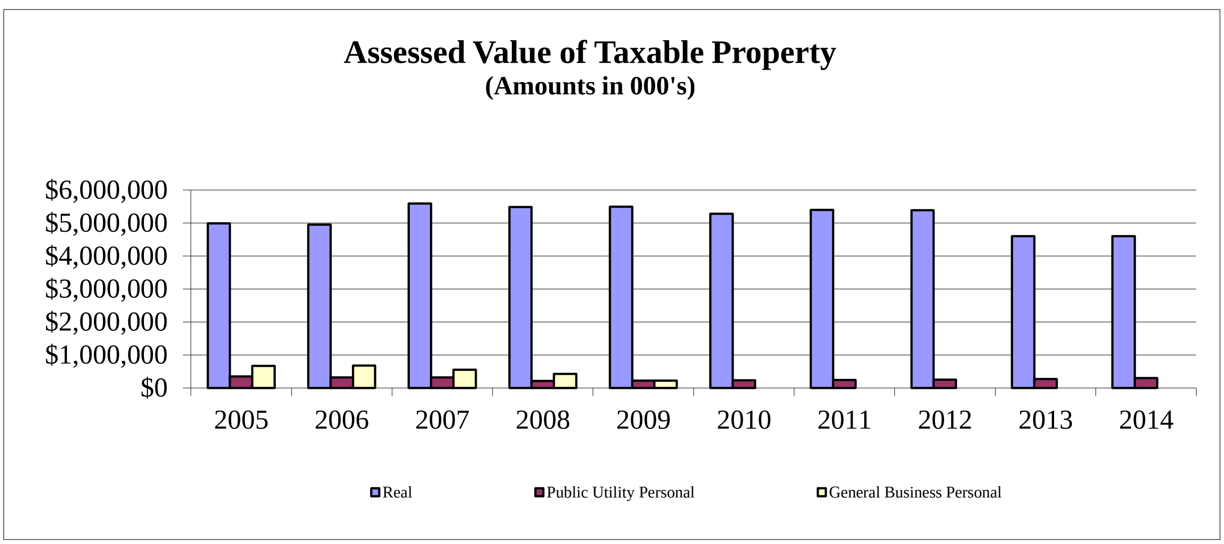
The assessed valuation of personal property constituting "inventory" was 23% of true value, in 2006 it was reduced to 18.75%, in 2007 to 12.50%, and in 2008 to 6.25%. The percentage decreased to 0% in 2009 and remains at 0% in 2014.

Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment was reduced from 100% to 25% of true value, with makeup payments in varying amounts to be made through 2016 to taxing subdivisions by the State of Ohio from State resources. All taxable property remained at 88% true value.

The total direct rate is shown per $1,000 of assessed value.

Source: Cuyahoga County Auditor's Office.

Tangible Personal Property						
General Business		Total				
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Ratio	
$	$	$ 4,899,952	$ 13,486,033	12.70	36.3	%
		4,868,768	13,452,078	12.70	36.2	
		5,631,261	15,665,867	12.70	35.9	
		5,640,270	15,698,332	12.70	35.9	
		5,513,219	15,349,618	12.70	35.9	
219,920	3,518,720	5,937,459	19,474,563	12.70	30.5	
422,770	6,764,320	6,114,332	22,662,893	12.70	27.0	
551,296	4,410,368	6,457,248	20,739,204	12.70	31.1	
677,333	3,612,443	5,939,704	18,106,802	12.70	32.8	
671,795	2,920,848	6,007,614	17,562,585	12.70	34.2	



City of Cleveland, Ohio

Property Tax Rates - Direct and Overlapping Governments
(Per $1,000 of Assessed Valuation)
Last Ten Years

	2014	2013	2012	2011
Unvoted Millage				
Debt	4.350000	4.350000	4.350000	4.350000
Fire Pension	0.050000	0.050000	0.050000	0.050000
Total Unvoted Millage	4.400000	4.400000	4.400000	4.400000
Charter Millage				
Operating	7.750000	7.750000	7.750000	7.750000
Fire Pension	0.250000	0.250000	0.250000	0.250000
Police Pension	0.300000	0.300000	0.300000	0.300000
Total Charter Millage	8.300000	8.300000	8.300000	8.300000
Total Millage	12.700000	12.700000	12.700000	12.700000
Overlapping Rates by Taxing District				
City School District				
Residential/Agricultural Real	52.699898	52.427248	52.116544	31.674164
Commercial/Industrial and Public Utility Real	61.107741	60.124573	60.128798	44.235815
General Business and Public Utility Personal	79.900000	79.800000	79.800000	64.800000
County				
Residential/Agricultural Real	14.050000	14.050000	13.220000	13.118223
Commercial/Industrial and Public Utility Real	14.019470	13.949465	12.996761	12.784540
General Business and Public Utility Personal	14.050000	14.050000	13.220000	13.220000
Special Taxing Districts (1)				
Residential/Agricultural Real	13.202292	12.298441	11.391842	11.225159
Commercial/Industrial and Public Utility Real	13.312617	12.339767	11.418198	11.232744
General Business and Public Utility Personal	13.680000	12.780000	11.880000	11.880000

Note:

The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year. The City's basic property tax rate may be increased only by a majority vote of the City's residents. Charter millage is consistently applied to all types of property. The real property tax rates for the voted levies of the overlapping taxing districts are reduced so that inflationary increases in value do not generate additional revenue. Overlapping rates are those of local and county governments that apply to property owners within the City.

(1) Cleveland Metropolitan Parks District, Cleveland-Cuyahoga County Port Authority, Cleveland Public Library and Cuyahoga Community College.

Source: Cuyahoga County Auditor's Office.

2010	2009	2008	2007	2006	2005
4.350000	4.350000	4.350000	4.350000	4.350000	4.350000
0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
4.400000	4.400000	4.400000	4.400000	4.400000	4.400000
7.750000	7.750000	7.750000	7.750000	7.750000	7.750000
0.250000	0.250000	0.250000	0.250000	0.250000	0.250000
0.300000	0.300000	0.300000	0.300000	0.300000	0.300000
8.300000	8.300000	8.300000	8.300000	8.300000	8.300000
12.700000	12.700000	12.700000	12.700000	12.700000	12.700000
31.506887	31.460074	29.076676	29.050497	29.002818	31.588821
44.362102	44.661412	44.661009	44.592555	44.858685	48.826505
64.800000	64.800000	64.800000	64.800000	64.800000	64.800000
13.186617	13.178886	12.660733	11.868868	11.865485	11.722742
12.841251	12.845700	12.815297	12.453559	12.494099	12.588063
13.320000	13.320000	13.320000	13.420000	13.420000	13.520000
11.207637	10.723710	10.330071	9.059500	9.045800	9.853500
11.236434	10.859248	10.838537	10.191700	10.252900	11.084900
11.880000	11.580000	11.580000	11.580000	11.580000	11.580000

City of Cleveland, Ohio

Property Tax Levies and Collections

Last Ten Years

Year	Current Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections To Current Tax Levy	Delinquent Tax Collections	Total Tax Collections
2014	$ 72,904,038	$ 60,147,465	82.50 %	$ 4,542,885	$ 64,690,350
2013	68,191,726	57,319,877	84.06	4,664,866	61,984,743
2012	76,327,893	58,664,824	76.86	6,972,134	65,636,958
2011	74,312,975	59,301,577	79.80	5,104,558	64,406,135
2010	73,818,689	59,078,863	80.03	5,259,959	64,338,822
2009	76,071,934	63,707,028	83.75	5,351,909	69,058,937
2008	77,142,266	66,210,703	85.83	6,416,603	72,627,306
2007	79,578,480	68,823,516	86.49	5,675,616	74,499,132
2006	74,560,517	65,617,123	88.01	5,523,803	71,140,926
2005	77,325,122	67,759,024	87.63	5,428,007	73,187,031

Note:
The County does not identify delinquent collections by the year for which the tax was levied.

(1) State reimbursement of rollback and homestead exemptions are included.

Source: Cuyahoga County Auditor's Office.

Total Tax Levy	Percent of Total Tax Collections To Total Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
$ 110,329,017	58.63 %	$ 41,284,638	37.42 %
104,953,336	59.06	40,343,634	38.44
122,143,372	53.74	47,654,232	39.01
109,926,575	58.59	44,679,192	40.64
107,119,066	60.06	39,704,298	37.07
107,873,764	64.02	36,999,445	34.30
107,071,494	67.83	31,984,896	29.87
108,161,761	68.88	22,770,570	21.05
100,452,563	70.82	21,063,311	20.97
100,842,631	72.58	26,330,702	26.11

City of Cleveland, Ohio

Principal Taxpayers - Real Estate Tax

2014 and 2005

Taxpayer	*2014* Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Electric Illuminating Co.	$ 212,996,550	4.63 %
Cleveland Clinic Foundation	198,885,560	4.32
Cuyahoga County, Ohio	154,466,450	3.36
City of Cleveland, Ohio	85,991,990	1.87
Key Center Properties LLC	80,559,150	1.75
East Ohio Gas Co.	74,159,240	1.61
Cleveland Financial Associates, LLC	43,750,010	0.95
Fed/Main Street, LLC	41,238,160	0.90
Higbee Mothership, LLC	39,899,100	0.87
Hub North Point Properties, LLC	35,123,770	0.76
Total	$ 967,069,980	21.02 %
Total Real Property Assessed Valuation	$ 4,601,349,000	

Taxpayer	*2005* Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	$ 101,474,305	2.04 %
Cleveland Financial Associates	47,232,500	0.95
Cleveland Clinic Foundation	36,009,880	0.72
NOP LTD Partnership	35,560,000	0.71
National City Center, LLC	28,000,000	0.56
ISG Cleveland Inc	25,984,630	0.52
Ohio Bell Telephone	19,713,925	0.40
Bishop James Hickey	19,425,000	0.39
600 Superior Place Partnership	15,925,000	0.32
Western Reserve University	15,750,000	0.31
Total	$ 345,075,240	6.92 %
Total Real Property Assessed Valuation	$ 4,985,129,000	

(1) The amounts presented represent the assessed values upon which 2014 and 2005 collections were based.

Source: Cuyahoga County Auditor's Office.

City of Cleveland, Ohio

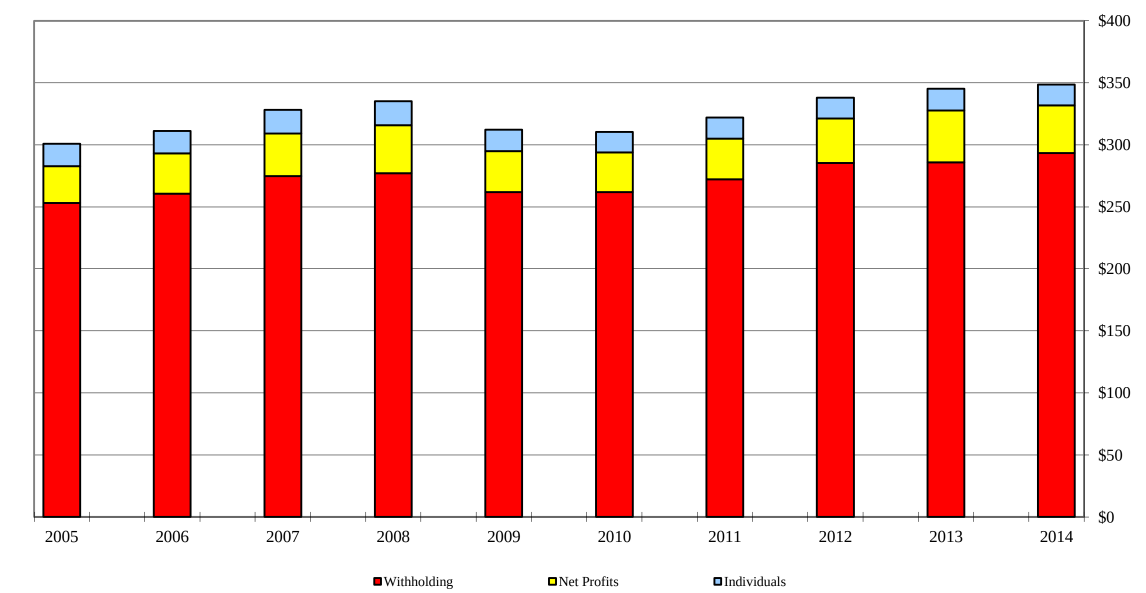
Income Tax Revenue Base and Collections

Last Ten Years

Tax Year	Tax Rate	Total Tax Collected (1)	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individuals	Percentage of Taxes from Individuals
2014	2.00%	$ 348,674,282	$ 293,456,642	84.16%	$ 38,294,001	10.98%	$ 16,923,639	4.86%
2013	2.00	345,255,736	285,891,566	82.81	41,929,164	12.14	17,435,006	5.05
2012	2.00	338,046,790	285,450,129	84.44	35,946,656	10.63	16,650,005	4.93
2011	2.00	322,072,689	272,209,650	84.52	32,693,730	10.15	17,169,309	5.33
2010	2.00	310,339,588	261,801,977	84.36	32,095,566	10.34	16,442,045	5.30
2009	2.00	312,129,641	261,878,357	83.90	33,065,140	10.59	17,186,144	5.51
2008	2.00	335,310,894	277,203,932	82.67	38,709,596	11.54	19,397,366	5.79
2007	2.00	328,167,945	274,733,506	83.72	34,314,408	10.46	19,120,031	5.82
2006	2.00	311,254,815	260,697,679	83.76	32,469,591	10.43	18,087,545	5.81
2005	2.00	300,836,796	253,082,844	84.13	29,796,387	9.90	17,957,565	5.97

Income Tax Collections for the Last 10 Years

(Amounts in millions)



Note:

The City is prohibited by statute from presenting information regarding individual taxpayers.

(1) Gross collections.

Source: Central Collection Agency.

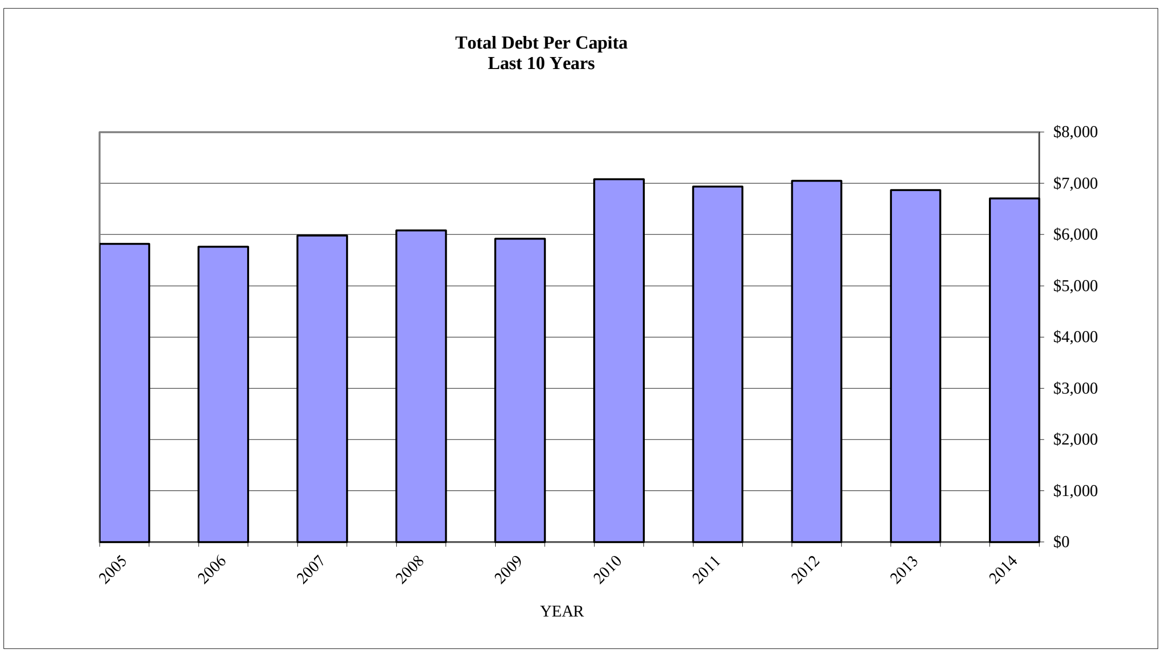
City of Cleveland, Ohio

Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years

	Governmental Activities						
Year	General Obligation Bonds	Urban Renewal Bonds	Non-Tax Revenue Bonds	Capital Lease Obligations	Subordinated Income Tax Refunding Bonds	Certificates of Participation	Subordinate Lien Income Tax Bonds
2014	$ 257,565,000	$ 3,030,000	$50,203,000	$15,262,000	$43,650,000	$ 111,780,000	$ 188,335,000
2013	282,550,000	3,670,000	53,108,000	19,185,000	46,915,000	117,670,000	124,490,000
2012	308,700,000	4,270,000	55,894,000	16,236,000	50,020,000	123,605,000	92,380,000
2011	298,660,000	4,835,000	58,591,000	12,908,000	52,975,000	129,547,000	80,505,000
2010	297,115,000	5,365,000	61,795,000	8,937,000	55,785,000	135,537,000	83,025,000
2009	326,230,000	5,860,000	64,956,000	5,320,000	58,460,000	119,016,000	57,630,000
2008	313,630,000	6,325,000	67,617,000	8,604,000	59,960,000	129,949,000	59,560,000
2007	336,990,000	6,760,000	68,091,000	11,786,000	58,900,000	140,714,000	
2006	323,795,000	7,170,000	69,353,000	15,057,000	60,700,000	143,950,000	
2005	353,325,000	7,555,000	70,085,000	18,083,000	62,400,000	146,225,000	

Note:
Population and Personal Income data are presented on page S20.
In 2014, this table was modified to include Note/Loans payable, as it is part of the Governmental Debt.

		Business-Type Activities					
Annual Appropriation Bonds	Note / Loans Payable	Revenue Bonds / Notes	OWDA / OPWC Loans	Total Net Premium/ (Discount)	Total Debt	Percentage of Personal Income	Per Capita
$ 10,280,000	$ 2,801,000	$ 1,786,283,000	$ 106,815,000	$ 84,641,000	$ 2,660,645,000	39.46%	$ 6,705
10,525,000		1,863,588,000	114,372,000	90,327,000	2,726,400,000	40.87	6,871
10,765,000		1,926,203,000	109,742,000	98,249,000	2,796,064,000	43.22	7,046
11,000,000		1,930,163,000	115,523,000	58,362,000	2,753,069,000	42.56	6,938
11,000,000		1,974,828,000	121,335,000	53,819,000	2,808,541,000	43.42	7,078
		2,032,178,000	107,654,000	55,381,000	2,832,685,000	41.43	5,921
		2,100,768,000	112,275,000	49,320,000	2,908,008,000	42.53	6,079
		2,075,755,000	110,070,000	50,984,000	2,860,050,000	41.83	5,978
		1,995,045,000	103,415,000	38,002,000	2,756,487,000	40.32	5,762
		2,049,820,000	78,498,000	(3,166,000)	2,782,825,000	40.70	5,817



City of Cleveland, Ohio

Ratio of General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita
Last Ten Years

Year	Population (1)		Assessed Value of Taxable Property (2) (Amount in 000's)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value of Taxable Property	Net Bonded Debt Per Capita
2014	396,815	(a)	$ 4,899,952	$ 254,484,000	5.19 %	$ 641.32
2013	396,815	(a)	4,868,768	279,124,000	5.73	703.41
2012	396,815	(a)	5,631,261	302,484,000	5.37	762.28
2011	396,815	(a)	5,640,270	297,172,000	5.27	748.89
2010	396,815	(a)	5,513,219	294,923,000	5.35	743.23
2009	478,403	(b)	5,937,459	323,631,000	5.45	676.48
2008	478,403	(b)	6,114,332	311,134,000	5.09	650.36
2007	478,403	(b)	6,457,248	333,823,000	5.17	697.79
2006	478,403	(b)	5,939,704	320,265,000	5.39	669.45
2005	478,403	(b)	6,007,614	348,004,000	5.79	727.43

Note:
Net Bonded Debt includes all general obligation bonded debt less balance in debt service fund.

Sources:

(1) U. S. Bureau of Census, Census of Population:
(a) 2010 Federal Census
(b) 2000 Federal Census
(2) Cuyahoga County Fiscal Officer's Office.

City of Cleveland, Ohio

Computation of Direct and Overlapping Governmental Activities Debt

December 31, 2014

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	$ 257,565,000	100.00 %	$ 257,565,000
Capital Lease Obligations	15,262,000	100.00	15,262,000
Urban Renewal Bonds	3,030,000	100.00	3,030,000
Subordinated Income Tax Refunding Bonds	43,650,000	100.00	43,650,000
Subordinate Lien Income Tax Bonds	188,335,000	100.00	188,335,000
Non-Tax Revenue Bonds	50,203,000	100.00	50,203,000
Annual Appropriation Bonds	10,280,000	100.00	10,280,000
Total Direct Debt	568,325,000		568,325,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds (1)	87,903,529	96.87	85,152,149
Cuyahoga County			
General Obligation Bonds (1)	262,275,000	17.84	46,789,860
Regional			
Transit Authority (1)	102,840,000	17.84	18,346,656
Total Overlapping Debt	453,018,529		150,288,665
Total	$ 1,021,343,529		$ 718,613,665

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.

Source: Cuyahoga County Fiscal Officer's Office.

City of Cleveland, Ohio
Legal Debt Margin
Last Ten Years

	2014	2013	2012	2011
Total Assessed Property Value	$ 4,899,952,220	$ 4,868,767,980	$5,631,261,380	$5,640,270,380
Overall Legal Debt Limit (10½% of Assessed Valuation)	514,494,983	511,220,638	591,282,445	592,228,390
Debt Outstanding:				
General Obligation Bonds	257,565,000	282,550,000	308,700,000	298,660,000
Revenue Notes/Bonds	1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000
Urban Renewal Bonds	3,030,000	3,670,000	4,270,000	4,835,000
Subordinated Income Tax Refunding Bonds	43,650,000	46,915,000	50,020,000	52,975,000
Subordinate Lien Income Tax Bonds	188,335,000	124,490,000	92,380,000	80,505,000
OWDA/OPWC Loans	106,815,000	114,372,000	109,742,000	115,523,000
Non-tax Revenue Bonds	50,203,000	53,108,000	55,894,000	58,591,000
Annual Appropriation Bonds	10,280,000	10,525,000	10,765,000	11,000,000
Total Gross Indebtedness	2,446,161,000	2,499,218,000	2,557,974,000	2,552,252,000
Less:				
General Obligation Bonds	257,565,000	282,550,000	308,700,000	298,660,000
Revenue Notes/Bonds	1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000
Urban Renewal Bonds	3,030,000	3,670,000	4,270,000	4,835,000
Subordinated Income Tax Refunding Bonds	43,650,000	46,915,000	50,020,000	52,975,000
Subordinate Lien Income Tax Bonds	188,335,000	124,490,000	92,380,000	80,505,000
OWDA/OPWC Loans	106,815,000	114,372,000	109,742,000	115,523,000
Non-tax Revenue Bonds	50,203,000	53,108,000	55,894,000	58,591,000
Annual Appropriation Bonds	10,280,000	10,525,000	10,765,000	11,000,000
General Obligation Bond Retirement Fund Balance	3,081,000	3,426,000	6,216,000	1,488,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	$ 514,494,983	$ 511,220,638	$ 591,282,445	$ 592,228,390
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation (5½% of Assessed Valuation)	$ 269,497,372	$ 267,782,239	$ 309,719,376	$ 310,214,871
Total Gross Indebtedness	2,446,161,000	2,499,218,000	2,557,974,000	2,552,252,000
Less:				
General Obligation Bonds	257,565,000	282,550,000	308,700,000	298,660,000
Revenue Notes/Bonds	1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000
Urban Renewal Bonds	3,030,000	3,670,000	4,270,000	4,835,000
Subordinated Income Tax Refunding Bonds	43,650,000	46,915,000	50,020,000	52,975,000
Subordinate Lien Income Tax Bonds	188,335,000	124,490,000	92,380,000	80,505,000
OWDA/OPWC Loans	106,815,000	114,372,000	109,742,000	115,523,000
Non-tax Revenue Bonds	50,203,000	53,108,000	55,894,000	58,591,000
Annual Appropriation Bonds	10,280,000	10,525,000	10,765,000	11,000,000
General Obligation Bond Retirement Fund Balance	3,081,000	3,426,000	6,216,000	1,488,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	$ 269,497,372	$ 267,782,239	$ 309,719,376	$ 310,214,871
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	100.00%	100.00%	100.00%	100.00%

***** The City does not report net debt limits below zero, therefore if the net debt limit is negative it is considered to be equal to zero. The types of Debt issued by the City are exempt from the limitations defined in the Ohio Revised Code.

Source: City Financial Records.

2010	2009	2008	2007	2006	2005
$5,513,219,400	$5,937,458,591	$6,114,332,281	$6,457,247,750	$5,939,704,867	$6,007,616,318
578,888,037	623,433,152	642,004,890	678,011,014	623,669,011	630,799,713
297,115,000	326,230,000	313,630,000	336,990,000	323,795,000	353,325,000
1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000
5,365,000	5,860,000	6,325,000	6,760,000	7,170,000	7,555,000
55,785,000	58,460,000	59,960,000	58,900,000	60,700,000	62,400,000
83,025,000	57,630,000	59,560,000			
121,335,000	107,654,000	112,275,000	110,070,000	103,415,000	78,498,000
61,795,000	64,956,000	67,617,000	68,091,000	69,353,000	70,085,000
11,000,000					
2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000	2,559,478,000	2,621,683,000
297,115,000	326,230,000	313,630,000	336,990,000	323,795,000	353,325,000
1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000
5,365,000	5,860,000	6,325,000	6,760,000	7,170,000	7,555,000
55,785,000	58,460,000	59,960,000	58,900,000	60,700,000	62,400,000
83,025,000	57,630,000	59,560,000			
121,335,000	107,654,000	112,275,000	110,070,000	103,415,000	78,498,000
61,795,000	64,950,000	67,617,000	68,091,000	69,353,000	70,085,000
11,000,000					
2,192,000	2,599,000	2,496,000	3,167,000	3,530,000	5,321,000
-	-	-	-	-	-
$ 578,888,037	$ 623,433,152	$ 642,004,890	$ 678,011,014	$ 623,669,011	$ 630,799,713
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
$ 303,227,067	$ 326,560,223	$ 336,288,275	$ 355,148,626	$ 326,683,768	$ 330,418,897
2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000	2,559,478,000	2,621,683,000
297,115,000	326,230,000	313,630,000	336,990,000	323,795,000	353,325,000
1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000
5,365,000	5,860,000	6,325,000	6,760,000	7,170,000	7,555,000
55,785,000	58,460,000	59,960,000	58,900,000	60,700,000	62,400,000
83,025,000	57,630,000	59,560,000			
121,335,000	107,654,000	112,275,000	110,070,000	103,415,000	78,498,000
61,795,000	64,950,000	67,617,000	68,091,000	69,353,000	70,085,000
11,000,000					
2,192,000	2,599,000	2,496,000	3,167,000	3,530,000	5,321,000
-	-	-	-	-	-
$ 303,227,067	$ 326,560,223	$ 336,288,275	$ 355,148,626	$ 326,683,768	$ 330,418,897
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

City of Cleveland, Ohio
Pledged Revenue Coverage
Airport Revenue Bonds
Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Principal	Debt Service Interest	Coverage
2014	$ 165,780,000	$ 72,101,000	$ 93,679,000	$ 33,155,000	$ 34,568,497	1.38
2013	154,616,000	67,164,000	87,452,000	32,120,000	35,369,367	1.30
2012	152,030,000	68,855,000	83,175,000	16,285,000	33,765,871	1.66
2011	150,112,000	73,310,000	76,802,000	13,660,000	34,940,285	1.58
2010	152,053,000	70,152,000	81,901,000	14,705,000	36,386,915	1.60
2009	167,358,000	68,432,000	98,926,000	22,450,000	37,622,000	1.65
2008	160,455,000	74,885,000	85,570,000	16,830,000	40,497,264	1.49
2007	151,430,000	69,358,000	82,072,000	20,160,000	34,968,361	1.49
2006	135,883,000	62,426,000	73,457,000	17,775,000	39,565,000	1.28
2005	140,157,000	66,957,000	73,200,000	10,895,000	43,026,000	1.36

(1) Gross revenues include operating revenues plus interest income. Beginning in 2001, a minimum of 40% of passenger facility charges, as well as grant funds from the FAA for the new runway, are dedicated to the payment of debt service charges and are included in gross revenues. Beginning in 2007, the Coverage Account was included in the calculation of debt service coverage.

(2) Direct operating expenses are calculated in accordance with the bond indenture.

City of Cleveland, Ohio

Pledged Revenue Coverage

Power System Revenue Bonds

Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Principal	Debt Service Interest		Coverage
2014	$ 181,877,000	$ 154,115,000	$ 27,762,000	$ 10,770,000	$ 8,061,556		1.47
2013	170,383,000	141,116,000	29,267,000	12,710,000	9,766,869		1.30
2012	165,307,000	136,987,000	28,320,000	10,050,000	9,746,181		1.43
2011	168,599,000	139,952,000	28,647,000	10,495,000	9,987,500	(3)	1.40
2010	166,761,000	138,030,000	28,731,000	8,045,000	9,871,011	(3)	1.60
2009	156,034,000	128,436,000	27,598,000	8,530,000	9,009,810	(3)	1.57
2008	160,224,000	124,161,000	36,063,000	8,335,000	9,054,492	(3)	2.07
2007	159,232,000	120,415,000	38,817,000	8,045,000	9,368,159		2.23
2006	149,276,000	114,942,000	34,334,000	11,025,000	8,144,118		1.79
2005	152,146,000	125,924,000	26,222,000	4,920,000	9,813,126		1.78

(1) Gross revenues include operating revenues plus applicable interest income.

(2) Direct operating expenses are calculated in accordance with the bond indenture.

(3) Net of capitalized interest per indenture.

City of Cleveland, Ohio

Pledged Revenue Coverage

Water System Revenue Bonds

Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Principal	Debt Service Interest (3)	Coverage
2014	$ 304,182,000	$ 153,559,000	$ 150,623,000	$ 41,200,000	$ 26,822,980	2.21
2013	274,324,000	154,947,000	119,377,000	39,910,000	29,089,797	1.73
2012	282,288,000	149,169,000	133,119,000	31,100,000	26,639,529	2.31
2011	238,975,000	146,232,000	92,743,000	34,000,000	30,275,641	1.44
2010	241,277,000	149,513,000	91,764,000	37,150,000	32,447,214	1.32
2009	232,357,000	147,716,000	84,641,000	31,945,000	33,200,509	1.30
2008	252,660,000	143,833,000	108,827,000	27,285,000	38,139,614	1.66
2007	257,992,000	140,210,000	117,782,000	19,660,000	30,660,206	2.34
2006	223,903,000	132,879,000	91,024,000	17,695,000	35,300,322	1.72
2005	230,354,000	123,931,000	106,423,000	15,485,000	36,763,888	2.04

(1) Gross revenues include operating revenues plus interest income.

(2) Direct operating expenses are calculated in accordance with the bond indenture.

(3) Per indenture, interest expense is reduced by amount released from reserve fund at the start of year.

City of Cleveland, Ohio

Principal Employers

2014 and 2005

2014

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	32,251	22.03%
University Hospitals	14,518	9.92
U.S. Office of Personnel Management	11,254	7.69
Cuyahoga County	7,776	5.31
Cleveland Metropolitan School District	6,953	4.75
City of Cleveland	6,757	4.61
MetroHealth System	5,823	3.98
KeyCorp	4,812	3.29
Case Western Reserve University	4,512	3.08
Sherwin-Williams Co.	3,430	2.34
Total	98,086	67.00%
Total Employment within the City	146,400	

2005

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	24,166	13.83%
University Hospitals Health System	14,276	8.17
U.S. Office of Personnel Management	9,204	5.27
Cuyahoga County	9,138	5.23
City of Cleveland	8,260	4.73
Cleveland Municipal School District	7,428	4.25
National City Corp	6,233	3.57
KeyCorp	6,044	3.46
Case Western Reserve University	5,362	3.07
MetroHealth System	5,353	3.06
Total	95,464	54.64%
Total Employment within the City	174,700	

Note:

Largest employers headquartered in the City ranked by FTE employees.

Source:

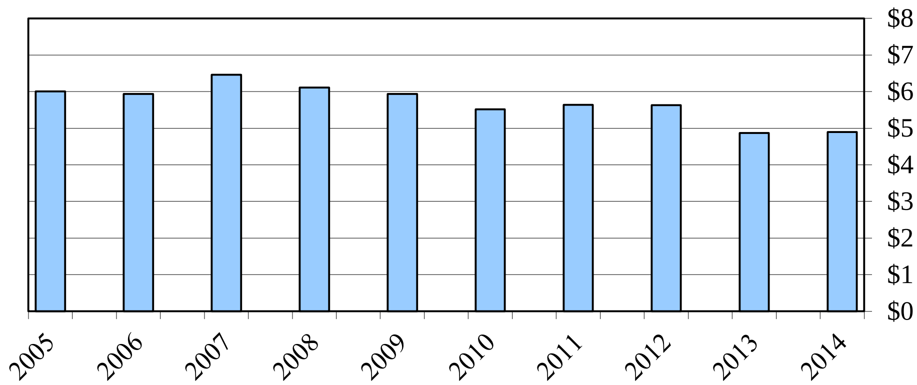
Number of employees from Crain's Cleveland:

Book of Lists 2015, Largest Northeast Ohio Employers; FTEs as of 6/30/2014

Book of Lists 2006, Largest Cuyahoga County Employers; FTEs as of 01/01/2005

Year	Population		Total Personal Income (6)	Personal Income Per Capita		Median Household Income		Median Age	
2014	396,815	(1)	$ 6,742,680,480	$ 16,992	(8)	$ 26,217	(8)	35.7	(1)
2013	396,815	(1)	6,671,253,780	16,812	(7)	26,556	(7)	35.7	(1)
2012	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2011	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2010	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2009	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)
2008	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)
2007	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)
2006	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)
2005	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)

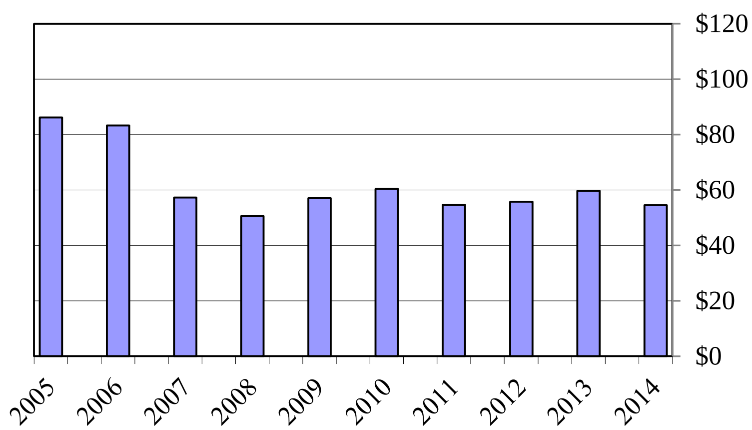
Total Assessed Property Value
(Amounts in billions)



(1) Source: U. S. Census Bureau. 2010 Census
(2) Source: U. S. Census Bureau. 2000 Census
(3) Source: Ohio Department of Education Website: "**http://www.ode.state.oh.us/**".
(4) Source: Ohio Labor Market Info, Website: "**http://lmi.state.oh.us/laus/LAUS.html**".
(5) Source: Cuyahoga County Auditor's Office.
(6) Computation of per capita personal income multiplied by population.
(7) Source: U. S. Census Bureau. 2012 dollars years 2008-2012.
(8) Source: U. S. Census Bureau. 2013 dollars years 2009-2013.

Educational Attainment: Bachelor's Degree or Higher		School Enrollment (3)	City Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value (5) (Amount in 000's)
14.9%	(7)	37,967	7.8%	$ 54,549	$ 4,899,952
14.0	(7)	38,725	9.3	59,737	4,868,768
13.1	(1)	42,883	8.5	55,774	5,631,261
13.1	(1)	45,060	10.0	54,638	5,640,270
13.1	(1)	47,615	11.5	60,398	5,513,219
11.4	(2)	74,615	10.6	57,075	5,937,459
11.4	(2)	50,078	8.8	50,515	6,114,332
11.4	(2)	52,769	7.6	57,230	6,457,248
11.4	(2)	59,586	7.1	83,237	5,939,704
11.4	(2)	65,079	7.7	86,142	6,007,614

Average Sales Price of Residential Property
(Amounts in 000's)



City of Cleveland, Ohio

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Years

Function/Program	2014	2013	2012	2011
General Government				
Council	61.00	60.00	61.50	63.00
Mayor's Office	22.50	25.50	25.50	24.50
Office of Capital Projects	50.50	49.50	46.00 (3)	
Landmarks Commission	4.00	5.00	5.00	5.00
Building Standards and Appeals	5.50	6.00	6.00	6.00
Board of Zoning Appeals	4.50	4.50	4.50	4.50
Civil Service Commission	9.50	10.00	10.00	9.50
Community Relations Board	24.00	22.00	24.00	28.00
City Planning Commission	22.50	20.50	20.50	21.50
Equal Employment Opportunity	10.00	8.50	8.00	8.00
Court	457.50	465.50	461.00	479.50
Office of Budget Administration	7.00	8.00	7.00	7.00
Aging	21.00	22.00	22.00	25.00
Personnel and Human Resources	17.00	19.00	18.00	16.00
Consumer Affairs			(3)	4.00
Law	76.50	77.00	72.50	76.00
Finance	226.00	222.50	232.00	234.00
Security of Persons and Property				
Administration	48.50	42.50	36.50	36.50
Police	1,901.00	1,913.50	1,873.00	1,869.50
Fire	707.00	730.00	729.00	803.00
EMS	224.00	232.00	232.00	214.00
Dog Pound	17.00	17.00	14.50	15.00
House of Corrections	127.00	131.50	133.00	153.00
Public Health Services	138.00	133.00	125.50	140.50
Leisure Time Activities				
Parks, Recreation and Property Administration			(3)	8.00
Research, Planning and Development			(3)	5.00
Recreation	200.50	191.50	190.50	189.00
Public Auditorium, Westside Market and Cleveland Stadium (4)	54.50	54.00	42.50	29.50
Parking Facilities	40.00	40.50	39.50	42.50
Property Management	73.50	72.50	70.50	73.50
Parks Maintenance	133.00	130.00	119.00	126.00
Community Development	74.00	76.00	78.50	76.50
Building and Housing	115.00	117.00	113.00	120.00
Economic Development	25.00	29.00	26.00	28.00
Public Works				
Public Works Administration	38.00	37.00	34.00	5.50
Architecture			(3)	5.00
Waste Collection and Disposal	192.50	199.50	206.50	212.50
Engineering and Construction			(3)	31.50
Motor Vehicle Maintenance	66.00	68.00	68.00	75.00
Streets	249.00	248.00	260.00	285.00
Traffic Engineering	29.00	29.00	29.00	36.00
Port Control	383.00	392.00	404.50	418.00
Basic Utility Services				
Water	1,008.00	1,042.50	1,093.00	1,157.00
Cleveland Public Power	266.00	316.00	335.00	358.00
Water Pollution Control	134.50	135.00	136.00	148.50
Totals:	7,263.00	7,402.50	7,412.50	7,673.00

Method: Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee at year end.

(1) Building and Housing was moved from Community Development to its own department in 2005.

(2) House of Corrections was moved from Public Health to Public Safety in 2007.

(3) In 2012, a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government.

(4) In 2010, the Convention Center was sold to Cuyahoga County; however, the City continues to maintain and operate the Public Auditorium.

N/A - Information not available.

Source: City Payroll Department.

2010	2009	2008	2007		2006	2005	
62.00	65.50	64.50	62.50		63.50	65.00	
25.50	25.50	27.50	26.00		25.00	29.50	
5.50	5.50	5.50	5.50		5.00	4.50	
5.50	5.50	5.50	5.50		5.00	6.00	
4.00	4.50	4.50	4.50		4.50	5.50	
11.00	10.50	10.00	11.50		10.00	10.50	
30.50	29.00	27.50	27.00		28.50	23.50	
24.00	24.00	23.00	26.00		23.00	26.00	
10.00	10.00	11.00	13.00		13.00	14.00	
531.00	542.50	541.50	551.00		544.00	541.50	
7.00	5.50	7.00	8.00		7.00	7.00	
24.50	21.50	21.00	22.50		20.50	18.00	
16.50	15.00	17.00	20.00		19.00	18.00	
3.00	5.00	6.00	5.00		5.00	3.00	
87.00	88.50	86.50	89.50		88.50	89.00	
241.50	248.50	250.50	255.00		255.00	255.50	
40.00	39.00	39.00	42.50		39.50	39.00	
1,983.50	2,079.00	2,095.50	2,105.00		2,176.50	2,179.00	
875.00	894.00	883.00	902.00		915.00	916.00	
218.00	236.00	252.00	288.00		292.00	297.00	
16.00	15.00	14.50	14.50		14.50	13.00	
170.00	188.00	176.50	183.50	(2)	N/A	N/A	
159.50	168.50	169.50	168.50	(2)	260.00	253.00	
7.00	7.00	7.00	8.00		8.00	7.00	
6.00	8.00	9.00	9.00		9.00	10.00	
230.00	238.00	233.50	238.00		165.00	170.50	
27.50	31.00	54.50	59.50		49.50	54.00	
42.50	41.00	44.50	49.00		46.50	47.50	
81.50	84.50	87.50	89.50		93.00	100.00	
140.00	141.00	151.00	164.00		161.00	170.00	
87.00	86.00	77.50	78.50		81.00	87.50	(1)
134.50	142.00	147.00	161.00		165.00	170.00	(1)
34.00	68.00	73.00	88.00		94.00	98.00	
4.50	4.50	5.00	5.00		5.00	5.00	
6.00	6.00	7.00	8.00		9.00	9.00	
238.50	253.50	225.50	252.50		244.50	225.50	
59.50	61.50	60.50	65.50		65.50	69.50	
81.00	85.00	86.00	95.00		102.00	100.00	
257.50	271.50	283.50	306.00		288.50	303.00	
38.00	39.00	40.00	41.00		44.00	44.00	
446.50	447.50	406.50	386.00		369.50	377.50	
1,164.50	1,179.50	1,215.50	1,194.00		1,207.00	1,216.00	
345.00	343.00	340.00	341.00		337.00	341.00	
158.00	157.00	150.00	157.00		144.00	147.00	
8,139.50	8,420.50	8,442.50	8,632.00		8,502.00	8,565.50	

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2014	2013	2012	2011
General Government				
Council and Clerk				
Number of ordinances passed	582	642	631	723
Number of resolutions passed	696	686	739	647
Number of planning commission docket items (4)	232	267	359	262
Zoning board of appeals docket items	256	276	237	241
Finance Department				
Number of payments issued	37,689	37,257	38,010	38,501
Total amount of payments	$ 1,423,313,034	$ 1,454,825,245	$ 1,236,189,641	$ 1,311,830,974
Interest earnings for fiscal year (cash basis)	$ 2,004,466	$ 2,922,320	$ 3,283,638	$ 4,061,090
Number of receiving warrants (8)	36,245	33,006	32,087	30,433
Number of journal entries issued (8)	206,253	176,343	190,554	179,546
Number of budget adjustments issued	4	5	4	6
Agency ratings - Standard & Poor's (1)	AA	AA	AA	AA
Agency ratings - Moody's Financial Services (1)	A1	A1	A1	A1
Health insurance costs vs. General Fund expenditures %	15%	15%	15%	18%
General Fund receipts (cash basis in thousands)	$ 502,860	$ 511,253	$ 501,018	$ 496,086
General Fund expenditures (cash basis in thousands)	$ 487,584	$ 485,912	$ 468,543	$ 472,883
General Fund cash balances (in thousands)	$ 92,693	$ 89,988	$ 84,869	$ 54,888
Income Tax Department				
Number of individual returns	181,811	188,767	192,362	196,457
Number of business returns	29,866	22,601	25,140	26,240
Number of business withholding accounts	13,857	13,914	14,414	14,338
Amount of penalties and interest collected	$ 1,848,347	$ 1,880,485	$ 1,771,088	$ 2,059,203
Annual number of corporate withholding forms processed	149,291	143,976	147,175	149,537
Annual number of balance due statements forms processed	38,059	39,012	37,642	38,152
Annual number of estimated payment forms processed	42,027	40,932	41,813	41,636
Annual number of reconciliations of withholdings processed	11,851	10,737	11,416	11,376
Engineer Contracted Services				
Dollar amount of construction overseen by engineer (2)	$ 52,004,000	$ 30,424,253	$ 25,400,000	$ 30,760,000
Municipal Court				
Number of civil cases (10)	18,910	7,534	9,451	11,513
Number of criminal cases (10)	103,098	109,740	110,754	107,711
Vital Statistics				
Certificates filed (3)				
Number of births	17,061	16,448	17,264	16,616
Number of deaths	13,509	13,460	13,016	12,958
Number of fetal deaths	337	380	384	459
Certificates issued (3)				
Number of births	55,753	57,935	57,297	57,542
Number of deaths	60,897	61,717	60,173	61,147
Civil Service				
Number of police entry tests administered	1	1		
Number of fire entry tests administered	1			
Number of police promotional tests administered	3			1
Number of fire promotional tests administered	4	4		1
Number of hires of police officers from certified lists	103	47	50	42
Number of hires of fire/medics from certified lists	37	33		
Number of promotions from police certified lists	4	36	33	
Number of promotions from fire certified lists	49	29	42	

2010	2009	2008	2007	2006	2005
621	772	771	784	846	899
747	776	304	363	361	306
298	309	444	441	768	725
274	267	242	263	265	394
37,944	44,289	47,670	47,985	49,533	50,541
$1,276,014,604	$ 1,307,460,874	$1,251,719,916	$1,287,268,015	$ 1,284,108,296	$ 1,266,586,217
$ 7,507,827	$ 13,219,445	$ 45,366,880	$ 63,335,510	$ 53,988,258	$ 42,035,213
31,497	16,369	16,141	15,300	14,799	14,485
192,281	41,238	41,217	43,619	43,186	39,839
2	2	5	2	3	5
AA	AA	AA	A	A	A
A1	A2	A2	A2	A2	A2
17%	15%	14%	14%	14%	14%
$ 480,724	$ 487,678	$ 517,796	$ 509,616	$ 490,927	$ 471,755
$ 482,227	$ 501,758	$ 501,124	$ 485,410	$ 465,162	$ 451,323
$ 16,400	$ 12,327	$ 40,685	$ 41,885	$ 30,957	$ 29,738
202,232	211,241	232,210	238,319	248,108	267,712
26,881	26,326	29,014	28,335	30,567	25,763
13,835	14,542	14,653	14,469	16,200	14,942
$ 1,754,501	$ 1,884,453	$ 2,357,490	$ 1,912,554	$ 1,999,859	$ 1,990,879
149,584	144,493	151,256	152,334	169,933	136,931
36,188	38,610	44,637	39,767	45,909	47,252
42,767	47,841	51,527	57,092	56,163	55,036
11,357	12,213	12,198	12,488	18,929	9,075
$ 34,000,000	$ 32,000,000	$ 159,540,000	$ 251,305,000	$ 141,733,000	$ 52,741,000
19,280	16,375	19,890	18,569	22,909	21,567
167,563	120,131	120,077	113,661	121,676	121,791
15,528	16,403	16,942	17,235	17,645	17,638
12,296	12,101	12,354	12,086	11,992	12,343
454	401	447	399	312	361
62,507	69,785	77,967	102,140	98,545	101,284
59,689	60,465	65,149	64,436	84,615	66,268
	1		1		
1					
		3			
	56	106	73		
	22				
	20	40			39
		10	49		

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2014	2013	2012	2011
Building Department Indicators				
Construction permits issued	14,002	15,760	16,245	15,082
Estimated value of construction	$ 951,833,168	$ 898,217,589	$ 1,033,330,550	$ 1,556,000,000
Number of other permits issued	4,560	4,632	4,854	4,164
Amount of revenue generated from permits	$ 8,318,937	$ 8,727,385	$ 7,867,168	$ 8,306,423
Number of contract registrations issued	2,395	2,357	2,802	2,822
Annual apartment/rooming house license fees	$ 1,340,845	$ 1,382,001	$ 1,305,182	$ 1,343,457
Security of Persons and Property				
Police				
Number of traffic citations issued	89,835	111,271	121,474	119,371
Number of parking citations issued	37,569	36,678	42,404	42,763
Number of criminal arrests	31,633	33,742	35,730	37,531
Number of accident reports completed	15,575	15,806	14,549	15,444
Part 1 offenses (major offenses)	33,975	37,125	39,028	40,554
OVI arrests (14)	693	779	790	679
Prisoners	21,201	23,935	35,251	37,235
Motor vehicle accidents	15,575	15,806	14,549	15,412
Fatalities from motor vehicle accidents	21	32	31	29
Community diversion program youths	105	98	152	188
Fire				
Fire calls - incoming for services (6)	64,357	61,728	65,040	65,132
Fires	2,431	2,478	2,846	2,714
Fires with loss	1,441	1,403	1,372	1,398
Fires with losses exceeding $10K	310	247	259	256
Fire losses $	$ 16,936,874	$ 9,634,925	$ 13,128,848	$ 14,747,291
Fire safety inspections	12,730	10,110	13,380	10,898
Number of times mutual aid given to fire	5	2	30	21
EMS				
EMS calls - incoming for service	109,045	106,385	96,359	94,307
Ambulance billing collections (net)	$ 12,214,724	$ 11,589,324	$ 12,051,964	$ 11,594,178
Public Health and Welfare				
Number of health inspections				
Barber shops	360	303	333	400
Food	7,187	7,796	7,674	7,369
Hotels/motels	35	22	38	42
Marinas				11
Mobile home parks			5	12
Laundries	68	81	62	87
Nuisance	17,117	22,375	21,118	19,136
Pools	147	132	161	204
Schools	417	547	419	480
Day care inspections	194	188	161	229
Maternity inspections	1	2		4
Abortion inspections	4	5	5	6
Cemetery burials				
Cemetery cremations	249	179	196	177

2010	2009	2008	2007	2006	2005
6,829	8,334	10,631	8,397	9,163	9,699
$ 729,883,689	$ 919,923,776	$ 814,646,916	$ 648,592,297	$ 743,566,106	$ 652,537,749
8,629	8,290	9,710	8,971	9,157	9,272
$ 6,078,922	$ 7,332,522	$ 7,364,794	$ 7,112,426	$ 7,399,513	$ 7,504,979
2,895	2,847	2,783	2,887	3,077	3,700
$ 1,571,317	$ 1,281,530	$ 1,331,940	$ 1,427,208	$ 1,290,830	$ 1,367,157
75,362	77,037	79,089	62,652	77,003	82,642
48,691	59,598	49,012	49,669	59,311	51,947
39,657	38,613	39,596	39,087	40,678	39,002
14,761	14,804	15,525	16,239	17,374	18,878
38,003	38,586	39,237	41,400	44,018	42,352
729	738	695	847	577	705
39,156	37,864	38,629	38,142	39,851	38,259
14,761	14,804	15,525	16,239	17,374	18,878
49	38	52	34	39	38
196	139	169	229	177	155
60,076	60,306	60,263	63,403	61,702	65,825
2,869	2,794	2,790	3,343	3,296	3,195
1,266	843	1,095	1,807	1,708	1,904
219	237	362	479	362	379
$ 12,035,650	$ 12,312,407	$ 11,242,477	$ 19,115,824	$ 21,567,578	$ 18,292,877
13,631	13,982	8,110	9,764	5,901	6,027
29	17	11	5		87
92,230	89,632	88,934	88,506	86,010	91,161
$ 10,832,204	$ 9,649,887	$ 12,091,087	$ 11,394,837	$ 10,698,730	$ 10,075,142
238	219	227	263	251	237
7,624	8,684	9,611	7,914	8,143	8,140
36	34	37	31	31	27
11	11	11	11	11	11
5	5	5	5	5	5
69	58	62	81	68	59
24,130	27,544	17,205	23,402	20,057	18,317
120	142	127	131	129	146
390	349	195	274	235	376
223	209	98	109	104	95
4	4	4	4	3	4
6	6	6	5	5	5
	3	17	54	27	49
169	155	149	144	83	45

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2014	2013	2012	2011
Leisure Time Activities				
Recreation men and women leagues receipts	$ 2,940	$ 3,407	$ 9,862	$ 5,280
Economic Development				
Grant amounts received (Amounts in 000's) (13)	$ 12,856	$ 3,045	$ 5,856	$ 2,154
Public Works				
Street improvements - asphalt overlay (square yards) (9)	244,500	297,183	212,032	224,361
Crackseal coating program (linear feet) (9)	662,225			3,263
Street repair (curbs, aprons, berms, asphalt) (hours)	152,214	138,034	117,239	83,212
Guardrail repair (hours) (11)	114	131	100	40
Paint striping				
Lane line (miles)	640	672	661	651
Crosswalks (each)	4,476	4,227	4,952	5,260
Arrows (each)	3,684	3,928	4,273	4,706
Street sweeper (hours) (11)	992	1,132	2,176	3,840
Cold patch (hours)	11,376	9,143	19,271	31,345
Snow and ice removal regular hours	89,234	86,978	87,369	128,000
Snow and ice removal overtime hours	18,791	19,212	18,912	23,117
Leaf collection (hours) (12)				
Holiday lights setup (hours) (7)	275	300	500	
Equipment repair/body shop (hours)	2,200	2,215	4,196	5,000
Tons of snow melting salt purchased November-March	73,888	57,966	40,236	74,679
Cost of salt purchased	$ 2,538,951	$ 1,972,003	$ 1,834,359	$ 3,348,606
Refuse disposal per year (in tons) August through July	209,410	214,561	212,367	240,603
Refuse disposal costs per year August through July	$ 5,466,793	$ 5,258,741	$ 5,723,227	$ 6,556,260
Annual recycling tonnage (excluding leaf, and compost items)	17,900	15,893	14,146	10,938
Percentage of waste recycled	11.00%	13.00%	10.06%	3.68%
Port Control				
Cleveland Hopkins Airport				
Landed weight (in thousands of pounds)	4,773,831	5,732,142	5,732,148	5,912,394
Total operations	137,363	181,340	180,944	188,286
Total passengers	7,609,404	9,072,045	9,010,077	9,203,740
Total enplaned passengers	3,797,261	4,525,612	4,495,353	4,597,697
Burke Lakefront Airport				
Total operations	66,862	68,665	72,916	65,664
Total passengers	155,583	148,294	184,427	176,096
Total enplaned passengers	77,984	74,385	92,160	87,695
Water Department				
Water rates per 1st 600 cubic feet of water used (5)	$ 17.34	$ 15.51	$ 13.76	$ 12.58
Average number of water accounts billed monthly	139,460	139,201	139,023	138,002
Total water collections annually (including P&I)	$ 261,928,659	$ 250,250,867	$ 246,046,531	$ 211,302,881
Payments to Cleveland for bulk water purchases	$ 21,810,862	$ 20,194,830	$ 21,271,504	$ 19,101,723
Wastewater Department				
Sewer and sanitary calls for service	5,859	4,856	4,035	5,489
After hours sewer calls (hours)	381	227	167	204

(1) General obligation bond rating.

(2) Amounts are new construction starts. The majority of engineering and construction projects are multi-year projects.

(3) Includes entire area serviced by the Division of Vital Statistics (i.e., Cleveland + suburbs).

(4) Beginning 2007, administratively approved cases no longer included.

(5) This is the rate for the City of Cleveland residents only. In 2012 rates changed from per 1000 cubic feet to per 600 cubic feet.

(6) Fire Calls was changed to "Fire calls-Incoming for service" and all years adjusted beginning 2004 to reflect all calls for service received.

(7) Holiday light setup was contracted to an outside agency in 2009, 2010 and 2011.

(8) The City went "live" on a new financial system in January 2010. The new system creates journal entries at the transaction level instead of at the summary level like the prior financial system.

(9) No program was available for asphalt overlay in 2010 and a new program was implemented for crackseal coating. In 2011, this program ended due to state budget cuts and the asphalt overlay program was again funded.

(10) 2010 data has been changed. Figures included cases from prior years.

(11) Street sweeping was limited in 2011 and 2012 due to state imposed budget cuts.

(12) Beginning in 2011, the City no longer provides an organized leaf collection program.

(13) Economic Development grants received were restated in 2011 for all years shown. They Include Neighborhood Development Investment Fund, Supplemental Empowerment Zone, Economic Development Funds, Urban Development Action Funds, WIA Grants and Core City Program Funds. Beginning in 2011 WIA Grants were moved to General Government.

(14) In 2013, OVI arrests, operating a vehicle impaired, is formerly known as DUI arrests, driving under the influence. They are both counted using the same measures; however the State of Ohio now refers to them as OVI as does the City of Cleveland.

2010	2009	2008	2007	2006	2005
$ 5,145	$ 5,070	$ 6,825	$ 6,375	$ 5,730	$ 7,140
$ 4,564	$ 12,958	$ 16,837	$ 16,294	$ 36,005	$ 31,625
	101,000	113,772	65,000	40,000	162,800
679,450	200,640	158,400	126,720	79,200	316,800
76,000	80,000	95,000	95,000	95,000	95,000
2,500	2,500	3,000	1,100	1,600	1,000
855	936	630	650	650	650
5,172	6,950	5,700	6,000	6,000	6,000
4,210	3,716	2,800	3,000	3,000	3,000
46,000	55,000	49,000	36,000	30,000	30,000
22,000	24,000	31,000	31,000	31,000	31,000
128,000	128,000	132,000	132,000	132,000	132,000
21,139	14,400	15,000	18,000	8,000	30,000
18,300	18,000	20,000	17,000	17,000	17,000
		4	5	5	5
5,076	2,663	1,010	809	1,066	1,179
53,322	67,000	85,000	82,000	64,500	83,000
$ 2,321,118	$ 2,700,000	$ 3,330,000	$ 2,640,000	$ 2,128,363	$ 2,750,034
232,241	236,225	266,035	293,801	303,196	333,497
$ 6,079,532	$ 6,928,858	$ 7,790,729	$ 7,944,516	$ 8,662,913	$ 7,761,318
7,227	6,039	9,000	8,584	16,435	16,088
3.13%	4.12%	3.39%	2.93%	5.42%	4.82%
5,907,546	6,265,656	7,256,242	7,380,384	7,467,746	7,910,706
192,683	200,268	235,975	244,719	249,967	258,926
9,492,455	9,715,604	11,106,194	11,458,898	11,321,050	11,463,391
4,745,308	4,855,129	5,545,205	5,722,338	5,646,470	5,724,440
64,358	68,456	69,231	68,137	77,593	73,064
174,598	166,965	188,171	204,582	214,947	188,381
87,012	83,438	93,772	102,039	107,786	93,941
$ 12.58	$ 11.59	$ 10.63	$ 9.62	$ 8.71	$ 8.71
133,626	135,675	137,528	138,727	139,129	140,166
$ 210,264,218	$ 221,967,799	$ 218,285,825	$ 214,378,311	$ 192,386,791	$ 202,615,763
$ 20,660,824	$ 18,093,912	$ 18,399,096	$ 20,353,610	$ 19,632,453	$ 21,102,439
7,272	8,021	8,275	7,585	6,515	6,188
185	103	147	384	448	526

(Concluded)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2014	2013	2012	2011
General Government				
Square footage occupied (4)	3,659,100	3,659,100	3,690,000	3,690,000
Administrative vehicles	41	38	37	36
Police				
Stations	5	5	5	5
Square footage of buildings (1)	553,100	553,100	553,100	553,100
Vehicles	867	823	825	796
Fire				
Stations	26	26	26	26
Square footage of buildings	313,224	313,224	313,224	313,224
Vehicles	95	91	104	104
EMS				
Stations (headquarters)	1	1	1	1
Square footage of buildings	33,000	33,000	33,000	33,000
Vehicles	47	47	45	45
Port Control (Hopkins)				
Runways	3	3	3	3
Terminal area (approximate square footage)	935,000	935,000	935,000	935,000
Gates (7)	65	96	96	96
Parking spaces (approximately)				
CLE Smart Park Garage (6)	3,997	3,959		
Long-term			2,600	2,600
Short-term			3,900	3,900
Surface	1,544	1,100	640	640
Total parking spaces	5,541	5,059	7,140	7,500
Vehicles	320	315	335	353
Other Public Works				
Streets (miles)	1,300	1,300	1,300	1,290
Service vehicles (5)	1,500	1,539	1,906	868

2010	2009	2008	2007	2006	2005
3,700,000	3,700,000	3,700,000	3,700,000	2,310,732	2,310,732
26	28	27	26	28	26
5	5	6	6	6	6
553,100	553,100	769,536	769,536	769,536	769,536
808	830	764	921	958	979
26	26	26	26	26	26
313,224	313,224	313,224	313,224	313,224	313,224
120	127	132	155	153	152
1	1	1	1	1	1
33,000	33,000	33,000	33,000	33,000	33,000
44	49	46	49	57	53
3	3	3	3	4	4
935,000	935,000	935,000	935,000	935,000	935,000
96	96	96	96	96	96
2,576	2,647	2,500	2,500	2,500	2,500
3,895	4,088	4,200	4,200	4,200	4,200
615	390	500	500	500	
7,086	7,125	7,200	7,200	7,200	6,700
324	325	325	326	362	345
1,319	1,319	1,319	1,319	1,280	1,280
754	773	741	760	828	842

(Continued)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2014	2013	2012	2011
Recreation				
Number of parks	168	154	154	154
Number of playgrounds	109	110	110	109
Number of baseball diamonds	133	138	138	132
Number of tennis courts	90	119	119	111
Number of basketball courts				
Full	110	103	103	110
Half	10	10	10	10
Number of soccer fields	4	4	3	9
Number of recreation centers	21	21	21	20
Number of pools				
Indoor	19	19	19	19
Outdoor	22	21	20	23
Number of aquatic playgrounds	25	22	10	10
Number of golf courses (3)	2	2	2	2
Number of ice rinks	1	1	1	1
Number of roller rinks	1	1	1	1
Number of fine arts centers	1	1	1	1
Number of greenhouses	1	1	1	1
Number of camps	1	1	1	1
Total park acreage	1,863	1,489	1,489	1,495
Vehicles	86	91	97	99
Wastewater				
Sanitary sewers (miles)	170	170	170	170
Storm sewers (miles)	199	199	199	199
Combined sewers (miles)	1,065	1,065	1,065	1,065
Vehicles	104	108	116	115
Electric Power				
Vehicles	221	216	284	266
Water Department				
Water lines (miles) (2)	3,139	3,051	2,839	2,709
Vehicles	675	658	736	708

(1) Includes Dog Kennels, Inspection Garage and House of Corrections.

(2) These are calculated totals of all trunk mains [20" diameter and larger] (439 miles), distribution mains [16" and smaller] within the City of Cleveland (1,266 miles) plus distribution mains within certain suburbs with updated service agreements (1,134 miles) which transferred ownership of the distribution mains within those suburban boundaries to the City of Cleveland. Not included in these totals are the distribution mains in all master meter communities and any direct service suburban community who has not entered into a new service agreement.

(3) In 2011 the City leased Seneca golf course. In 2012 the City leased both golf courses.

(4) Closed Platt Station and Luke Easter Station in 2011. In 2013 square footage occupied decreased due to the demolition of the Miles Broadway building (21,900 sq ft) and the Highland Park Maintenance building (9,000 sq ft).

(5) In 2012 a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government.

(6) In 2013 Cleveland Hopkins demolished their long-term parking area and created a surface lot. They also changed their short-term parking area into the CLE Smart Park Garage which is for both short and long-term parking.

(7) In 2014 the number of gates reflects physical gates. All prior years totals are the number of aircrafts that can be accomodated at any onte time, including physical gates and parking positions.

N/A Information not available.

2010	2009	2008	2007	2006	2005
154	154	155	154	150	150
109	109	110	110	111	112
133	134	134	138	140	140
111	114	114	120	120	120
108	110	110	111	118	120
10	10	10	10	12	16
7	7	7	7	12	12
19	19	19	19	19	19
18	18	18	18	18	18
23	23	23	23	22	22
9	9	8	8	7	6
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1,492	1,487	1,491	1,490	1,477	1,477
156	160	157	161	163	154
170	170	156	156	171	171
199	199	164	164	199	199
1,065	1,065	920	920	1,065	1,065
108	111	114	128	83	82
252	272	291	308	306	287
2,704	2,493	2,321	2,321	2,172	2,168
744	745	759	811	832	827

(Concluded)

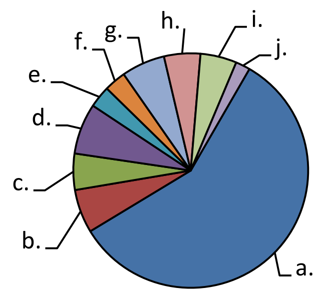
CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

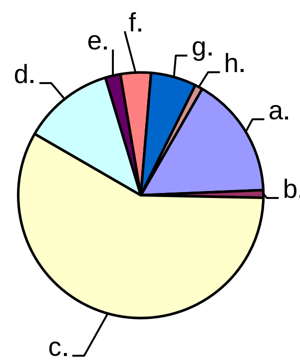
REVENUE DOLLAR BY SOURCE
Where the money came from

a. Income taxes	a.	$0.58
b. Property taxes	b.	0.06
c. State local government funds	c.	0.05
d. Other taxes	d.	0.07
e. Other shared revenues	e.	0.03
f. Licenses and permits	f.	0.03
g. Charges for services	g.	0.06
h. Fines, forfeits and settlements	h.	0.05
i. Miscellaneous	i.	0.05
j. Transfers in	j.	0.02
		$1.00



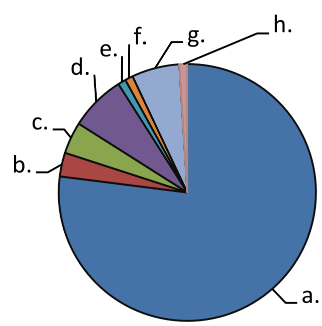
EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. General Government	a.	$0.16
b. Public Health	b.	0.01
c. Public Safety	c.	0.58
d. Public Works	d.	0.12
e. Building and Housing	e.	0.02
f. Economic and Community Development and other	f.	0.04
g. Transfers out	g.	0.06
h. Claims, refunds and maintenance	h.	0.01
		$1.00



EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries, wages and related benefits	a.	$0.77
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.07
e. Materials and supplies	e.	0.01
f. Maintenance	f.	0.01
g. Transfers out	g.	0.06
h. Claims, refunds and maintenance	h.	0.01
		$1.00



SPECIAL THANKS TO:

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Pandora Ward
Sylvia Ware
Kathleen Woidke

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Division of Printing and Reproduction

James E. Gentile, CPA
City Controller
Department of Finance
Room 18 – City Hall
Cleveland, Ohio 44114
(216) 664-3881

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY

DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Central Collection Agency
Division of Taxation
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio (the "Agency") as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Agency and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules on pages 26 through 29 are presented for purpose of additional analysis and are not a required part of the Agency's basic financial statements.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Finance, Division of Taxation, Central Collection Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2014 and December 31, 2013. Please read this information in conjunction with the Agency's financial statements and footnotes that begin on page 11.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland's Income Tax Ordinance providing the City's Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide for a central income tax collection facility. The Agency began with 14 member communities and during 2014 provided a full range of tax collection services for 75 member communities throughout 32 Ohio counties. Five member communities joined the Agency in December 2014 with collections beginning in 2015. The Agency employs more than 100 individuals to process approximately one million returns, estimated payments and tax assessments.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets and the liabilities of the Agency equal $84,157,335, $79,312,096 and $85,515,911, at December 31, 2014, 2013 and 2012, respectively. The Agency's total assets and liabilities increased by $4,845,239 in 2014, decreased by $6,203,815 in 2013 and increased by $4,947,830 in 2012. The changes in total assets and total liabilities over this three year period is primarily due to timing differences regarding the receipt of cash and distribution to member communities which directly effects cash balances and accounts receivable.

- The Agency fund total cash receipts were approximately $444 million, $435 million and $430 million in 2014, 2013 and 2012, respectively. In 2014, cash receipts consisted of $357 million of employer withholding, $47 million of business profits, $35 million of individual payments and $5 million of other payments.

- The Agency's total operational cost was $8,666,091, $8,597,360 and $8,191,396 in 2014, 2013 and 2012, respectively. In 2014, operational costs consisted of $5,442,682 of employee's wages and benefits, $1,331,088 of allocated charges and $1,892,321 of other miscellaneous expenses.

- The Agency provides a mechanism for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the operational costs of the Agency to be reduced by interest income. The Agency's member municipalities also benefit by the Agency printing, mailing and delivering large volumes of income tax information and forms in bulk to local community public buildings and their taxpayers. This information is also available on the Agency's website – www.ccatax.ci.cleveland.oh.us.

- The purchase of computer hardware and software upgrades increased capital assets in 2014 by $59,589.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Taxation Fund, in which the City of Cleveland accounts for the operations of the Department of Finance, Division of Taxation. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency operates two funds. The operating fund is considered an internal service proprietary fund because the operations of this fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities within this fund, the economic resources measurement focus and the accrual basis of accounting is used. The second fund is an agency fund, which is used to account for the collection and remittance of income taxes for the member municipalities. For accounting measurement purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations.

The financial statements of the Agency can be found on pages 11-14 of this report.

The notes to the financial statements and accompanying schedules provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements and accompanying schedules can be found on pages 15-29 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the internal service and agency funds of the Agency as of December 31, 2014, 2013 and 2012:

	2014	2013	2012
Assets:			
Cash and cash equivalents	$ 10,406,246	$ 8,107,014	$ 13,993,219
Capital assets, net of accumulated depreciation	149,633	120,400	51,264
Taxes receivable	71,948,823	69,711,462	70,300,395
Due from CCA internal service fund	1,192,837	998,237	736,482
Due from member municipalities	459,796	374,983	434,551
Total assets	$ 84,157,335	$ 79,312,096	$ 85,515,911
Liabilities:			
Accounts payable	$ 267,478	$ 144,211	$ 161,621
Due to CCA agency fund	1,192,837	998,237	736,482
Due to the City of Cleveland	54,575,824	51,606,102	57,407,784
Due to member municipalities	27,411,891	25,953,029	26,387,134
Accrued wages and benefits - current	610,846	530,851	717,938
Accrued wages and benefits - long-term	98,459	79,666	104,952
Total liabilities	$ 84,157,335	$ 79,312,096	$ 85,515,911

Assets: The Agency collects and disburses income tax receipts monthly, except for the City of Cleveland which receives collections of tax receipts in advance of the regular monthly distribution date. Assets primarily consist of cash on hand and anticipated income tax receivable. Total assets increased by $4,845,239 during 2014 and decreased $6,203,815 during 2013. The increase in assets in 2014 is primarily attributable to changes in cash and cash equivalents due to timing differences in the receipt and distribution of cash to member communities, as well as an increase in taxes receivable. The decrease in assets in 2013 is primarily attributable to changes in cash and cash equivalents due to timing differences in the receipt and distribution of cash to member communities, as well as a decrease in taxes receivable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: The Agency's investment in capital assets as of December 31, 2014 amounted to $149,633 (net of accumulated depreciation). The investment in capital assets include: furniture, fixtures, equipment and vehicles. A summary of the Agency's capital assets during the years ended December 31, 2014 and 2013 is as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
Furniture, fixtures, equipment and vehicles	$ 160,706	$ 59,589	$	$ 220,295
Total	160,706	59,589	-	220,295
Less: Accumulated depreciation	(40,306)	(30,356)		(70,662)
Total capital assets, net	$ 120,400	$ 29,233	$ -	$ 149,633

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
Furniture, fixtures, equipment and vehicles	$ 65,310	$ 95,396	$	$ 160,706
Total	65,310	95,396	-	160,706
Less: Accumulated depreciation	(14,046)	(26,260)		(40,306)
Total capital assets, net	$ 51,264	$ 69,136	$ -	$ 120,400

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2014, the increase in liabilities was primarily due to a increase in Due to the City of Cleveland, which is the result of a timing difference between the receipt and distribution of cash. During 2013, the decrease in liabilities was primarily due to the decrease in Due to the City of Cleveland, which is the result of a timing difference between the receipt and distribution of cash.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Provided below is statement of revenue, expenses and changes in net position for the internal service fund of the Agency for the years ended December 31, 2014, 2013 and 2012:

	Internal Service Fund		
	2014	**2013**	**2012**
Operating Revenues			
Charges for services	$ 8,658,645	$ 8,588,465	$ 8,183,986
Total operating revenues	8,658,645	8,588,465	8,183,986
Operating Expenses			
Salaries and wages	4,113,863	4,034,156	3,904,075
Employee benefits	1,328,819	1,349,587	1,337,688
Postage and office supplies	225,766	213,257	316,428
Allocation of City of Cleveland costs	1,331,088	1,265,899	1,214,372
Other administrative expenses	1,614,377	1,687,336	1,388,237
Property rental	21,822	20,865	19,711
Depreciation	30,356	26,260	10,885
Total operating expense	8,666,091	8,597,360	8,191,396
Operating loss	(7,446)	(8,895)	(7,410)
Non-operating Revenue			
Interest income	7,446	8,895	7,410
Change in net position	-	-	-
Net position at beginning of year			
Net position at end of year	$ -	$ -	$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

2014:

In 2014, charges for services increased by $70,180 as a result of an increase in the overall expenses of the Agency, which are charged back to the members.

Wages and benefits increased by $58,939 as a result of a cost of living increase. Other administrative expenses decreased by $72,959 in 2014 and is primarily due to efficiencies gained from several major upgrades to the Agency's computer hardware and software.

2013:

In 2013, charges for services increased by $404,479 as a result of an increase in the overall expenses of the Agency, which are charged back to the members.

Other administrative expenses increased by $299,099 in 2013 and is primarily due to an increase of more than $180,000 in professional fees and more than $96,000 in new computer software and software maintenance.

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATION

Although the economic recovery is steadily improving, the costs for materials and services continue to increase at a rate that outpaces our economic growth. The Agency continues to pursue ways to manage costs while maintaining service to our community members. The Agency continues to focus on swift and effective methods of collecting income taxes due. In the first quarter of 2015, the Agency showed a 4.0% increase in collections compared to collections for the same period in 2014. The Agency will continue to focus on increased delinquency collections, while concentrating on incurring only necessary operational expenses to achieve the goals of the Agency.

The operating budget for the Agency, as approved by the Cleveland City Council for 2015, provides for an overall increase in budgeted expenditures of approximately 10.9%.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall, Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

FINANCIAL STATEMENTS

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CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENTS OF NET POSITION - ALL FUND TYPES
December 31, 2014 and 2013

	2014		2013	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 2,129,287	$ 8,276,959	$ 1,705,721	$ 6,401,293
Taxes receivable		71,948,823		69,711,462
Due from CCA internal service fund		1,192,837		998,237
Due from member municipalities		459,796		374,983
TOTAL CURRENT ASSETS	2,129,287	81,878,415	1,705,721	77,485,975
CAPITAL ASSETS:				
Furniture, fixtures, equipment and vehicles	220,295		160,706	
Less: Accumulated depreciation	(70,662)		(40,306)	
CAPITAL ASSETS, NET	149,633	-	120,400	-
TOTAL ASSETS	$ 2,278,920	$ 81,878,415	$ 1,826,121	$ 77,485,975

(Continued)

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENTS OF NET POSITION - ALL FUND TYPES
December 31, 2014 and 2013

	2014		2013	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 267,478	$	$ 144,211	$
Due to CCA agency fund	1,192,837		998,237	
Due to the City of Cleveland	109,300	54,466,524	73,156	51,532,946
Due to member municipalities		27,411,891		25,953,029
Accrued wages and benefits - current	610,846		530,851	
TOTAL CURRENT LIABILITIES	2,180,461	81,878,415	1,746,455	77,485,975
LONG-TERM LIABILITIES				
Accrued wages and benefits	98,459		79,666	
TOTAL LONG-TERM LIABILITIES	98,459	-	79,666	-
TOTAL LIABILITIES	2,278,920	81,878,415	1,826,121	77,485,975
NET POSITION				
Investment in capital assets	149,633		120,400	
Unrestricted	(149,633)		(120,400)	
TOTAL NET POSITION	-	-	-	-
TOTAL LIABILITIES AND NET POSITION	$ 2,278,920	$ 81,878,415	$ 1,826,121	$ 77,485,975

(Concluded)

See notes to financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Charges for services	$ 8,658,645	$ 8,588,465
TOTAL OPERATING REVENUES	8,658,645	8,588,465
OPERATING EXPENSES		
Salaries and wages	4,113,863	4,034,156
Employee benefits	1,328,819	1,349,587
Postage and office supplies	225,766	213,257
Allocation of City of Cleveland costs	1,331,088	1,265,899
Other administrative expenses	1,614,377	1,687,336
Property rental	21,822	20,865
Depreciation	30,356	26,260
TOTAL OPERATING EXPENSES	8,666,091	8,597,360
OPERATING LOSS	(7,446)	(8,895)
NON-OPERATING REVENUE		
Interest income	7,446	8,895
CHANGE IN NET POSITION	-	-
NET POSITION AT BEGINNING OF YEAR		
NET POSITION AT END OF YEAR	$ -	$ -

See notes to financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENTS OF CASH FLOWS - INTERNAL SERVICE FUND
For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member municipalities	$ 8,853,245	$ 8,850,220
Cash payments to suppliers of goods and services	(3,081,463)	(3,240,469)
Cash payments for employee services and benefits	(5,296,073)	(5,600,258)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	475,709	9,493
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(59,589)	(95,396)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES	(59,589)	(95,396)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	7,446	8,895
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	7,446	8,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	423,566	(77,008)
Cash and cash equivalents at beginning of year	1,705,721	1,782,729
Cash and cash equivalents at end of year	$ 2,129,287	$ 1,705,721
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS		
Operating income (loss)	$ (7,446)	$ (8,895)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	30,356	26,260
Changes in assets and liabilities:		
Accounts payable	123,267	(17,410)
Due to CCA agency fund	194,600	261,755
Due to City of Cleveland	36,144	(39,844)
Accrued wages and benefits	98,788	(212,373)
Total adjustments	483,155	18,388
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 475,709	$ 9,493

See notes to financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE A--DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

The Central Collection Agency, Division of Taxation, City of Cleveland, Ohio (the Agency) is reported as part of the City of Cleveland's primary government and was created for the purpose of collecting city income taxes and disbursing those funds to the respective member municipalities (members) after payment of related expenses. Allocations of tax collections to members are based upon information provided by the taxpayers on the returns and supporting data. Such allocations are subject to adjustments in the subsequent year, dependent upon final returns filed by taxpayers and final review by the Agency. Refunds for overpayments are offset against allocated collections as amounts are determined.

Basis of Presentation: The financial statements are presented in accordance with Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) which requires financial statements by fund type. These financial statements present a columnar total for all fund types included in the statement of assets and liabilities.

The following fund types are used by the Agency:

Proprietary Fund Type--Internal Service Fund: This fund is used to account for the services provided to members on a cost-reimbursement basis.

Fiduciary Fund Type--Agency Fund: This fund is used to account for assets held by the Agency as an agent for others.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial reporting practices of the Agency comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Agency has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions and transfers of operations. The Agency has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The Agency has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

The Agency's net position is accounted for in the accompanying Statements of Net Position and is divided into amounts in net investment in capital assets and unrestricted. The negative unrestricted amount will be eliminated as depreciation expense is passed along to members of the Agency.

***Basis of Accounting**:* All financial transactions of the Agency are reported on the accrual basis of accounting. Under this accounting method, assets and the related liabilities at the end of the year primarily consist of individual income taxes receivable arising from payroll tax withholdings in December and a receivable for quarterly and annual payments of income taxes pertaining to net profits, self-employment and residents' taxes earned in the prior years. For accounting purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations. Financial transactions for the internal service fund are reported on the accrual basis of accounting; revenues are recognized when earned and measurable. Expenses are recognized as incurred. For accounting purposes, the operations of the internal service fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities, the economic resources measurement focus is used.

Supplies: Supplies are expensed when purchased.

Statement of Cash Flows: The Agency utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, for its internal service fund. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and investing activities.

For purposes of this statement, cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased and all of the Agency's share of the City of Cleveland's pooled cash accounts.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses: The Agency allocates all operating expenses, net of interest income, to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

Allocation of Interest Income: Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue.

The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date, and accordingly, interest income is allocated exclusively to the other members.

Investments**:** The Agency follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market rates.

The Agency has invested funds in STAROhio during years 2014 and 2013. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Furniture, fixtures, equipment and vehicles	3 to 60 years

Compensated Absences: The Agency accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position.

Normally, all vacation time is to be taken in the year available. The Agency allows employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE C—DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2014 and 2013 totaled $4,121,502 and $4,743,514, respectively, and the Agency's bank balances were $3,543,212 and $4,742,534, respectively. The differences represent outstanding warrants payable, positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No.3*, $3,543,212 and $4,742,534 of the bank balances at December 31, 2014 and 2013, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Agency will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Agency's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110% of the carrying value of the deposits being secured.

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded in segregated accounts and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the Agency, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

Investment securities are exposed to various risks such as interest rate, market and credit. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Agency invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the *Concentration of Credit Risk* section.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Agency does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the state statute.

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NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Agency's investments as of December 31, 2014 and 2013 include STAROhio and mutual funds. Investments in STAROhio and the Federated Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Agency places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Agency had the following investments at December 31, 2014 and 2013, which include those classified as cash and cash equivalents in the Statement of Net Position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2014 Fair Value	2014 Cost	2013 Fair Value	2013 Cost	Investment Maturities Less Than One Year
STAROhio	$ 177,455	$ 177,455	$ 2,006,141	$ 2,006,141	$ 177,455
Mutual Funds	6,107,289	6,107,289	1,357,359	1,357,359	6,107,289
Total Investments	6,284,744	6,284,744	3,363,500	3,363,500	6,284,744
Total Deposits	4,121,502	4,121,502	4,743,514	4,743,514	4,121,502
Total Deposits and Investments	$ 10,406,246	$ 10,406,246	$ 8,107,014	$ 8,107,014	$ 10,406,246

These amounts are monies invested by the City Treasurer on behalf of the Agency and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Monies due to member agencies are disbursed from these funds on a monthly basis.

As of December 31, 2014, the investments in STAROhio and mutual funds are approximately 3% and 97%, respectively, of the Agency's total investments. As of December 31, 2013, the investments in STAROhio and mutual funds are approximately 60% and 40%, respectively, of the Agency's total investments.

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE D--CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 160,706	$ 59,589	$	$ 220,295
Total capital assets, being depreciated	160,706	59,589	-	220,295
Less: Total accumulated depreciation	(40,306)	(30,356)		(70,662)
Total capital assets, being depreciated, net	120,400	29,233	-	149,633
Capital assets, net	$ 120,400	$ 29,233	$ -	$ 149,633

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 65,310	$ 95,396	$	$ 160,706
Total capital assets, being depreciated	65,310	95,396	-	160,706
Less: Total accumulated depreciation	(14,046)	(26,260)		$ (40,306)
Total capital assets, being depreciated, net	51,264	69,136	-	120,400
Capital assets, net	$ 51,264	$ 69,136	$ -	$ 120,400

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE E--DUE TO AND DUE FROM TRANSACTIONS

During the course of normal operations, the Agency has numerous transactions between its own funds and the municipalities which it serves, including transfers of resources to provide services. Such transactions are generally reflected as due to or due from account balances in the accompanying financial statements.

Individual fund due to and due from and certain payables balances as of December 31, 2014 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 1,192,837	$ 1,192,837
Due from member municipalities		459,796	459,796
Total Due From	$ -	$ 1,652,633	$ 1,652,633
Due to the CCA agency fund	$ 1,192,837	$	$ 1,192,837
Due to the City of Cleveland	109,300	54,466,524	54,575,824
Due to member municipalities		27,411,891	27,411,891
Total Due To	$ 1,302,137	$ 81,878,415	$ 83,180,552

Individual fund due to and due from and certain payables balances as of December 31, 2013 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 998,237	$ 998,237
Due from member municipalities		374,983	374,983
Total Due From	$ -	$ 1,373,220	$ 1,373,220
Due to the CCA agency fund	$ 998,237	$	$ 998,237
Due to the City of Cleveland	73,156	51,532,946	51,606,102
Due to member municipalities		25,953,029	25,953,029
Total Due To	$ 1,071,393	$ 77,485,975	$ 78,557,368

NOTE F--DEFINED BENEFIT PENSION PLAN

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

The Agency's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were $464,000, $510,000 and $381,000 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

NOTE G-- OTHER POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1. 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014 and 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014 and 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Agency's actual contributions to OPERS to fund postemployment benefits were $77,000 in 2014, $39,000 in 2013 and $152,000 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

NOTE G-- OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE H--RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. These costs, as reported in the statement of revenues and expenses of the internal service fund for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
City administration	$ 435,000	$ 434,533
Office rent	425,000	425,000
Telephone	32,488	90,110
Utilities	125,716	83,621
Parking Facilities	2,473	2,662
Printing services	294,325	215,516
Motor Vehicle Maintenance	16,086	14,457
Total	$1,331,088	$1,265,899

NOTE I--DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $459,796 at December 31, 2014 and $374,983 at December 31, 2013 as accrued wages and benefits. These amounts are recorded as due from member municipalities in the agency fund.

NOTE J--CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Agency for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Agency's financial position, results of operations or cash flows.

Risk Management: The Agency is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014 or 2013.

NOTE J--CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

The City provides the choice of four separate health insurance plans to its employees. On April 1, 2014 the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The Agency is charged a monthly rate per employee by type of coverage.

The City participates in the State of Ohio Workers' Compensation retrospective rating program.

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Agency is immaterial.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Years Ended December 31, 2014 and 2013

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
ASSETS				
Cash and cash equivalents	$ 6,401,293	$ 443,847,182	$ (441,971,516)	$ 8,276,959
Taxes receivable	69,711,462	71,948,823	(69,711,462)	71,948,823
Due from the CCA internal service fund	998,237	1,192,837	(998,237)	1,192,837
Due from member municipalities	374,983	459,796	(374,983)	459,796
TOTAL ASSETS	$ 77,485,975	$ 517,448,638	$ (513,056,198)	$ 81,878,415
LIABILITIES				
Due to the City of Cleveland	$ 51,532,946	$ 405,492,524	$ (402,558,946)	$ 54,466,524
Due to member municipalities	25,953,029	111,956,114	(110,497,252)	27,411,891
TOTAL LIABILITIES	$ 77,485,975	$ 517,448,638	$ (513,056,198)	$ 81,878,415

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
ASSETS				
Cash and cash equivalents	$ 12,210,490	$ 435,339,098	$ (441,148,295)	$ 6,401,293
Taxes receivable	70,300,395	69,711,462	(70,300,395)	69,711,462
Due from the CCA internal service fund	736,482	998,237	(736,482)	998,237
Due from member municipalities	434,551	374,983	(434,551)	374,983
TOTAL ASSETS	$ 83,681,918	$ 506,423,780	$ (512,619,723)	$ 77,485,975
LIABILITIES				
Due to the City of Cleveland	$ 57,294,784	$ 400,242,211	$ (406,004,049)	$ 51,532,946
Due to member municipalities	26,387,134	106,181,569	(106,615,674)	25,953,029
TOTAL LIABILITIES	$ 83,681,918	$ 506,423,780	$ (512,619,723)	$ 77,485,975

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECIEPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Members	Balance Collected and Due Members January 1,2014	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31,2014
Ada	138,376.04	1,776,842.19	1,915,218.23	1,723,774.97	51,244.57	1,775,019.54	140,198.69
Alliance		128.87	128.87	123.87	236.71	360.58	(231.71)
Alger	1,019.28	59,024.68	60,043.96	55,896.40	6,140.71	62,037.11	(1,993.15)
Akron	(26,322.97)	57,231.82	30,908.85	23,574.06	7,585.64	31,159.70	(250.85)
Athens	4,417.28	71,801.54	76,218.82	70,377.23	3,661.72	74,038.95	2,179.87
Barberton	830,279.03	12,620,731.54	13,451,010.57	12,161,962.63	296,297.76	12,458,260.39	992,750.18
Barnesville	292.75	7,342.31	7,635.06	7,064.10	442.07	7,506.17	128.89
Bedford	260.94	7,482.24	7,743.18	6,790.83	603.94	7,394.77	348.41
Bradner	(36.48)	113,430.74	113,394.26	102,278.56	10,456.51	112,735.07	659.19
Bratenahl	412,517.93	1,916,957.07	2,329,475.00	2,092,730.48	42,471.65	2,135,202.13	194,272.87
Burton	29,397.49	461,603.58	491,001.07	420,433.27	27,546.93	447,980.20	43,020.87
Centerville	(2,118.17)	16,349.44	14,231.27	12,155.99	1,220.58	13,376.57	854.70
Cleveland	1,799,448.88	343,454,678.02	345,254,126.90	335,426,649.32	5,722,486.36	341,149,135.68	4,104,991.22
Cridersville	66.56	4,362.58	4,429.14	3,782.58	646.56	4,429.14	
Cuyahoga Falls	(2,892.56)	3,354.68	462.12	427.12	758.79	1,185.91	(723.79)
Dayton	(1,810.63)	258,448.62	256,637.99	175,800.10	24,144.49	199,944.59	56,693.40
Dresden	10,166.93	252,202.25	262,369.18	235,829.51	15,910.25	251,739.76	10,629.42
Eastlake	(296.26)	8,110.62	7,814.36	7,289.48	438.41	7,727.89	86.47
Elida	30,114.90	418,137.50	448,252.40	400,631.18	26,473.70	427,104.88	21,147.52
Englewood	(1,610.67)	1,584.09	(26.58)		255.42	255.42	(282.00)
Franklin	120.16	4,997.22	5,117.38	4,587.38	425.90	5,013.28	104.10
Frazeysburg	3,934.91	155,511.20	159,446.11	146,384.00	11,233.31	157,617.31	1,828.80
Gates Mills	104,859.97	1,465,681.41	1,570,541.38	1,312,327.42	52,030.12	1,364,357.54	206,183.84
Geneva-on-the-Lake	3,555.24	204,709.26	208,264.50	185,796.43	15,265.79	201,062.22	7,202.28
Grand Rapids	6,096.00	201,614.37	207,710.37	187,430.27	19,487.69	206,917.96	792.41
Grand River	17,112.44	298,255.76	315,368.20	281,504.24	10,000.12	291,504.36	23,863.84
Hamilton	564.98	117,383.50	117,948.48	108,274.04	8,469.33	116,743.37	1,205.11
Hartville	(110.57)	76.00	(34.57)	70.00	43.52	113.52	(148.09)
Highland Hills	318,410.69	3,019,521.16	3,337,931.85	3,049,847.77	43,111.39	3,092,959.16	244,972.69
Huber Heights		63,350.39	63,350.39	54,548.00	5,147.27	59,695.27	3,655.12
Huntsville	3,371.61	66,879.63	70,251.24	61,826.81	6,062.89	67,889.70	2,361.54
Lakewood	318.86	14,004.60	14,323.46	10,659.48	7,654.34	18,313.82	(3,990.36)
Lancaster	10,011.99	8,780.49	18,792.48	17,662.35	833.79	18,496.14	296.34
Liberty Center	9,006.86	198,716.24	207,723.10	189,168.04	14,472.10	203,640.14	4,082.96
Lima	(315.65)	1,899.50	1,583.85	1,360.06	333.25	1,693.31	(109.46)
Linndale	5,401.22	62,861.67	68,262.89	61,503.65	2,819.58	64,323.23	3,939.66
Lorain	3,644.01	13,425.94	17,069.95	14,235.83	1,027.82	15,263.65	1,806.30
Madison	45,545.40	885,117.21	930,662.61	815,013.13	54,251.95	869,265.08	61,397.53
Medina	998,637.48	13,643,983.82	14,642,621.30	13,103,211.31	472,628.83	13,575,840.14	1,066,781.16
Mentor-on-the-Lake	57,787.64	861,889.81	919,677.45	813,588.36	45,704.25	859,292.61	60,384.84
Montgomery		27,799.75	27,799.75	24,866.83	3,943.24	28,810.07	(1,010.32)
Mt. Orab	(4.40)	3,472.45	3,468.05	3,273.05	567.16	3,840.21	(372.16)
Napoleon		8,357.65	8,357.65	7,527.80	1,805.69	9,333.49	(975.84)
Munroe Falls	60,248.03	1,174,099.93	1,234,347.96	1,102,656.52	51,159.21	1,153,815.73	80,532.23
Northfield	115,465.13	2,840,561.23	2,956,026.36	2,628,113.40	66,088.13	2,694,201.53	261,824.83
North Baltimore	75,953.41	684,257.09	760,210.50	681,465.89	32,640.68	714,106.57	46,103.93
North Perry	160,148.36	1,046,372.54	1,206,520.90	1,098,840.17	18,977.54	1,117,817.71	88,703.19
North Randall	208,461.70	2,116,352.08	2,324,813.78	2,117,670.93	38,819.36	2,156,490.29	168,323.49
Norton	325,635.24	5,072,900.63	5,398,535.87	4,788,603.15	174,736.18	4,963,339.33	435,196.54
Village of Oakwood	927.85	70,967.64	71,895.49	55,774.59	8,043.53	63,818.12	8,077.37
Paulding	14,469.11	760,806.91	775,276.02	680,907.49	41,666.85	722,574.34	52,701.68
Peninsula	12,731.38	555,026.61	567,757.99	505,744.68	19,780.28	525,524.96	42,233.03
Rocky River	852,518.07	10,031,027.28	10,883,545.35	9,725,582.97	373,150.35	10,098,733.32	784,812.03
Rushsylvania		5.00	5.00				5.00
Russells Point	11,377.58	252,849.73	264,227.31	232,351.20	19,090.52	251,441.72	12,785.59
Salem	(2,570.12)	4,901.52	2,331.40	1,997.01	596.32	2,593.33	(261.93)
Seville	81,517.11	1,075,275.85	1,156,792.96	1,014,876.76	50,231.22	1,065,107.98	91,684.98
Springfield	337.42	164,214.30	164,551.72	153,068.95	11,623.62	164,692.57	(140.85)
South Russell	111,839.01	1,665,054.62	1,776,893.63	1,567,800.74	67,958.92	1,635,759.66	141,133.97
Stow	(1,419.27)	6,037.44	4,618.17	3,499.27	729.87	4,229.14	389.03
Timberlake	(584.53)	71,272.59	70,688.06	62,719.70	8,324.68	71,044.38	(356.32)
Trotwood	671.50	11,847.81	12,519.31	11,463.74	734.99	12,198.73	320.58
Troy	6,308.85	8,689.90	14,998.75	13,897.25	962.96	14,860.21	138.54
Wadsworth	570,297.70	8,596,103.99	9,166,401.69	8,168,705.23	350,768.96	8,519,474.19	646,927.50
Warren	2,253.38	19,723.40	21,976.78	20,355.78	1,305.07	21,660.85	315.93
Warrensville Heights	1,085,849.15	15,106,799.17	16,192,648.32	14,557,992.59	276,686.94	14,834,679.53	1,357,968.79
Waynesfield	7,708.91	136,917.99	144,626.90	128,944.46	9,644.20	138,588.66	6,038.24
West Liberty	18,704.11	310,129.81	328,833.92	290,294.67	15,777.88	306,072.55	22,761.37
Wickliffe	(933.39)	2,109.15	1,175.76	938.65	378.00	1,316.65	(140.89)
Wilmington	592.97	15,938.76	16,531.73	15,479.73	2,426.60	17,906.33	(1,374.60)
Totals	8,527,727.77	434,638,336.38	443,166,064.15	423,011,983.45	8,658,644.96	431,670,628.41	11,495,435.74

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities (Excluding Cleveland)	Allocation of Net Operating Expenses
Ada	0.638742%	1.948734%	51,389.64	145.10	51,244.54
Alliance	0.002942%	0.000141%	236.70	0.01	236.69
Alger	0.076385%	0.064735%	6,145.51	4.81	6,140.70
Akron	0.094343%	0.062768%	7,590.31	4.66	7,585.65
Athens	0.045586%	0.078748%	3,667.60	5.85	3,661.75
Barberton	3.695611%	13.841664%	297,328.35	1,030.61	296,297.74
Barnesville	0.005502%	0.008053%	442.66	0.60	442.06
Bedford	0.007514%	0.008206%	604.53	0.61	603.92
Bradner	0.130083%	0.124404%	10,465.76	9.25	10,456.51
Bratenahl	0.529842%	2.102404%	42,628.15	156.55	42,471.60
Burton	0.342860%	0.506259%	27,584.61	37.70	27,546.91
Centerville	0.015188%	0.017931%	1,221.94	1.34	1,220.60
Cleveland	63.583938%	0.000000%	5,722,486.34		5,722,486.34
Cridersville	0.012877%	0.000000%	646.53		646.53
Cuyahoga Falls	0.009435%	0.003679%	759.09	0.27	758.82
Dayton	0.207046%	0.283451%	24,165.59	21.11	24,144.48
Dresden	0.198011%	0.276600%	15,930.87	20.59	15,910.28
Eastlake	0.005457%	0.008895%	439.04	0.66	438.38
Elida	0.329476%	0.458588%	26,507.81	34.15	26,473.66
Englewood	0.003176%	0.001737%	255.52	0.13	255.39
Franklin	0.005299%	0.005481%	426.33	0.41	425.92
Frazeysburg	0.139781%	0.170555%	11,246.00	12.70	11,233.30
Gates Mills	0.648191%	1.607472%	52,149.85	119.69	52,030.16
Geneva-on-the-Lake	0.189952%	0.224513%	15,282.48	16.72	15,265.76
Grand Rapids	0.242425%	0.221119%	19,504.17	16.46	19,487.71
Grand River	0.124598%	0.327109%	10,024.46	24.36	10,000.10
Hamilton	0.105388%	0.128739%	8,478.93	9.59	8,469.34
Hartville	0.000541%	0.000083%	43.53	0.01	43.52
Highland Hills	0.538913%	3.311630%	43,357.95	246.58	43,111.37
Huber Heights	0.064042%	0.069479%	5,152.46	5.17	5,147.29
Huntsville	0.075426%	0.073350%	6,068.36	5.46	6,062.90
Lakewood	0.016382%	0.015359%	7,655.50	1.14	7,654.36
Lancaster	0.006333%	0.009630%	834.52	0.72	833.80
Liberty Center	0.180081%	0.217940%	14,488.32	16.23	14,472.09
Lima	0.004144%	0.002083%	333.40	0.16	333.24
Linndale	0.035109%	0.068943%	2,824.68	5.13	2,819.55
Lorain	0.012789%	0.014725%	1,028.93	1.10	1,027.83
Madison	0.675217%	0.970744%	54,324.21	72.28	54,251.93
Medina	5.888338%	14.963906%	473,743.00	1,114.18	472,628.82
Mentor-on-the-Lake	0.568951%	0.945269%	45,774.64	70.38	45,704.26
Montgomery	0.049040%	0.030489%	3,945.49	2.27	3,943.22
Mt. Orab	0.007053%	0.003808%	567.45	0.28	567.17
Napoleon	0.022452%	0.009166%	1,806.36	0.68	1,805.68
Munroe Falls	0.637070%	1.287683%	51,255.12	95.88	51,159.24
Northfield	0.824319%	3.115358%	66,320.13	231.96	66,088.17
North Baltimore	0.406398%	0.750452%	32,696.53	55.88	32,640.65
North Perry	0.236941%	1.147599%	19,062.96	85.45	18,977.51
North Randall	0.484649%	2.321088%	38,992.17	172.82	38,819.35
Norton	2.177014%	5.563654%	175,150.47	414.26	174,736.21
Village of Oakwood	0.100048%	0.077833%	8,049.31	5.80	8,043.51
Paulding	0.518666%	0.834408%	41,728.99	62.13	41,666.86
Peninsula	0.246420%	0.608720%	19,825.59	45.32	19,780.27
Rocky River	4.648214%	11.001431%	373,969.51	819.14	373,150.37
Rushsylvania	0.000134%	0.000005%			-
Russells Point	0.237540%	0.277310%	19,111.15	20.65	19,090.50
Salem	0.007417%	0.005376%	596.73	0.40	596.33
Seville	0.625435%	1.179298%	50,319.03	87.81	50,231.22
Springfield	0.144641%	0.180100%	11,637.01	13.41	11,623.60
South Russell	0.846378%	1.826132%	68,094.88	135.97	67,958.91
Stow	0.009078%	0.006622%	730.37	0.49	729.88
Timberlake	0.103543%	0.078168%	8,330.50	5.82	8,324.68
Trotwood	0.009147%	0.012994%	735.92	0.97	734.95
Troy	0.011978%	0.009531%	963.67	0.71	962.96
Wadsworth	4.368570%	9.427693%	351,470.90	701.96	350,768.94
Warren	0.016241%	0.021631%	1,306.66	1.61	1,305.05
Warrensville Heights	3.454385%	16.568234%	277,920.65	1,233.63	276,687.02
Waynesfield	0.120011%	0.150163%	9,655.42	11.18	9,644.24
West Liberty	0.196425%	0.340132%	15,803.27	25.33	15,777.94
Wickliffe	0.004701%	0.002314%	378.22	0.17	378.05
Wilmington	0.030178%	0.017482%	2,427.98	1.30	2,426.68
Totals	100.000000%	100.000000%	8,666,090.71	7,445.75	8,658,644.96

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULES OF INCOME TAXES RECEIVABLE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Income Taxes Receivable Dec. 31, 2014	Income Taxes Receivable Dec. 31, 2013
Ada	317,694.96	311,768.35
Alliance	31,038.98	106.03
Alger	28,695.28	29,408.73
Akron	1,939.79	12,609.35
Athens	6,014.11	17,091.14
Barberton	2,067,702.01	1,769,457.01
Barnesville	371.92	1,023.21
Bedford	1,625.00	1,165.60
Bradner	40,104.12	41,654.64
Bratenahl	710,969.88	712,522.92
Burton	129,068.54	131,463.84
Centerville	119.72	3,060.33
Chillicothe	17,934.39	
Cleveland	50,361,533.16	49,733,496.58
Cridersville		105,858.85
Cuyahoga Falls		247.12
Dayton	24,952.68	42,576.04
Dresden	76,706.54	23,621.98
Eastlake	239.76	392.92
Elida	140,484.63	157,798.68
Englewood	50.00	619.10
Franklin	240.00	1,079.30
Frazeysburg	48,299.16	23,726.39
Gates Mills	527,322.76	538,564.59
Geneva-on-the-Lake	73,056.31	69,584.54
Grand Rapids	72,466.05	95,895.70
Grand River	59,484.93	58,510.81
Hamilton	54,074.23	12,764.40
Hartville		75.00
Highland Hills	290,173.99	456,167.61
Huber Heights	7,933.09	16,083.43
Huntsville	22,894.92	19,541.81
Lakewood	1,800.00	5,374.47
Lancaster	573.01	3,329.96
Liberty Center	49,842.39	48,440.79
Lima	1,210.79	423.53
Linndale	8,120.39	9,103.65
Lorain	633.51	5,270.17
Madison	302,560.75	294,884.06
Medina	3,531,360.04	3,346,557.11
Mentor-on-the-Lake	224,297.33	232,105.38
Montgomery	322.80	
Mt. Orab	210.78	1,019.65
Napoleon	415.13	
Munroe Falls	279,539.81	255,535.14
Northfield	759,537.43	308,983.98
North Baltimore	141,286.03	155,407.07
North Perry	163,626.06	197,761.45
North Randall	339,189.46	364,709.12
Norton	1,352,039.94	1,243,159.72
Village of Oakwood	26,258.62	21,961.80
Paulding	208,946.94	110,266.43
Peninsula	140,619.73	69,430.78
Rocky River	2,924,374.93	2,764,974.26
Russells Point	85,206.19	76,846.81
Salem	36.75	688.03
Seville	362,753.58	321,304.56
Springfield	36,088.13	55,886.98
South Russell	602,923.44	582,277.28
Stow	480.12	2,324.64
Timberlake	31,094.59	31,843.36
Trotwood	707.10	1,765.93
Troy	549.30	1,717.80
Wadsworth	2,170,329.26	2,041,205.58
Warren	984.61	4,987.05
Warrensville Heights	3,005,031.84	2,689,351.61
Waynesfield	44,630.28	39,521.37
West Liberty	37,141.54	28,244.17
Wickliffe	25.00	
Wilmington	884.03	6,861.99
	71,948,822.54	69,711,461.68

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Parking Facilities
Department of Public Works
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio (the "Division") as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Works, Division of Parking Facilities (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2014 and 2013. Please read this information in conjunction with the Division's financial statements and footnotes which begin on page 14.

The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The Division's operating revenues are derived primarily from charges for parking at its facilities and from parking meter collections. In 2014 and 2013 the Division facilities included two parking garages and four surface lots.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $21,424,000, $19,949,000 and $18,891,000 at December 31, 2014, 2013 and 2012, respectively. Of these amounts, $3,697,000, $4,171,000 and $4,094,000 (unrestricted net position) at December 31, 2014, 2013 and 2012, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $1,475,000 during 2014 and increased by $1,058,000 during 2013. In 2014, operating expense increased $283,000 due to contractual services with Standard Parking, cleaning and maintenance at Willard Garage and reduced inventory of supplies. Investment income increased $171,000 primarily due to the interest rate swap related to the 2006 revenue bonds. In 2013, operating income increased by $246,000 due to lower maintenance costs of card readers and an increase in parking revenue. Net non-operating expenses increased $226,000 due to lower investment income offset by paying less interest on debt service payments.

- The Division's total bonded debt decreased by $2,645,000 (9.1%), $2,520,000 (8.0%) and $2,420,000 (7.1%), during 2014, 2013 and 2012, respectively. These amounts represent the principal payments made in 2014, 2013 and 2012. In 2011 the Division defeased $16,145,000 as a result of the sale of the Gateway North Garage.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Parking Facilities Fund, in which the City accounts for the activities of off-street parking operations and meter revenue collections. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Parking Facilities Fund is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

The basic financial statements of the Division can be found on pages 14 - 19 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 – 38 of this report.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2014, 2013 and 2012:

	2014	2013	2012
	(Amounts in 000's)		
Assets and deferred outflows:			
Assets:			
Current assets	$ 5,024	$ 5,802	$ 5,657
Restricted assets	8,804	8,733	8,762
Capital assets, net	34,718	35,316	36,658
Total assets	48,546	49,851	51,077
Deferred outflows of resources:			
Loss on refunding	1,537	1,884	2,261
Total deferred outflows of resources	1,537	1,884	2,261
Total assets and deferred outflows	50,083	51,735	53,338
Liabilities, deferred inflows and net position:			
Liabilities:			
Current liabilities	3,911	3,887	3,692
Long-term liabilities	24,564	27,532	30,390
Total liabilities	28,475	31,419	34,082
Deferred inflows of resources:			
Derivative instruments-interest rate swaps	184	367	365
Total deferred inflows of resources	184	367	365
Net positon:			
Net investment in capital assets	12,131	10,252	9,272
Restricted for debt service	5,596	5,526	5,525
Unrestricted	3,697	4,171	4,094
Total net position	21,424	19,949	18,891
Total liabilities, deferred inflows and net position	$ 50,083	$ 51,735	$ 53,338

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets:

Current, restricted and other non-capital assets: From 2013 to 2014, the Division's current and restricted assets have decreased 4.9%. This decrease is primarily related to a decrease in cash and cash equivalents related to increased operational expenses in 2014. The Division's current and restricted assets increased 0.8% from 2012 to 2013. This was due to an increase of cash received from customers and increased parking revenue.

Capital assets*:* The Division's capital assets (net of accumulated depreciation) as of December 31, 2014 and 2013 amounted to $34,718,000 and $35,316,000, respectively. The total decrease in the Division's investment in capital assets was $598,000 (1.7%) and $1,342,000 (3.7%) in 2014 and 2013, respectively. The decrease in both 2014 and 2013 was due to depreciation expense exceeding asset additions.

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

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
	(Amounts in 000's)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719	448		54,167
Furniture, fixtures, equipment and vehicles	1,290		(38)	1,252
Construction in progress	474	763	(448)	789
Total	62,217	1,211	(486)	62,942
Less: Accumulated depreciation	(26,901)	(1,360)	37	(28,224)
Capital assets, net	$ 35,316	$ (149)	$ (449)	$ 34,718

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
	(Amounts in 000's)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719			53,719
Furniture, fixtures, equipment and vehicles	1,290			1,290
Construction in progress	440	34		474
Total	62,183	34	-	62,217
Less: Accumulated depreciation	(25,525)	(1,376)		(26,901)
Capital assets, net	$ 36,658	$ (1,342)	$ -	$ 35,316

Additional information on the Division's capital assets can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets.

Liabilities:

Long-term debt: At the end of 2014 and 2013, the Division had total bonded debt outstanding of $26,460,000 and $29,105,000, respectively. This is a reduction of approximately 9.1%. This reduction is the result of annual principal payments on the Division's outstanding bonds. This current debt was incurred to refund debt previously issued to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994 and was subsequently sold in 2011. The Willard Park Garage construction was completed in April 1996. The bonds are backed by the net revenues from these facilities. In addition, the City has pledged additional revenues, which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2014 and 2013, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2014 is summarized below:

	Balance January 1, 2014	Debt Retired	Balance December 31, 2014
	(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006	$ 29,105	$ (2,645)	$ 26,460

The activity in the Division's debt obligations outstanding during the year ended December 31, 2013 is summarized below:

	Balance January 1, 2013	Debt Retired	Balance December 31, 2013
	(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006	$ 31,625	$ (2,520)	$ 29,105

The bond ratings at December 31, 2014 for the Division's revenue bonds are as follows:

	Moody's Investors Service	Standard & Poor's
Parking Facilities Refunding Revenue Bonds:		
Series 2006 Bonds	A2	AA

The bond ratings indicated above are insured ratings only, reflecting the ratings of Assured Guaranty Municipal Corporation. (formerly Financial Security Assurance, Inc.). On March 18, 2014, Standard and Poor's Rating Services raised its rating on Assured Guaranty Municipal Corporation to AA from AA-. The Division only carries an insured rating.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

In addition, the Division entered into a derivative or hedging agreement in 2003. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note B – Long-Term Debt and Other Obligations.

The Division has reported deferred inflows of resources in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2014 and December 31, 2013. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor.

Additional information on the Division's long-term debt can be found in Note B – Long-Term Debt and Other Obligations.

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $21,424,000, $19,949,000 and $18,891,000 at December 31, 2014, 2013 and 2012, respectively.

Of the Division's net position at December 31, 2014, $5,596,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division had a net balance of $12,131,000 that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $3,697,000 balance of unrestricted net position may be used to meet the Division's ongoing obligations to customers and creditors.

Of the Division's net position at December 31, 2013, $5,526,000 represents resources that are classified as restricted since their use is limited by the bond indenture. In addition, the Division had a net balance of $10,252,000 that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $4,171,000 balance of unrestricted net position may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's operations during 2014 increased net position by $1,475,000 and increased net position by $1,058,000 in 2013. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
	(Amounts in 000's)		
Operating revenues	$ 7,916	$ 7,875	$ 7,735
Operating expenses	5,478	5,195	5,301
Operating income (loss)	2,438	2,680	2,434
Non-operating revenue (expense):			
Investment income (loss)	184	13	423
Interest expense	(1,588)	(1,739)	(1,853)
Other non-operating revenue (expense)		70	
Total non-operating revenue (expense), net	(1,404)	(1,656)	(1,430)
Income (loss) before capital contributions and special item	1,034	1,024	1,004
Capital contributions	441	34	490
Increase (decrease) in net position	1,475	1,058	1,494
Net position, beginning of year	19,949	18,891	17,397
Net position, end of year	$ 21,424	$ 19,949	$ 18,891

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

Operating revenues: From 2013 to 2014, operating revenues increased $41,000 or 0.5%. This increase is primarily due to increased parking revenue at the Municipal Lot and Gateway Garage offset by a decrease of expenditure recoveries related to a settlement payment that was received in 2013. From 2012 to 2013, operating revenues increased $140,000 or 1.8%. This increase is primarily due to an increase in revenue from the Gateway East Garage.

Operating expenses: In 2014, operating expenses increased $283,000 or 5.4%. This increase is primarily due to contractual services with Standard Parking, cleaning and maintenance of Willard Garage and reduced inventory of supplies. In 2013, operating expenses decreased $106,000 or 2.0%. This decrease is primarily attributed to a decrease in employee wages and benefits and a decrease in maintenance expenses of card readers offset by an increase in utility expenses.

Non-operating revenues and expenses: From 2013 to 2014, net non-operating expenses decreased $252,000. This is primarily due an increase of investment income on its interest rate swap and a decrease in interest expense. From 2012 to 2013, net non-operating expenses increased $226,000. This increase is primarily due to the decrease of investment income offset by a decrease in interest expense. In 2012 the interest rate swap increased the investment income.

FACTORS EXPECTED TO IMPACT THE DIVISION’S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Operating revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the net income from the Gateway garage and on-street parking meter revenue.

The Division continues to assess their operations to improve efficiencies, identify additional revenue sources and improve existing revenue sources. City Council has the authority to further increase parking fees when deemed necessary to assist the Division in meeting operational and debt commitments as economic circumstances dictate.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Division’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall, Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
ASSETS & DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,938	$ 5,575
Accounts receivable - net of allowance	21	13
Due from other City of Cleveland departments, divisions or funds	43	69
Inventory of supplies, at cost	22	145
TOTAL CURRENT ASSETS	5,024	5,802
RESTRICTED ASSETS		
Cash and cash equivalents	8,804	8,733
TOTAL RESTRICTED ASSETS	8,804	8,733
CAPITAL ASSETS		
Land	5,478	5,478
Land improvements	1,256	1,256
Buildings, structures and improvements	54,167	53,719
Furniture, fixtures, equipment and vehicles	1,252	1,290
Construction in progress	789	474
	62,942	62,217
Less: Accumulated depreciation	(28,224)	(26,901)
CAPITAL ASSETS, NET	34,718	35,316
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding	1,537	1,884
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,537	1,884
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	$ 50,083	$ 51,735

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
LIABILITIES, DEFERRED INFLOWS AND NET POSITON		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 2,770	$ 2,645
Accounts payable	260	283
Due to other governments	231	226
Due to other City of Cleveland departments, divisions or funds	169	191
Accrued interest payable	396	434
Accrued wages and benefits	85	108
TOTAL CURRENT LIABILITIES	3,911	3,887
LONG-TERM LIABILITIES		
Revenue bonds - excluding amount due within one year	24,546	27,510
Accrued wages and benefits	18	22
TOTAL LONG-TERM LIABILITIES	24,564	27,532
TOTAL LIABILITIES	28,475	31,419
DEFERRED INFLOWS OF RESOURCES		
Derivative instruments - interest rate swaps	184	367
TOTAL DEFERRED INFLOWS	184	367
NET POSITION		
Net investment in capital assets	12,131	10,252
Restricted for debt service	5,596	5,526
Unrestricted	3,697	4,171
TOTAL NET POSITION	21,424	19,949
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITON	$ 50,083	$ 51,735

(Concluded)

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
OPERATING REVENUES		
Charges for services	$ 7,916	$ 7,875
TOTAL OPERATING REVENUES	7,916	7,875
OPERATING EXPENSES		
Operations	4,021	3,764
Maintenance	97	55
Depreciation	1,360	1,376
TOTAL OPERATING EXPENSES	5,478	5,195
OPERATING INCOME (LOSS)	2,438	2,680
NON-OPERATING REVENUE (EXPENSE)		
Investment income (loss)	184	13
Interest expense	(1,588)	(1,739)
Other non-operating revenue (expense)		70
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(1,404)	(1,656)
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,034	1,024
Capital contributions	441	34
INCREASE (DECREASE) IN NET POSITION	1,475	1,058
NET POSITION, beginning of year	19,949	18,891
NET POSITION, end of year	$ 21,424	$ 19,949

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 8,403	$ 8,256
Cash payments to suppliers for goods or services	(3,488)	(3,042)
Cash payments to employees for services	(1,043)	(1,073)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	3,872	4,141
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from settlement		70
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	-	70
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(322)	
Principal paid on long-term debt	(2,645)	(2,520)
Interest paid on long-term debt	(1,472)	(1,609)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(4,439)	(4,129)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1	15
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1	15
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(566)	97
CASH AND CASH EQUIVALENTS, beginning of year	14,308	14,211
CASH AND CASH EQUIVALENTS, end of year	$ 13,742	$ 14,308

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income	$ 2,438	$ 2,680
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,360	1,376
Changes in assets and liabilities:		
Accounts receivable, net	(8)	5
Due from other City of Cleveland departments, divisions or funds	26	(18)
Inventory of supplies	123	(6)
Accounts payable	(23)	70
Due to other governments	5	5
Due to other City of Cleveland departments, divisions or funds	(22)	74
Accrued wages and benefits	(27)	(45)
TOTAL ADJUSTMENTS	1,434	1,461
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,872	$ 4,141
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions of capital assets	$ 441	$ 34

(Concluded)

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Parking Facilities (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Public Works and is a part of the City's primary government. The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Division has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Division has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The Division has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the Gateway and Willard Park garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily or monthly basis.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair values of investments at year end are based on market quotes, where available.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2014 and 2013. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of debt are classified as restricted assets since their use is limited by the underlying bond indenture.

Inventory of Supplies: Inventory is valued at cost using the first in/first out method. Inventory costs are charged to operations when consumed.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations.

The estimated useful lives are as follows:

Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division allows employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issuance Costs, Discounts/Premiums and Unamortized Loss on Debt Refunding: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2014 and 2013 is as follows:

	Interest Rate	Original Issuance	2014	2013
			(Amounts in 000's)	
Parking Facilities Refunding Revenue Bonds Series 2006, due through 2022	4.00%-5.25%	$ 57,520	$ 26,460	$ 29,105
Unamortized (discount) premium			856	1,050
Current portion			(2,770)	(2,645)
Total Long-Term Debt			$ 24,546	$ 27,510

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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

	Balance January 1, 2014	Increase	Decrease	Balance December 31, 2014	Due Within One Year
			(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds					
Series 2006, due through 2022	$ 29,105	$	$ (2,645)	$ 26,460	$ 2,770
Accrued wages and benefits	130	81	(108)	103	85
Total	$ 29,235	$ 81	$ (2,753)	$ 26,563	$ 2,855

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

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds					
Series 2006, due through 2022	$ 31,625	$	$ (2,520)	$ 29,105	$ 2,645
Accrued wages and benefits	176	104	(150)	130	108
Total	$ 31,801	$ 104	$ (2,670)	$ 29,235	$ 2,753

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Minimum principal and interest payments on outstanding long-term debt are as follows:

	Principal	Interest	Total
		(Amounts in 000's)	
2015	$ 2,770	$ 1,354	$ 4,124
2016	2,880	1,244	4,124
2017	3,040	1,093	4,133
2018	3,200	933	4,133
2019	3,370	765	4,135
2020-2022	11,200	1,196	12,396
Total	$ 26,460	$ 6,585	$ 33,045

The Parking Facilities Refunding Revenue Bonds are payable from net revenues generated from certain parking facilities and other operating revenues of the Division of Parking Facilities, including parking meter revenue. In addition, the City has pledged other non-tax revenue to meet debt service requirements. The City has pledged and assigned to the trustee a first lien on pledged revenues consisting of fines and penalties collected as a result of the violation of municipal parking ordinances and fines, waivers and costs relating to citations for misdemeanor offenses and the special funds as defined within the bond indenture.

Effective October 6, 2011, the City completed the sale of the City-owned Gateway North Parking Garage to Rock Ohio Caesars Gateway LLC. The garage is being used by the purchaser in conjunction with a new casino constructed in the Higbee Building adjacent to the garage. The net proceeds of the sale of the garage received by the City totaled $20,915,504. Of this amount, $19,578,288 was placed into an irrevocable escrow fund, along with $1,967,425 released from the debt service reserve fund as a result of the transaction, to be used to pay the principal and interest as it comes due on $16,145,000 Parking Facilities Refunding Revenue Bonds, Series 2006. As a result, these bonds are considered to be defeased and the liability for the bonds has been removed from long-term debt. In addition, $480,000 of the sale proceeds was used to terminate the portion of an existing basis swap which was associated with the bonds being defeased. Sale proceeds were also utilized to pay costs of the transaction. As a result of this transaction, the City expects to save approximately $600,000 annually through 2022.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Effective August 15, 2006, the City issued $57,520,000 of Parking Facilities Refunding Revenue Bonds, Series 2006. The bonds were issued to currently refund $56,300,000 of the outstanding Parking Facilities Refunding Revenue Bonds, Series 1996. In addition, proceeds were also used to fund a portion of a payment owed by the City upon early termination under an interest rate swaption agreement entered into in 2003. Net proceeds of $58,709,855 were placed in an irrevocable escrow account which was used to pay the principal, interest and premium on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding to reduce its total debt service payments by $1,340,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $970,000. At the time of the issuance of the Series 2006 Bonds, the City entered into a basis swap agreement with UBS, which is described below.

On April 16, 2013, the City entered into a novation agreement with UBS, AG and PNC Bank, National Association (PNC) under which the basis swap associated with the Parking Facilities Refunding Revenue Bonds, Series 2006, was transferred from UBS to PNC effective March 15, 2013. All of the terms of the original basis swap remain the same. The City agreed to novate the swap to PNC based upon UBS' mandate to downsize its swap portfolio.

Interest Rate Swap Transaction

Terms: Simultaneously with the issuance of the City's $57,520,000 Parking Facilities Refunding Revenue Bonds, Series 2006 on August 15, 2006, the City entered into a floating-to-floating rate basis swap agreement with a notional amount equal to the total declining balance of the Series 2006 Bonds. UBS was the counterparty on the transaction. As stated above, the basis swap was transferred to PNC Bank, National Association in 2013. Under the swap agreement for the Series 2006 Bonds, the City is a floating rate payor, paying a floating rate based on the Securities Industry Financial Markets Association (SIFMA) index. The counterparty is also a floating rate payor, paying the City 67% of one month LIBOR. The City also received an upfront payment in the amount of $1,606,000. Net payments are exchanged semi-annually each March 15 and September 15. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the parking revenues and additional pledged revenue as defined in the trust indenture securing the Parking Facilities Refunding Revenue Bonds, Series 2006, on parity with the pledge and lien securing the payment of debt service on the bonds.

Objective: The City entered into the swap in order to maximize the savings associated with the refunding of the bonds and to reduce the City's risk exposure. The actual overall savings to be realized by the City will depend upon the net payments received under the swap agreement.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Basis Risk: By entering into the swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between the SIFMA (tax-exempt) and LIBOR (taxable) interest rates has historically been 67%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher for various periods of time due to disruptions in the financial markets. The payments received from the counterparty may be less than the amount owed to the counterparty, resulting in a net increase in debt service. However in 2013 and 2014 the SIFMA/LIBOR relationship has been significantly lower than 67%. In this case payments received from the counterparty have been greater than the amount owed to the counterparty which results in a net decrease in debt service. In addition, a reduction in federal income tax rates might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of the financing.

Counterparty Risk: The City selected a highly rated counterparty in order to minimize this risk. However, over the long-term, it is possible that the credit strength of PNC could change and this event could trigger a termination payment on the part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to PNC, or by PNC to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained insurance to mitigate much of the risk associated with termination due to the event of a downgrade of the City's bond rating. An amount due by the City to PNC upon early termination of the agreement is insured by FSA (now Assured Guaranty Municipal Corp.) up to a maximum amount of $8,000,000.

Fair Value: The fair value of the swap at December 31, 2014 and at December 31, 2013 as reported by PNC was $184,000 and $367,000, respectively, which would be payable by the City.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $26,460,000 of Parking Facilities Refunding Revenue Bonds issued in 2006. Proceeds from the bonds initially issued provided financing for the construction of parking facilities. The bonds are payable from parking facilities net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require the full amount of net operating revenues. The total principal and interest remaining to be paid on the Parking Facilities Refunding Revenue Bonds is $33,045,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,117,000 and $4,034,000, respectively.

In 2014 and 2013, no additional pledged revenue was required to meet the debt service on the Parking Facilities Refunding Revenue Bonds. The trust indenture requires, among other things, that the Division will fix parking rates and will charge and collect fees for the use of the parking facilities and will restrict operating expenses. As of December 31, 2014 and 2013, the Division was in compliance with the terms and requirements of the trust indenture.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Derivative Instruments

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The Division entered into a derivative or hedging agreement in 2003. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in the preceding section.

The Division has reported an asset and/or a liability as appropriate in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2014 and December 31, 2013. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor. The Division recognized $183,000 investment revenue pursuant to this swap in 2014 and a $2,000 investment loss in 2013.

The tables below present the fair value balances and notional amounts of the Division's derivative instrument outstanding at December 31, 2014 and December 31, 2013, classified by type and the change in fair value of this derivative during fiscal years 2014 and 2013 as reported in the respective financial statements. The fair values of the interest rate swap, which reflect the prevailing interest rate environment at December 31, 2014 and December 31, 2013 and the specific terms and conditions of the swap, have been provided by the counterparty and confirmed by the City's financial advisor.

	Changes in Fair Value		Fair Value at December 31, 2014		
	Classification	Amount	Classification	Amount	Notional
	(Amounts in 000's)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	$ 183	Investment	$ (184)	$ 26,460

	Changes in Fair Value		Fair Value at December 31, 2013		
	Classification	Amount	Classification	Amount	Notional
	(Amounts in 000's)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Loss	$ 2	Investment	$ (367)	$ 29,105

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

The table below presents the objective and significant terms of the Division's derivative instrument at December 31, 2014, along with the credit rating of the swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
			(Amounts in 000's)				
2006 Parking Bonds	Basis Swap - Pay Floating / Receive Floating	Exchange floating rate payments on Series 2006 Parking System Revenue Bonds	$ 26,460	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

Defeaseance of Debt: The Division defeased certain debt by placing cash or the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not recorded in the Division's financial statements.

In conjunction with the sale of the Gateway North Garage, the Division defeased some of the Parking Facilities Refunding Revenue Bonds, Series 2006, by placing a portion of the proceeds of the sale into an irrevocable trust to provide for the all future debt service payments on the defeased bonds. The Division had $12,545,000 of defeased debt outstanding at December 31, 2014.

NOTE C – RECEIVABLE FROM GATEWAY ECONOMIC DEVELOPMENT CORPORATION

In accordance with an agreement with Gateway Economic Development Corporation (Gateway), Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facilities Refunding Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In October 2011, the City sold one of the Gateway garages and defeased the applicable bonds. Going forward the amounts required to be reimbursed will be calculated based upon the net revenues of the remaining garage and remaining applicable bonds outstanding.

The first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994.

In 2014, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $1,633,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $48,398,000 at December 31, 2014. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full; therefore, these amounts do not appear in the accompanying financial statements.

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2014 and 2013 totaled $802,000 and $115,000, respectively, and the Division's bank balances were $819,000 and $112,000, respectively. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $819,000 and $112,000 of the bank balances at December 31, 2014 and 2013, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110% of the carrying value of the deposits being secured.

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of reverse repurchase agreements.

Investment securities are exposed to various risks such as interest rate, market and credit. Market values of securities fluctuate based on the magnitude of changing market conditions; therefore, significant changes in market conditions could materially affect portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the *Concentration of Credit Risk* section.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the state statute.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Division's investments as of December 31, 2014 and 2013 include STAROhio and mutual funds. The Division maintains the highest ratings for their investments. Investments in STAROhio and the Dreyfus Government Cash Management Mutual Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2014 and 2013, which include those classified as cash and cash equivalents in the Statement of Net Position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2014 Fair Value	2014 Cost	2013 Fair Value	2013 Cost	Investment Maturities Less than One Year
	(Amounts in 000's)				
STAROhio	$ 1,018	$ 1,018	$ 1,684	$ 1,684	$ 1,018
Mutual Funds	11,922	11,922	12,509	12,509	11,922
Total Investments	12,940	12,940	14,193	14,193	12,940
Total Deposits	802	802	115	115	802
Total Deposits and Investments	$ 13,742	$ 13,742	$ 14,308	$ 14,308	$ 13,742

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value.

As of December 31, 2014, the investments in STAROhio and mutual funds are approximately 8% and 92%, respectively, of the Division's total investments. As of December 31, 2013, the investments in STAROhio and in mutual funds are approximately 12% and 88%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE E – CAPITAL ASSETS

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

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
	(Amounts in 000's)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	474	763	(448)	789
Total capital assets, not being depreciated	5,952	763	(448)	6,267
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719	448		54,167
Furniture, fixtures, equipment and vehicles	1,290		(38)	1,252
Total capital assets, being depreciated	56,265	448	(38)	56,675
Less: Accumulated depreciation	(26,901)	(1,360)	37	(28,224)
Total capital assets being depreciated, net	29,364	(912)	(1)	28,451
Capital assets, net	$ 35,316	$ (149)	$ (449)	$ 34,718

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE E – CAPITAL ASSETS (Continued)

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

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
	(Amounts in 000's)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	440	34		474
Total capital assets, not being depreciated	5,918	34	-	5,952
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719			53,719
Furniture, fixtures, equipment and vehicles	1,290			1,290
Total capital assets, being depreciated	56,265	-	-	56,265
Less: Accumulated depreciation	(25,525)	(1,376)		(26,901)
Total capital assets being depreciated, net	30,740	(1,376)	-	29,364
Capital assets, net	$ 36,658	$ (1,342)	$ -	$ 35,316

NOTE F – DEFINED BENEFIT PENSION PLANS

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were $95,000, $95,000 and $81,000 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014, 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014, 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were $16,000 in 2014, $7,000 in 2013 and $32,000 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides parking facilities at usual and customary rates to various departments and divisions of the City. The Division operates certain garages and parking lots on behalf of other City divisions. The professional management fees recorded by the Division to operate the garages and parking lots are as follows:

	2014	2013
	(Amounts in 000's)	
Department of Community Development	$ 40	$ 36

Operating Expenses: The Division is provided various services by other City divisions. Charges are based on actual usage or on a reasonable pro-rata basis. The more significant expenses included in the statements of operations for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
	(Amounts in 000's)	
Parks Maintenance	$ 28	$ 65
Motor Vehicle Maintenance	9	9
Cleveland Public Power	207	188
Maintenance	12	3
Telephone	15	13

NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014 or 2013.

The City provides the choice of four separate health insurance plans for its employees. On April 1, 2014, the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The Division is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE J – LEASES

The Division leases the land for various parking facilities to management companies under non-cancelable lease agreements, which expire at various times through the year 2056. Revenues generated from such leases totaled $180,000 in 2014 and 2013. Future minimum rentals on non-cancelable leases are as follows:

	(Amounts in 000's)
2015	$ 180
2016	180
2017	180
2018	180
2019	180
Thereafter	4,380
	$ 5,280

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Divisions and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of airport revenues and operating expenses as defined in the airline use agreement for the year ended December 31, 2014 is presented for purpose of additional analysis and is not a required part of the Divisions' basic financial statements. The schedule of airport revenues and operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Divisions' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

CITY OF CLEVELAND
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Port Control, Divisions of Cleveland Hopkins International (CLE) and Burke Lakefront (BKL) Airports (the Divisions), we offer readers of the Divisions' financial statements this narrative overview and analysis of the financial activities of the Divisions for the years ended December 31, 2014 and December 31, 2013. Please read this information in conjunction with the Divisions' basic financial statements and notes that begin on page 18.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airports of the City. The Divisions operate a major public airport and a reliever airport serving not only the City of Cleveland, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2014, the Divisions were served by 25 scheduled airlines and four cargo airlines. There were 57,700 scheduled landings with landed weight amounting to 4,773,831,000 pounds. There were 3,797,000 passengers enplaned at Cleveland Hopkins International Airport and 78,000 passengers enplaned at Burke Lakefront Airport during 2014. In 2013, the Divisions were served by 26 scheduled airlines and four cargo airlines. There were 83,000 scheduled landings with landed weight amounting to 5,724,892,000 pounds. There were 4,526,000 passengers enplaned at Cleveland Hopkins International Airport and 74,000 passengers enplaned at Burke Lakefront Airport during 2013.

COMPARISON OF CURRENT YEAR AND PREVIOUS YEAR DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Divisions exceeded its liabilities (net position) by $361,167,000, $370,685,000 and $377,503,000 at December 31, 2014, 2013 and 2012, respectively. Of these amounts, $124,352,000, $114,010,000 and $120,809,000 (unrestricted net position) at December 31, 2014, 2013 and 2012, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position decreased by $9,518,000 in 2014. This is primarily due to decreases in grant revenue and Passenger Facility Charge (PFC) revenue.

- Additions to construction in progress totaled $19,718,000, $19,260,000 and $19,434,000 in 2014, 2013 and 2012, respectively.

- The major capital expenses during 2014 were the Power Distribution Enhancement project, Phase II, the Terminal Terrazzo Flooring project, the Regional Transit Authority (RTA) Level Art Gallery project, Parking Redevelopment project and the Consolidated Maintenance Facility project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Divisions' total bonded debt decreased by $32,120,000 in 2014, decreased by $16,285,000 in 2013 and decreased $27,955,000 during 2012. In 2014, the City issued $24,255,000 Airport System Revenue Bonds, Series 2014A and $9,070,000 Airport System Revenue Bonds, Series 2014B, to refund the outstanding $24,255,000 Airport System Revenue Bonds, Series 2009A and the $9,070,000 Airport System Revenue Bonds, Series 2009B, respectively. In 2013, the City issued $58,000,000 Airport System Revenue Bonds, Series 2013A, to refund the outstanding $58,000,000 Airport System Revenue Bonds, Series 2008F. In 2012, the City issued $235,150,000 of Airport System Revenue Bonds, Series 2012A, to refund all of the outstanding Airport System Revenue Bonds, Series 2000A. The key factors for the decreases in 2014, 2013 and 2012 were the scheduled principal payments on the Divisions' outstanding Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Divisions' basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Divisions of Cleveland Hopkins International and Burke Lakefront Airports Fund, in which the City accounts for the operations of the Department of Port Control. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Divisions are considered an Enterprise Fund because the operations of the Divisions are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Divisions, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Divisions can be found on pages 18-23 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25-42 of this report.

CONDENSED STATEMENT OF NET POSTION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2014, 2013 and 2012:

	2014	2013	2012
	(Amounts in 000's)		
Assets and deferred outflows of resources:			
Assets:			
Current assets	$ 108,335	$ 114,676	$ 110,955
Restricted assets	246,106	260,981	288,296
Capital assets, net	867,341	896,355	895,018
Total assets	1,221,782	1,272,012	1,294,269
Deferred outflows of resources:			
Loss on refunding	21,762	24,482	26,976
Total deferred outflows of resources	21,762	24,482	26,976
Total assets and deferred outflows of resources	1,243,544	1,296,494	1,321,245
Liabilities and net position:			
Liabilities:			
Current liabilities	69,821	76,918	59,189
Long-term obligations	812,556	848,891	884,553
Total liabilities	882,377	925,809	943,742
Net position:			
Net investment in capital assets	97,689	119,552	127,557
Restricted for debt service	127,401	126,799	111,467
Restricted for passenger facility charges	11,725	10,324	17,670
Unrestricted	124,352	114,010	120,809
Total net position	361,167	370,685	377,503
Total liabilities and net position	$ 1,243,544	$ 1,296,494	$ 1,321,245

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets: Total assets and deferred outflows of resources decreased $52,950,000 or 4.1% in 2014. The change is primarily due to a decrease in restricted assets of $14,875,000 and a decrease in net capital assets of $29,014,000. The change in restricted assets was due to a decrease in restricted cash and cash equivalents; whereas, the change in capital assets is due to construction and land improvement spending offset by depreciation. In 2013, total assets and deferred outflows of resources decreased $24,751,000 or 1.9%. The change is primarily due to a decrease in restricted assets of $27,315,000; which was due to higher construction and infrastructure spending offset by an increase of current cash and cash and cash equivalents and investments**.**

Capital assets: The Divisions' investment in capital assets as of December 31, 2014 amounted to $867,341,000 (net of accumulated depreciation), which is a decrease of 3.2%. The Divisions' investment in capital assets as of December 31, 2013 amounted to $896,355,000 (net of accumulated depreciation), which was an increase of 0.1%. These investments in capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; vehicles; and construction in progress. A summary of the activity in the Divisions' capital assets during the year ended December 31, 2014 is as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
	(Amounts in 000's)			
Land	$ 167,457	$	$	$ 167,457
Land improvements	75,655	8,517		84,172
Buildings, structures and improvements	335,589	5,355		340,944
Furniture, fixtures and equipment	31,803	579	(100)	32,282
Infrastructure	996,934	3,464		1,000,398
Vehicles	15,439	609	(280)	15,768
Total	1,622,877	18,524	(380)	1,641,021
Less: Accumulated depreciation	(769,366)	(52,351)	371	(821,346)
Total	853,511	(33,827)	(9)	819,675
Construction in progress	42,844	19,718	(14,896)	47,666
Capital assets, net	$ 896,355	$ (14,109)	$ (14,905)	$ 867,341

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(Amounts in 000's)			
Land	$ 167,457	$	$	$ 167,457
Land improvements	74,153	5,562	(4,060)	75,655
Buildings, structures and improvements	334,242	8,467	(7,120)	335,589
Furniture, fixtures and equipment	29,168	2,677	(42)	31,803
Infrastructure	975,801	21,133		996,934
Vehicles	14,651	1,021	(233)	15,439
Total	1,595,472	38,860	(11,455)	1,622,877
Less: Accumulated depreciation	(729,465)	(50,865)	10,964	(769,366)
Total	866,007	(12,005)	(491)	853,511
Construction in progress	29,011	19,260	(5,427)	42,844
Capital assets, net	$ 895,018	$ 7,255	$ (5,918)	$ 896,355

Major events during 2014 and 2013 affecting the Divisions' capital assets included the following:

- Power Distribution Enhancement Project, Phase II: The Airport has experienced significant power outages on several occasions over the years. Consequently, a project was developed to permit the airport to function effectively and to provide an adequate level of operations, safety and security in the event of another power outage. Phase I involved the purchase and installation of four (4) generators in November 2011. Phase IIA consisted of upgrading existing electrical vaults to increase the areas served by emergency generators. The project design began in late 2012 and construction was substantially completed in 2013. Phase IIB calls for a redundant feeder system that will allow power to be supplied to the Terminal uninterrupted from either substation. Design for the project began in 2013 and construction is expected to be complete in 2015.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

- Terminal Terrazzo Flooring Project: The first phase of the Cleveland Hopkins International Airport (CLE) terrazzo floor and artwork installation project began in January 2011 and continued throughout 2013. The project consists of removing old flooring and carpet to replace them with terrazzo starting at security checkpoint C, continuing up Concourse C, then proceeding to Concourses A and B. Also, as part of the terrazzo flooring project, artwork selected from an airport artist competition will be installed into select floor locations. Six of the seven select art pieces were installed by the end of 2013. The entire project was completed in August 2014.

- RTA Level Art Gallery Project: Construction for this project commenced at the end of 2011 and involved the transformation of the CLE RTA level interior from a standard passageway into a formal art gallery. The effort includes replacement of all flooring, walls, stair treads and columns to allow wall and floor artwork to be shown. The space will also hold cultural exhibits/performances as required. Also being planned for the art gallery is a formal dedication display to former Congresswoman Stephanie Tubbs Jones. Phase I of the project was substantially completed in April 2012 and Phase II was complete in October 2014.

- The Parking Redevelopment Project, Phase I consists of demolition of the Long-Term Garage and replacing the garage with a 1,100 space surface parking lot. The demolition and parking were completed in 2013. The project also improved several of the existing peripheral lots and included the installation of smart parking technology which increased the efficiency of the existing Short-Term Garage usage. The smart parking installation was completed in 2013. In 2014, a parking management building and access structure was constructed. All major aspects of the project are substantially complete.

- The Consolidated Maintenance Facility (CMF) IIIB Project: This project is to provide an adequate chemical and sand storage facility. The Division is relocating all airfield and equipment maintenance functions and storage to a centralized location. Construction for this project began in 2014 and will be substantially completed in 2015.

Additional information on the Divisions' capital assets, including commitments made for future capital expenses can be found in Note A – Summary of Significant Accounting Policies and Note F – Capital Assets to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Liabilities: In 2014, total liabilities decreased $43,432,000 or 4.7%. The decrease in long-term obligations was $36,335,000 or 4.3%. Current liabilities decreased $7,097,000 or 9.2% as a result of decreases in the landing fee adjustment and construction accounts due to lower construction spending at year end. In 2013, total liabilities decreased $17,933,000. The decrease in long-term obligations was $35,662,000 or 4.0%. Current liabilities increased $17,729,000 or 30.0% as a result of increases in the current portion of long-term debt, an increase in the landing fee adjustment and an increase in the construction fund due to higher construction spending.

Long-term debt: At December 31, 2014 and 2013, the Divisions' had $815,525,000 and $847,645,000, respectively, in total bonded debt outstanding. The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture.

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2014 is summarized below:

	Balance January 1, 2014	Debt Issued	Debt Retired	Balance December 31, 2014
	(Amounts in 000's)			
Airport System Revenue Bonds:				
Series 2000	$ 149,000	$	$ (5,200)	$ 143,800
Series 2006	113,715		(7,160)	106,555
Series 2007	9,095		(570)	8,525
Series 2008	5,975			5,975
Series 2009	205,205		(45,195)	160,010
Series 2011	71,505		(7,320)	64,185
Series 2012	235,150			235,150
Series 2013	58,000			58,000
Series 2014		33,325		33,325
Total	$ 847,645	$ 33,325	$ (65,445)	$ 815,525

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2013 is summarized below:

	Balance January 1, 2013	Debt Issued	Debt Retired	Balance December 31, 2013
	(Amounts in 000's)			
Airport System Revenue Bonds:				
Series 2000	$ 149,000	$	$	$ 149,000
Series 2006	115,025		(1,310)	113,715
Series 2007	9,645		(550)	9,095
Series 2008	63,975		(58,000)	5,975
Series 2009	216,750		(11,545)	205,205
Series 2011	74,385		(2,880)	71,505
Series 2012	235,150			235,150
Series 2013		58,000		58,000
Total	$ 863,930	$ 58,000	$ (74,285)	$ 847,645

The bond ratings from Moody's Investors Service, Standard & Poor's Rating Service and Fitch Ratings are as follows:

Moody's Investors Service	Standard & Poor's Rating Service	Fitch Ratings
Baa1	A-	BBB+

Effective February 5, 2014, Fitch Ratings downgraded its rating on Cleveland Airport Revenue Bonds to BBB+ (negative outlook) from A- (negative outlook).

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Divisions' debt position to management, customers and creditors. The Divisions' revenue bond coverage for 2014, 2013 and 2012, was 138%, 130% and 166%, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Additional information on the Divisions' long-term debt can be found in Note B – Long-Term Debt and Other Obligations to the basic financial statements.

Net Position: Net position serves as a useful indicator of an entity's financial position. In the case of the Divisions, assets and deferred outflows of resources exceed liabilities by $361,167,000, $370,685,000 and $377,503,000 at December 31, 2014, 2013 and 2012, respectively. Of the Divisions' net position at December 31, 2014 and 2013, $97,689,000 and $119,552,000, respectively, reflects its investment in capital assets (e.g., construction in progress; land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; vehicles; and infrastructure), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Divisions use these capital assets to provide services to their customers. Consequently, these assets are not available for future spending.

Although the Divisions' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Divisions' net position represents resources that are subject to external restrictions. At December 31, 2014 and 2013 the restricted net position amounted to $139,126,000 and $137,123,000, respectively. The restricted net position include amounts set aside in various fund accounts for payment of revenue bonds, which are limited by the bond indentures and passenger facility charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. Passenger facility charges are restricted for designated capital projects and approved debt service. The remaining balance of unrestricted net position, $124,352,000 and $114,010,000 for December 31, 2014 and 2013, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Divisions' net position decreased by $9,518,000 in 2014 and decreased by $6,818,000 in 2013. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
		(Amounts in 000's)	
Operating revenues:			
Landing fees	$ 32,822	$ 31,025	$ 36,676
Terminal and concourse rentals	62,874	52,039	52,133
Concessions	31,786	24,055	21,960
Utility sales and other	4,242	6,125	3,874
Total operating revenues	131,724	113,244	114,643
Operating expenses	124,452	118,029	119,396
Operating income (loss)	7,272	(4,785)	(4,753)
Non-operating revenue (expense):			
Passenger facility charges revenue	14,798	17,716	17,832
Non-operating expense	(3,778)	(2,207)	(6,300)
Sound insulation program	(1,250)	(2,197)	(577)
Loss on disposal of capital asset	(9)	(491)	(59)
Investment income (loss)	115	257	272
Interest expense	(32,095)	(33,105)	(29,571)
Amortization of bond discounts/premiums, loss on debt refundings	494	746	2,782
Total non-operating revenue (expense), net	(21,725)	(19,281)	(15,621)
Capital and other contributions	4,935	17,248	9,149
Increase (decrease) in net position	(9,518)	(6,818)	(11,225)
Net position, beginning of year	370,685	377,503	388,728
Net position, end of year	$ 361,167	$ 370,685	$ 377,503

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

***Operating revenues**:* Operating revenues for 2014 were $131,724,000. Of this amount, $31,116,000 or 23.6% represented landing fees received from signatory airlines. This is a positive change in signatory landing fees of 8.4% from the prior year due to an increase in airline revenue and non-airline revenue. Signatory terminal rentals accounted for $48,827,000 or 37.1% of total operating revenues. Parking revenues increased 46.6% over the prior year due to an increase in parking rates, an increased demand for services such as valet airport parking, economy parking usage and employee parking fees. Parking revenues amounted to $22,834,000 or 17.3% of total operating revenues for 2014. The fourth largest airport revenue source, rental cars, accounted for 7.9% of total operating revenues.

Operating revenues for 2013 were $113,244,000. Of this amount, $28,710,000 or 25.4% represented landing fees received from signatory airlines. This is a negative change in signatory landing fees of 17.8% from the prior year due to an increase in non-airline revenue. Signatory terminal rentals accounted for $35,601,000, or 31.4% of total operating revenues. Parking revenues increased 14.2% over the prior year due to an increase in the demand for services such as valet airport parking and economy parking usage. Parking revenues amounted to $15,581,000 or 13.8% of total operating revenues for 2013. The fourth largest airport revenue source, rental cars, accounted for 8.6% of total operating revenues.

***Operating expenses**:* Total operating expenses for 2014 increased $6,423,000 or 5.4%. The increase is primarily due to higher insurance, taxes, professional fees, bad debt and depreciation of $6,481,000 or 8.9%. Total operating expenses for 2013 decreased $1,367,000 or 1.1%. The decrease is primarily due to lower salaries, wages and benefits of $1,086,000 or 3.7% in addition to lower maintenance costs.

Non-operating revenue and expense: Expenses related to the Residential Sound Insulation Program (RSIP) were $1,250,000, $2,197,000 and $577,000 in 2014, 2013 and 2012, respectively. Passenger facility charge revenues were $14,798,000, $17,716,000 and $17,832,000 in 2014, 2013 and 2012, respectively. Interest expense decreased $1,010,000 or 3.1% in 2014 relating to decreased interest payments on debt.

Capital and other contributions: In 2014, 2013 and 2012, the Divisions' received $4,935,000, $17,248,000 and $9,149,000, respectively, in Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer (TSA LEO) and Canine Grants. In 2014, Airport Improvement Program Grants were received primarily for a letter of intent (LOI) reimbursement and Residential Sound Insulation Program. The 2013 Airport Improvement Program Grants received from the Federal Aviation Administration were primarily for the Burke RSA project, airfield safety improvements, RSIP and the acquisition of snow-melters.

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS

Continental Airlines and United Airlines (collectively Continental) entered into a Settlement Agreement (Agreement) with the Office of the Attorney General of the State of Ohio (AG) effective October 31, 2010 (Merger Closing Date) to resolve the AG's investigation of the antitrust implications of their proposed merger. Pursuant to the terms of the Agreement Continental agreed to maintain, for a period of 24-months from the Merger Closing Date, average daily departures from the Airport at no less then ninety (90%) percent of average daily departures in the year prior to the Merger Closing Date (Base Departure Commitment). In addition the Agreement contains an additional three year commitment for average daily departures at the Base Departure Commitment level subject to certain metrics based on Airport segment profitability as more fully outlined in the Agreement. The Agreement gives the AG's office the right to audit Airport segment profitability at Continental's expense up to $80,000 per annum. Continental also agreed to maintain its current Airport aircraft maintenance facility at a level of operations commensurate with the 12-month period immediately preceding the merger. Any reduction in the Base Departure Commitment may result in a reduction in aircraft maintenance facility operations. Other commitments include continuation of the Cleveland Air Service Working Group during the effective period of the Agreement and a penalty based on an amount equal to the percentage by which Continental is found to have breached its minimum departure commitments of $20 million. Pursuant to the terms of a separate Memorandum of Understanding between the City and the AG's office any monies collected from Continental pursuant to this penalty will be forwarded to the City. The AG's office has also agreed to inform the City whether, as a result of its audits any of the metrics outlined in the Agreement have been triggered or are likely to be triggered.

On February 13, 2013, American Airlines and US Airways announced a proposed merger agreement with the "new" American Airlines remaining as the largest airline in the world. Looking towards the future, there will likely be an impact on the Divisions' operations. Both airlines expect that the regional carriers they own – AMR Corporation's American Eagle and US Airways' Piedmont and PSA – will continue to operate as distinct entities, providing seamless service to the combined airline. American Airlines and US Airways enplaned 7.4% and 8.2% of total passengers at the Airport, respectively, in 2014 and 6.0% and 6.3%, respectively in 2013. It is not known at this time whether the impact will have a negative or positive effect on CLE.

On February 3, 2014, United Airlines announced a 60% reduction in average daily departures from Cleveland and a reduction of regional departures from Cleveland by over 70%. United Airlines will no longer offer hub-level connecting service in Cleveland, Ohio. United Airlines will go from 166 average annual daily departures to about 65, a decrease of 61% and will reduce average daily seats by 46%. United Airlines will go from 7,400,000 available seat miles (ASM's) to 4,800,000 ASM's, a reduction of 36% and will go from 58 peak-day destinations to 20, a reduction of 66%.

As a result of the announcement by United Airlines that it would be cutting its daily departures from Cleveland Hopkins Airport and would no longer maintain a hub at the airport, Fitch Ratings announced on February 5, 2014 that it had downgraded its rating on the City's Airport System Revenue Bonds from A- (negative outlook) to BBB+ (negative outlook). In addition, on February 13, 2014, Standard & Poor's Ratings Services placed its A- rating on the Airport's bonds on CreditWatch with negative implications.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

Federal Sequestration has had a direct impact on Cleveland Airport System (CAS) federally-funded projects such as the CLE Airport Surface Surveillance Capability (ASSC) Project. ASSC was put on hold during Sequestration over 18 months ago but is currently in the final implementation stage. The FAA's new CLE Air Traffic Control Tower opening is scheduled for September 19, 2015 and ASSC is slated to go online in early November 2015. In addition, CAS has been advised by the Federal Aviation Administration (FAA) Airport District Office that there is no funding for an Environmental Assessment (EA) of the CLE airfield due to Sequestration. The EA would have focused on specific areas of the airfield that require either rehabilitation (due to age and deterioration) and/or are planned for development. Long-term, not being able to implement the aforementioned projects due to Sequestration may compromise airfield system preservation (i.e., ability to improve existing infrastructure), airfield capacity, safety and funding for future Airport Improvement Program (AIP)-eligible projects. Nonetheless, in lieu of the aforementioned EA effort that was not implemented, the FAA has approved the initiation of a project to correct inboard Runway 6R-24L hot spot deficiencies on the airfield. The Runway Safety Action Team (RSAT) has identified several of these hot spots at CLE due to the existing airfield geometry. The RSAT consists of airport, airline and FAA personnel that meet several times a year to identify issues on the airfield that could cause runway incursions between aircraft and/or airport vehicles. A runway incursion is an incident where an unauthorized aircraft, vehicle or person is in the runway environment. This situation adversely affects runway safety, as it creates the risk that an aircraft taking off or landing will collide with the object. These hot spot locations have since been identified and are in alignment with the Airport's Master Plan and will establish collaboration between the FAA and the Department in eliminating them to improve airfield safety and operations. Pertinent environmental approvals and design on this important project is expected to commence in the fall of 2015, with construction anticipated over a two-year window of 2016 and 2017.

CLE has had an inspired recovery from the significant cuts announced in 2014 by United Airlines when they closed their connecting hub. All of the other incumbent scheduled airlines have increased both flights and seats in the market. Several carriers including American, Delta and Southwest have added additional nonstop markets and our newest carriers: Frontier, Spirit and JetBlue have added significant levels of new service. Further, the size of aircraft has increased whereas the majority of flights are larger mainline aircraft for the first time in many years. Also, with the growth of low cost and ultra-low cost carrier service, CLE's average airfare is dropping in 2015 which has stimulated new passenger traffic further excelling the Divisions recovery.

The City issued $24,255,000 Airport System Revenue Bonds, Series 2014A, Alternative Minimum Tax (AMT) and $9,070,000 Airport System Revenue Bonds, Series 2014B (Taxable) effective February 12, 2014. The bonds were issued to refund the outstanding $24,255,000 Series 2009A Airport System Revenue Bonds and the $9,070,000 Series 2009B Airport System Revenue Bonds upon the expiration of the existing letter of credit. The bonds were directly purchased by U.S. Bank National Association as variable rate bonds with the City paying the Securities Industry and Financial Markets Association (SIFMA) index rate plus a spread on the 2014A Bonds and paying an amount equal to the one month London Interbank Offered Rate (LIBOR) plus a spread on the 2014B Bonds.

The Master Lease End Use Agreement, which leases space in the terminal building and other areas, expires December 31, 2015.

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

On January 15, 2015, Spirit Airlines began flying to and from Cleveland. Spirit is an ultra-low cost carrier that will bring more flying options at lower fares for travelers. On April 30, 2015, JetBlue Airlines began service at CLE. JetBlue began by offering nonstop access to Boston and has already begun to include other destinations.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Divisions' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall, Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS	(Amounts in 000's)	
CURRENT ASSETS		
Cash and cash equivalents	$ 84,485	$ 89,887
Restricted cash and cash equivalents	5,647	10,006
Investments	4,015	4,008
Receivables:		
Accounts-net of allowance for doubtful accounts of $1,797,000 in 2014 and $1,296,000 in 2013	4,296	2,967
Unbilled revenue	4,615	3,860
Total receivables	8,911	6,827
Prepaid expenses	515	68
Due from other funds	6	
Due from other governments	2,520	1,801
Materials and supplies-at cost	2,236	2,079
TOTAL CURRENT ASSETS	108,335	114,676
RESTRICTED ASSETS		
Cash and cash equivalents	244,171	258,765
Accrued interest receivable	2	2
Accrued passenger facility charges	1,933	2,214
TOTAL RESTRICTED ASSETS	246,106	260,981
CAPITAL ASSETS		
Land	167,457	167,457
Land improvements	84,172	75,655
Buildings, structures and improvements	340,944	335,589
Furniture, fixtures and equipment	32,282	31,803
Infrastructure	1,000,398	996,934
Vehicles	15,768	15,439
	1,641,021	1,622,877
Less: Accumulated depreciation	(821,346)	(769,366)
	819,675	853,511
Construction in progress	47,666	42,844
CAPITAL ASSETS, NET	867,341	896,355
TOTAL ASSETS	1,221,782	1,272,012
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding	21,762	24,482
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,762	24,482
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,243,544	$ 1,296,494

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
LIABILITIES AND NET POSITION	(Amounts in 000's)	
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 33,155	$ 32,120
Current portion of long-term deferred payment obligation, due within one year		280
Accounts payable	3,471	3,501
Landing fee settlement payable to airlines		2,826
Due to other funds	1,810	1,653
Current portion of accrued wages and benefits	3,220	3,229
Accrued interest payable	16,866	17,442
Accrued property taxes	5,652	5,861
Construction fund payable from restricted assets	3,784	3,945
Other construction accounts payable from restricted assets	1,863	6,061
TOTAL CURRENT LIABILITIES	69,821	76,918
LONG-TERM OBLIGATIONS - excluding amounts due within one year		
Revenue bonds	811,944	848,314
Accrued wages and benefits	612	577
TOTAL LONG-TERM OBLIGATIONS	812,556	848,891
TOTAL LIABILITIES	882,377	925,809
NET POSITION		
Net investment in capital assets	97,689	119,552
Restricted for debt service	127,401	126,799
Restricted for passenger facility charges	11,725	10,324
Unrestricted	124,352	114,010
TOTAL NET POSITION	361,167	370,685
TOTAL LIABILITIES AND NET POSITION	$ 1,243,544	$ 1,296,494

(Concluded)

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
OPERATING REVENUES		
Landing fees:		
Scheduled airlines	$ 31,116	$ 28,710
Other	1,706	2,315
	32,822	31,025
Terminal and concourse rentals:		
Scheduled airlines	48,827	35,601
Other	14,047	16,438
	62,874	52,039
Concessions	31,786	24,055
Utility sales and other	4,242	6,125
TOTAL OPERATING REVENUES	131,724	113,244
OPERATING EXPENSES		
Operations	68,615	63,348
Maintenance	3,486	3,816
Depreciation	52,351	50,865
TOTAL OPERATING EXPENSES	124,452	118,029
OPERATING INCOME (LOSS)	7,272	(4,785)
NON-OPERATING REVENUE (EXPENSE)		
Passenger facility charges revenue	14,798	17,716
Non-operating revenue (expense)	(3,778)	(2,207)
Sound insulation program	(1,250)	(2,197)
Loss on disposal of capital asset	(9)	(491)
Investment income (loss)	115	257
Interest expense	(32,095)	(33,105)
Amortization of bond discounts/premiums, loss on debt refundings	494	746
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(21,725)	(19,281)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(14,453)	(24,066)
Capital and other contributions	4,935	17,248
INCREASE (DECREASE) IN NET POSITION	(9,518)	(6,818)
NET POSITION, BEGINNING OF YEAR	370,685	377,503
NET POSITION, END OF YEAR	$ 361,167	$ 370,685

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 126,194	$ 110,526
Cash payments to suppliers for goods and services	(44,546)	(32,333)
Cash payments to employees for services	(28,078)	(28,683)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	53,570	49,510
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash payments for sound insulation of homes	(1,385)	(1,860)
Cash payments for other non-operating costs		(2,484)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(1,385)	(4,344)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(28,681)	(47,943)
Cash receipts for passenger facility charges	15,079	17,746
Proceeds from revenue bonds	33,325	58,000
Transfer to escrow agent for bond refunding	(33,325)	(58,000)
Principal paid on long-term debt	(32,120)	(16,285)
Interest paid on long-term debt	(35,144)	(35,560)
Capital grant proceeds	4,217	19,002
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(76,649)	(63,040)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(2)	(64,994)
Proceeds from sale and maturity of investment securities		61,000
Interest received on investments	111	242
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	109	(3,752)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,355)	(21,626)
Cash and cash equivalents, beginning of year	358,658	380,284
Cash and cash equivalents, end of year	$ 334,303	$ 358,658

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
	(Amounts in 000's)	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 7,272	$ (4,785)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	52,351	50,865
Noncash rental income	(282)	(3,389)
Changes in assets and liabilities:		
Accounts receivable, net	(1,329)	4,765
Unbilled revenue	(755)	(546)
Prepaid expenses	(447)	255
Due from other funds	(6)	34
Materials and supplies, at cost	(157)	264
Accounts payable	(30)	255
Due to other funds	157	241
Accrued wages and benefits	26	(868)
Landing fees - due to airlines	(2,826)	2,526
Accrued property taxes	(404)	(107)
TOTAL ADJUSTMENTS	46,298	54,295
NET CASH PROVIDED BY OPERATING ACTIVITIES	$53,570	$ 49,510
Noncash operating activities:		
Rental Income	$282	$3,389

(Concluded)

See notes to financial statements.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Divisions of Cleveland Hopkins International and Burke Lakefront Airports (the Divisions) are reported as an Enterprise Fund of the City of Cleveland, Department of Port Control and are part of the City of Cleveland's (the City) primary government. The Divisions were created for the purpose of operating the airports within the Cleveland Metropolitan Area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Divisions comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Divisions have determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions and transfers of operations. The Divisions have determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The Divisions have determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Divisions' net position is accounted for in the accompanying statement of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Amount restricted for passenger facility charges
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Divisions is included in these notes.

Basis of Accounting: The Divisions' financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized when incurred.

Statement of Cash Flows: The Divisions utilize the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and all investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Divisions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Divisions follow the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market values.

The Divisions have invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2014 and 2013. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted for Passenger Facility Charges: These assets are for passenger facility charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. These are restricted for designated capital projects or debt service.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a useful life in excess of one year and an individual cost of more than $5,000 for furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Land Improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures and equipment	3 to 35 years
Infrastructure	3 to 50 years
Vehicles	3 to 35 years

The Divisions' policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Divisions apply Governmental Accounting Standards Board guidance pertaining to capitalization of interest cost in situations involving certain tax-exempt borrowings and certain gifts and grants, for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2014 and 2013, total interest costs incurred amounted to $34,589,000 and $35,543,000, respectively, of which $2,475,000 and $2,423,000 respectively, was capitalized, net of interest income of $19,000 in 2014 and $15,000 in 2013.

Bond Issuance Costs, Discounts/Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

Compensated Absences: The Divisions accrue for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Normally, all vacation time is to be taken in the year available. The Divisions allow employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

Environmental Expenses: Environmental expenses consist of costs incurred for remediation efforts to airport property. Environmental expenses that relate to current operations are expensed or capitalized, as appropriate. Environmental expenses that relate to existing conditions caused by past operations and which do not contribute to future revenues are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Non-operating Expenses: Non-operating expenses relate to expenses of the Divisions incurred for purposes other than the operations of the airports and consist primarily of interest costs incurred on the Divisions' long-term debt. The funding for non-operating expenses is non-operating revenue (passenger facility charges, revenue bonds and federal grants).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions: During the course of normal operations, the Divisions have numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31 is as follows:

	Interest Rate	Original Issuance	2014	2013
		(Amounts in 000's)		
Airport System Revenue Bonds:				
Series 2000, due through 2031	4.00%-5.00%	$ 149,000	$ 143,800	$ 149,000
Series 2006, due through 2024	5.00%-5.25%	118,760	106,555	113,715
Series 2007, due through 2027	4.00%-5.00%	11,255	8,525	9,095
Series 2008, due through 2024	Variable Rate	18,700	5,975	5,975
Series 2009 A-B, due through 2027	Variable Rate	39,380		34,605
Series 2009 C-D, due through 2027	0.03%-5.00%	208,900	160,010	170,600
Series 2011, due through 2024	3.00%-5.00%	74,385	64,185	71,505
Series 2012, due through 2031	5.00%	235,150	235,150	235,150
Series 2013, due through 2033	Variable Rate	58,000	58,000	58,000
Series 2014, due through 2027	Variable Rate	33,325	33,325	
		$ 946,855	815,525	847,645
Unamortized (discount) premium			29,574	32,789
Current portion (due within one year)			(33,155)	(32,120)
Total Long-Term Debt excluding the deferred payment obligation			$ 811,944	$ 848,314

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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

	Balance January 1, 2014	Increase	Decrease	Balance December 31, 2014	Due Within One Year
			(Amounts in 000's)		
Airport System Revenue Bonds:					
Series 2000	$ 149,000	$	$ (5,200)	$ 143,800	$ 5,400
Series 2006	113,715		(7,160)	106,555	7,625
Series 2007	9,095		(570)	8,525	600
Series 2008	5,975			5,975	
Series 2009	205,205		(45,195)	160,010	11,165
Series 2011	71,505		(7,320)	64,185	6,995
Series 2012	235,150			235,150	
Series 2013	58,000			58,000	
Series 2014		33,325		33,325	1,370
Total revenue bonds	847,645	33,325	(65,445)	815,525	33,155
Accrued wages and benefits	3,806	3,255	(3,229)	3,832	3,220
Total	$ 851,451	$ 36,580	$ (68,674)	$ 819,357	$ 36,375

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(Amounts in 000's)		
Airport System Revenue Bonds:					
Series 2000	$ 149,000	$	$	$ 149,000	$ 5,200
Series 2006	115,025		(1,310)	113,715	7,160
Series 2007	9,645		(550)	9,095	570
Series 2008	63,975		(58,000)	5,975	
Series 2009	216,750		(11,545)	205,205	11,870
Series 2011	74,385		(2,880)	71,505	7,320
Series 2012	235,150			235,150	
Series 2013		58,000		58,000	
Total revenue bonds	863,930	58,000	(74,285)	847,645	32,120
Accrued wages and benefits	4,674	3,211	(4,079)	3,806	3,229
Total	$ 868,604	$ 61,211	$ (78,364)	$ 851,451	$ 35,349

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(Amounts in 000's)	
2015	$ 33,155	$ 38,807	$ 71,962
2016	34,415	37,265	71,680
2017	39,765	35,466	75,231
2018	41,900	33,534	75,434
2019	43,500	31,538	75,038
2020-2024	233,945	124,302	358,247
2025-2029	255,815	66,354	322,169
2030-2033	133,030	7,790	140,820
Total	$ 815,525	$ 375,056	$ 1,190,581

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture. Further, the City has assigned to the trustee all its interest in and rights to the airline use agreements under the revenue bond indenture. Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, is classified as restricted assets in these financial statements.

As of December 31, 2014 and 2013, the Divisions were in compliance with the terms and requirements of the bond indenture.

The indenture, as amended, requires, among other things, that the Divisions (1) make equal monthly deposits to the Bond Service Fund to have sufficient assets available to meet debt service requirements on the next payment date; (2) maintain the Bond Service Reserve Fund equal in amount to the maximum annual debt service to be paid in any year; and (3) as long as any revenue bonds are outstanding, charge such rates, fees and charges for use of the airport system to produce in each year, together with other available funds, net revenues (as defined) at least equal to the greater of (a) 116% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125% of the annual debt service due in such year on all outstanding bonds.

From time to time, the Divisions have defeased certain Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. However, at December 31, 2014 and 2013 there was no defeased debt outstanding.

The City has pledged future airport revenues to repay $815,525,000 in Airport System Revenue Bonds issued in various years since 2001. Proceeds from the bonds provided financing for airport facilities. The bonds are payable from airport revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 73% of net revenues. The total principal and interest remaining to be paid on the various airport system revenue bonds is $1,190,581,000. Principal and interest paid for the current year and total net revenues (including other available funds) were $67,723,000 and $93,679,000, respectively.

The City issued $24,255,000 Airport System Revenue Bonds, Series 2014A (AMT) and $9,070,000 Airport System Revenue Bonds, Series 2014B (Taxable) effective February 12, 2014. The bonds were issued to refund the outstanding $24,255,000 Series 2009A Airport System Revenue Bonds and the $9,070,000 Series 2009B Airport System Revenue Bonds upon the expiration of the existing letter of credit. The bonds were directly purchased by U.S. Bank National Association as variable rate bonds with the City paying the SIFMA index rate plus a spread on the 2014A Bonds and paying an amount equal to the one month LIBOR rate plus a spread on the 2014B Bonds. As a result of this refunding, the refunded bonds were defeased and the liability for the 2009A and 2009B Bonds has been removed from long-term debt. The City expects to achieve an economic gain (the difference between the present values of the old and new debt service payments) of approximately $4.8 million or 19.6% on the Series 2014A Bonds and approximately $591,000 or 6.5% on the Series 2014B Bonds. The debt service savings from the refundings are estimated to be $5.5 million or 22.6% on the Series 2014A Bonds and $635,000 or 7.0% on the Series 2014B Bonds.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Effective April 24, 2013, the City issued $58,000,000 Airport System Revenue Bonds, Series 2013A. Proceeds of the bonds were used to refund the outstanding $58,000,000 Airport System Revenue Bonds, Series 2008F, upon the expiration of the existing letter of credit. The bonds were directly purchased by U.S. Bank National Association as variable rate bonds with the City paying on a monthly basis an amount equal to one month LIBOR plus a spread. As a result of this refunding, the refunded bonds were defeased and the liability for the 2008F Bonds has been removed from long-term debt. The City expects to achieve an economic gain (the difference between the present values of the old and new debt service payments) of approximately $2.7 million or 4.61% and debt service savings from the refunding of approximately $3.4 million or 5.87%.

NOTE C – SPECIAL FACILITY REVENUE BONDS

Airport Special Revenue Bonds, Series 1990, totaling $76,320,000 were issued to finance the acquisition and construction of a terminal, hangar and other support facilities of Continental Airlines at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999, totaling $71,440,000. Airport Special Revenue Bonds, Series 1998, totaling $75,120,000 were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, including a new regional jet concourse. Because all principal and interest on these bonds is unconditionally guaranteed by Continental Airlines and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

NOTE D – DEFERRED PAYMENT OBLIGATION / I-X CENTER

In January 1999, the City purchased the International Exposition (I-X) Center and the land on and around it for $66.5 million as part of its master plan to expand Cleveland Hopkins International Airport. As part of the purchase agreement, the City leased the building back to the former owner for 15 years, after which the City may demolish the building to make way for airport development. Of the $66.5 million purchase price, $36.5 million was paid in cash in 1999. The remaining $30.0 million, including interest at 7.75%, is being deferred by the seller and will be offset by future lease payments owed to the City over the 15 year lease period. The future lease payments are equal to the remaining purchase price plus interest at 7.75% and as such, no cash will be exchanged between the City and the lessee over the term of the lease. The deferred payment is reported as "Deferred Payment Obligation" in the accompanying statement of net position.

In the event that either a similar facility is developed that exceeds a specified size, or there is an expansion of an existing facility that exceeds specified size within the municipal boundary of the City of Cleveland, the lessee has the right to terminate the lease. Such termination would require the City to pay the lessee the remaining portion of the deferred purchase price.

Rental income recognized by the Divisions under this agreement totaled $282,000 in 2014 and $3,389,000 in 2013. Of these amounts in 2014, $2,000 was offset against interest expense and $280,000 was offset against the principal balance of the deferred obligation. Of these amounts in 2013, $159,000 was offset against interest expense and $3,230,000 was offset against the principal balance of the deferred obligation.

The deferred payment obligation agreement expired on January 31, 2014.

NOTE D – DEFERRED PAYMENT OBLIGATION / I-X CENTER (Continued)

Pursuant to Amendment Number One to Lease Agreement, entered into on November 21, 2008 between the City and I-X Center Corporation, commencing February 1, 2014, I-X Center Corporation is to begin paying annual rent of $2,000,000. This will be paid in monthly installments during the duration of the lease extension which primary term expires on January 31, 2019.

NOTE E – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2014 and 2013 totaled approximately $51,266,000 and $41,340,000, respectively and the Divisions' bank balance was approximately $56,942,000 and $53,145,000, respectively. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $56,942,000 and $53,145,000 of the bank balances at December 31, 2014 and 2013, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Divisions will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Divisions' deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110% of the carrying value of the deposits being secured.

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of Reverse Repurchase Agreements.

Investment securities are exposed to various risks such as interest rate, market and credit risk. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Divisions invest primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the *Concentration of Credit Risk* section.

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Divisions will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party.

Credit Risk: The Divisions' investments as of December 31, 2014 and 2013 include U.S. Treasury Notes, STAROhio, mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in STAROhio, the Dreyfus Government Cash Management Fund and the Federated Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service**.**

Concentration of Credit Risk: The Divisions place a limitation on the amount that may be invested in any one issuer to help minimize the concentration of credit risk. The Divisions had the following investments at December 31, 2014 and 2013, which include those classified as cash and cash equivalents in the Statement of Net Position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2014 Fair Value	2014 Cost	2013 Fair Value	2013 Cost	Investment Maturities Less than One Year	Investment Maturities 1 - 5 Years
	(Amounts in 000's)					
U.S. Treasury Notes	$ 4,015	$ 3,996	$ 4,008	$ 3,994	$	$ 4,015
STAROhio	72,524	72,524	83,633	83,633	72,524	
Mutual Funds	210,513	210,513	233,656	233,656	210,513	
Other Investments			29	29		
Total Investments	287,052	287,033	321,326	321,312	283,037	4,015
Total Deposits	51,266	51,266	41,340	41,340	51,266	
Total Deposits and Investments	$ 338,318	$ 338,299	$ 362,666	$ 362,652	$ 334,303	$ 4,015

These amounts are monies invested by the City Treasurer on behalf of the Divisions and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Investment type "Other Investments" consist of deposits into collective cash escrow pools managed by Bank of New York as trustee.

As of December 31, 2014, the investments in U.S. Treasury Notes, STAROhio and mutual funds are approximately 2%, 25% and 73%, respectively, of the Divisions' total investments. As of December 31, 2013, the investments in U.S. Treasury Notes, STAROhio, mutual funds and other are approximately 1%, 26%, 73% and less than 1%, respectively, of the Divisions' total investments.

CITY OF CLEVELAND, OHIO
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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE F – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2014 was as follows:

	January 1, 2014	Additions	Reductions	December 31, 2014
	(Amounts in 000's)			
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$	$ 167,457
Construction in progress	42,844	19,718	(14,896)	47,666
Total capital assets, not being depreciated	210,301	19,718	(14,896)	215,123
Capital assets, being depreciated:				
Land improvements	75,655	8,517		84,172
Buildings, structures and improvements	335,589	5,355		340,944
Furniture, fixtures and equipment	31,803	579	(100)	32,282
Infrastructure	996,934	3,464		1,000,398
Vehicles	15,439	609	(280)	15,768
Total capital assets, being depreciated	1,455,420	18,524	(380)	1,473,564
Less: Total accumulated depreciation	(769,366)	(52,351)	371	(821,346)
Total capital assets being depreciated, net	686,054	(33,827)	(9)	652,218
Capital assets, net	$ 896,355	$ (14,109)	$ (14,905)	$ 867,341

NOTE F – CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2013 was as follows:

	January 1, 2013	Additions	Reductions	December 31, 2013
		(Amounts in 000's)		
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$	$ 167,457
Construction in progress	29,011	19,260	(5,427)	42,844
Total capital assets, not being depreciated	196,468	19,260	(5,427)	210,301
Capital assets, being depreciated:				
Land improvements	74,153	5,562	(4,060)	75,655
Buildings, structures and improvements	334,242	8,467	(7,120)	335,589
Furniture, fixtures and equipment	29,168	2,677	(42)	31,803
Infrastructure	975,801	21,133		996,934
Vehicles	14,651	1,021	(233)	15,439
Total capital assets, being depreciated	1,428,015	38,860	(11,455)	1,455,420
Less: Total accumulated depreciation	(729,465)	(50,865)	10,964	(769,366)
Total capital assets being depreciated, net	698,550	(12,005)	(491)	686,054
Capital assets, net	$ 895,018	$ 7,255	$ (5,918)	$ 896,355

Commitments: As of December 31, 2014 and 2013, the Divisions had capital expenditure purchase commitments outstanding of approximately $21,243,000 and $51,344,000, respectively.

NOTE G – LEASES AND CONCESSIONS

The Divisions lease specific terminal and concourse areas to the various airlines under terms and conditions of the airline use agreements. These agreements remain in effect until December 31, 2015 and under the terms of the agreements, rental payments and landing fees paid by the airlines are adjusted annually to provide airport revenues sufficient to meet the financial requirements of the airport system. Other areas are leased to various occupants under separate agreements.

NOTE G – LEASES AND CONCESSIONS (Continued)

The Divisions have various concession agreements that permit the concessionaires and certain others to operate on airport property. These agreements usually provide for payments based on a percentage of the revenues, with an annual minimum payment guarantee and in certain circumstances for the offset of percentage rents to the extent of certain improvements made to the leased property. Portions of the building costs in the statement of net position are held by the Divisions for the purpose of rental use. The net book value of property held for operating leases as of December 31, 2014 and 2013 is approximately $175,455,000 and $189,633,000 respectively.

Minimum future rental on non-cancelable operating leases to be received is as follows:

	(Amounts in 000's)
2015	$ 16,759
2016	10,052
2017	8,855
2018	4,757
2019	3,430
Thereafter	15,534
	$ 59,387

Under the Master Lease and Use Agreement, which leases space in the terminal building and other areas, the Divisions are subject to fluctuating rates.

NOTE H – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Divisions for personal injuries, property damage and other matters. The City is responsible for the suits. The City’s management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Divisions’ financial position, results of operations or cash flows.

Risk Management: The Divisions are exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Divisions carry insurance to cover particular liabilities and property protection. Otherwise, the Divisions are generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014 or 2013. There was no significant decrease in any insurance coverage in 2014 or 2013. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of four separate health insurance plans to its employees. On April 1, 2014 the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The Divisions’ are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers’ compensation retrospective rating program.

NOTE H – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims payable has been included with accounts payable and is considered to be immaterial for the Divisions.

NOTE I – DEFINED BENEFIT PENSION PLAN

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

The Divisions' required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were $2,445,000, $2,598,000 and $2,095,000 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27 and it is effective for employer fiscal years beginning after June 15, 2014.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System**:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014 and 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014 and 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Divisions' actual contributions to OPERS to fund postemployment benefits were $407,000 in 2014, $200,000 in 2013 and $838,000 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE K – RELATED PARTY TRANSACTIONS

The Divisions are provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
	(Amounts in 000's)	
City Central Services, including police	$ 9,202	$ 8,740
Telephone Exchange	743	626
Electricity purchased	244	237
Motor vehicle maintenance	249	395
Radio Communication	299	136

NOTE L – LANDING FEE ADJUSTMENT AND INCENTIVE COMPENSATION

Under the terms of the airline use agreements, if the annual statement for the preceding term demonstrates that airport revenues over expenses (both as defined) is greater or less than that used in calculating the landing fee for the then current term, such difference shall be charged or credited to the airlines over the remaining billing periods in the current term. The landing fee adjustment for 2013 was payable to the Airlines from the Division in the amount of $2,826,000.

The airline use agreements also provide an incentive for the City to provide the highest quality management for the airport system. There was no incentive compensation expense in 2014 and 2013.

NOTE M – PASSENGER FACILITY CHARGES

On November 1, 1992, Cleveland Hopkins International Airport began collecting Passenger Facility Charges (PFC's) subject to title 14, Code of Federal Regulations, Part 158. PFC's are fees imposed on passengers enplaned by public agencies controlling commercial service airports for the strict purpose of supporting airport planning and development projects. The charge is collected by the airlines and remitted to the airport operator net of an administrative fee to be retained by the airline and refunds to passengers.

As of December 31, 2014, Cleveland Hopkins International Airport had the authority from the Federal Aviation Administration to collect approximately $592 million, of which an estimated 14.5% will be spent on noise abatement for the residents of communities surrounding the airport, 59.6% on runway expansion and improvements and 25.9% on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

NOTE N – MAJOR CUSTOMER

In 2014 and 2013, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 41% and 36% respectively, of total operating revenue.

NOTE O – SUBSEQUENT EVENTS

On January 15, 2015, Spirit Airlines began flying to and from Cleveland. Spirit is an ultra-low cost carrier that will bring more flying options at lower fares for travelers. On April 30, 2015, JetBlue Airlines began service at CLE. JetBlue began by offering nonstop access to Boston and has already begun to include other destinations.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2014

	Cleveland Hopkins International	Burke Lakefront	Total
		(Amounts in 000's)	
REVENUE			
Airline revenue:			
Landing fees	$ 31,116	$	$ 31,116
Terminal rental	48,827		48,827
Other	3,143		3,143
	83,086	-	83,086
Operating revenues from other sources:			
Concessions	31,182	604	31,786
Rentals	11,956	352	12,308
Landing fees	1,646	60	1,706
Other	2,453	103	2,556
	47,237	1,119	48,356
Non-operating revenue:			
Interest income	75		75
TOTAL REVENUE	$ 130,398	$ 1,119	$ 131,517
OPERATING EXPENSES			
Salaries and wages	$ 19,849	$ 989	$ 20,838
Employee benefits	7,274	330	7,604
City Central Services, including police	9,116	335	9,451
Materials and supplies	6,804	206	7,010
Contractual services	26,659	539	27,198
TOTAL OPERATING EXPENSES	$ 69,702	$ 2,399	$ 72,101

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REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES IN ACCORDANCE WITH 14 CFR PART 158

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

Report on Compliance for the Passenger Facility Charge Program

We have audited the Divisions' of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), for its passenger facility charge program for the year ended December 31, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with the passenger facility charge program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Divisions' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Divisions' compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2014.

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Report on Internal Control Over Compliance

Management of the Divisions is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Divisions' internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Divisions' internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the Divisions as of and for the year ended December 31, 2014, and have issued our report thereon dated June 24, 2015 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the Divisions' basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements as a whole. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated in all material respects in relation to the Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

City of Cleveland - Department of Port Control
Cleveland Hopkins International Airport
Schedule of Expenditures of Passenger Facility Charges
For the Period Ending December 31, 2014

Projects	Approved Project Budget	Cumulative Expenditures 2013	2014 1st Quarter Expenditures	2014 2nd Quarter Expenditures	2014 3rd Quarter Expenditures	2014 4th Quarter Expenditures	2014 YTD Expenditures	Cumulative Expenditures through 2014
Insulate Residences - Full Program Phase I	$ 16,960,400	$ 16,960,400	$	$	$	$	$ -	$ 16,960,400
Extension of Taxiway "Q"	2,155,743	2,155,743					-	2,155,743
Land Acquisition-Resident Relocation	14,689,459	14,689,459					-	14,689,459
Asbestos Removal in Terminal CHIA	729,842	729,842					-	729,842
Acquisition of Analex Office Bldg & Vacant Land	13,025,000	13,025,000					-	13,025,000
Waste Water - Glycol Collection System Construction	5,835,921	5,835,921					-	5,835,921
NASA Feasibility & Pre-Engineering Study	355,000	355,000					-	355,000
Sewers for Confined Disposal Facility-BKL (app 1)	5,500,000	5,500,000					-	5,500,000
Sound Insulation	8,595,641	8,595,641					-	8,595,641
Land Acquisition - Midvale, Brysdale, Forestwood, Rocky River	25,282,298	25,282,298					-	25,282,298
Environmental Assessment / Impact Studies	1,725,000	1,725,000					-	1,725,000
Part 150 Noise Compatibility Program Update	584,570	584,570					-	584,570
Brook Park Land Transfer	8,750,000	8,750,000					-	8,750,000
Analex Demolition	1,229,000	981,068	11,422	6,000	6,000	3,724	27,146	1,008,214
Sound Insulation	20,000,000	20,000,000					-	20,000,000
Baggage Claim/Expansion	9,526,087	9,526,087					-	9,526,087
Tug Road Replacement	1,019,000	668,553					-	668,553
Interim Commuter Ramp	5,560,338	5,165,932	18,170	9,545	9,545	5,924	43,184	5,209,116
Concourse D Ramp/Site Utilities	51,305,804	47,668,881	167,555	88,017	88,017	54,627	398,216	48,067,097
Burke Runway Overlay 6L/24R	530,286	530,286					-	530,286
Burke ILS	2,181,400	1,846,895	15,411	8,095	8,095	5,024	36,625	1,883,520
Runway 6L/23R	270,550,360	157,192,891	5,222,438	2,743,344	2,743,344	1,702,661	12,411,787	169,604,678
Runway 6R/24L Uncoupling	2,148,000	2,148,000					-	2,148,000
Runway 28 Safety Improvements	2,200,000	2,010,454					-	2,010,454
Midfield Deicing Pad	39,100,000	39,100,000					-	39,100,000
Taxiway M Improvements	10,000,000	9,579,060					-	9,579,060
Doan Brook Restoration	1,727,796					28,660	28,660	28,660
Deicing Environmental Upgrades	2,800,222					46,448	46,448	46,448
Main Terminal Roof Replacement	992,986					16,471	16,471	16,471
Main Terminal Boiler Replacement	2,998,819					49,742	49,742	49,742
Roadway Expansion Joint Repair/Replacement	1,985,973					32,942	32,942	32,942
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	7,681,742					127,419	127,419	127,419
Airport-wide In-line Baggage System Design	1,688,077					28,001	28,001	28,001
Airport Master Plan Update	4,170,543					69,178	69,178	69,178
Runway 10/28- Runway Safety Area Improvements	23,155,051	7,348,231				(56,655)	(56,655)	7,291,576
South Cargo Ramp Rehabilitation	5,957,918					98,826	98,826	98,826
Taxiway N Rehabilitation	8,738,280					144,945	144,945	144,945
SIDA Security System Enhancements	1,985,973					32,942	32,942	32,942
Interactive Part 139 Airport Operations Training Program	496,493					8,235	8,235	8,235
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646					137,039	137,039	137,039
	$ 592,180,668	$ 407,955,212	$ 5,434,996	$ 2,855,001	$ 2,855,001	$ 2,536,153	$ 13,681,151	$ 421,636,363

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2014

GENERAL

The accompanying schedule presents all activity of the Airport's Passenger Facility Charge (PFC) program. The Airport's reporting entity is defined in Note A – Summary of Significant Accounting Policies to the Airports' financial statement.

BASIS OF PRESENTATION

The accompanying schedule is presented on the cash basis of accounting.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Cleveland Public Power
Department of Public Utilities
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio (the "Division") as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Cleveland Public Power (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2014 and 2013. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 16.

The Division was created in 1906 and charged with the responsibility for the distribution of electricity and related electric service to customers within its service areas. The Division operates a municipal electric system that is the largest in the State of Ohio and the thirty-ninth largest in the United States according to the American Municipal Power Association's statistics for 2012. The Division serves an area that is bound by the City limits and presently serves approximately 73,000 customers.

The Division is one of the very few municipal electric companies in the United States that competes with an investor-owned utility, in this case First Energy Corporation's Cleveland Electric Illuminating Company (CEI).

According to the 2013 census estimates, the City's population is 390,000 people. There are approximately 216,000 residential dwelling units and 11,000 commercial units. The Division has distribution facilities in about 60% of the geographical area of the City, primarily on the east side.

The Division obtains substantially all of its power and energy requirements through agreements with various regional utilities and other power suppliers for power delivered through CEI interconnections. The balance of the Division's power and energy requirements are satisfied with production from the Division's three combustion turbine generating units and various arrangements for the exchange of short-term power and energy. To reduce its reliance on the wholesale market, the Division's long-term base load supply will include a mix of power provided by participation in American Municipal Power (AMP) Inc. hydroelectric projects, the Fremont Energy Center, the Prairie State Energy Campus project and new/emerging alternative energy technologies.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The Division's net position was $212,390,000, $208,402,000 and $208,545,000 at December 31, 2014, 2013 and 2012, respectively. Of these amounts, $41,196,000, $41,764,000 and $49,824,000 are unrestricted net position at December 31, 2014, 2013 and 2012, respectively, that may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $3,988,000 in 2014 and decreased by $143,000 in 2013. The increase in net position in 2014 was mainly due to an increase in non-operating revenue (expense) of $6,198,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- Operating revenue increased by $11,501,000 or 6.8%. Purchased power increased by $14,994,000 or 14.9% and total operating expenses increased by $13,182,000 or 8.3% for 2014. Other non-operating revenue increased by $3,459,000, most of which was $2,801,000 of Deregulation Tax returned to CPP by the City's General Fund (for further information see Note J).

- During 2014, the Division had an increase in capital assets, net of accumulated depreciation of $12,599,000 or 3.7%. The principal capital expenses in 2014 were for the Lake Road Project, Denison Ave. project and East 9th Street Duct Bank. These additions were offset by current year depreciation.

- The Division's total long-term bonded debt decreased by $2,630,000 and $12,710,000 for the years ended December 31, 2014 and 2013, respectively. The decrease in 2014 is from scheduled principal payments, which were offset by the issuance of $76,885,000 in refunding bonds as noted below. In 2013, the decrease is attributed to scheduled debt service payments made to bondholders.

- Effective October 30, 2014, the City issued $76,885,000 Public Power System Taxable Revenue Refunding Bonds, Series 2014. These bonds were issued to refund $68,745,000 of Public Power System Bonds issued in 2006, 2008, 2010 and 2012 for the purpose of restructuring the Division's debt.

- In 2005, the Division was impacted by the introduction of Seams Elimination Cost Adjustment (SECA), which was mandated by the Federal Energy Regulatory Commission (FERC). Seams are price inefficiencies arising from operational or rate schedule differences in markets that cross borders. For additional information see Note K. The Division paid SECA charges totaling $10,800,000 to Midwest Independent System Operator from December 2004 to March 2006 and has been refunded $5,655,000 as of December 31, 2014. The remaining amounts will be billed to customers in current and future years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Cleveland Public Power Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Cleveland Public Power. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Cleveland Public Power Fund is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and accrual basis of accounting are used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 16 – 21 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 23 - 40 of this report.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2014, 2013 and 2012.

	2014	2013	2012
	(In thousands)		
Assets:			
Capital assets, net of accumulated depreciation	$ 353,620	$ 341,021	$ 335,627
Restricted assets	30,342	46,456	54,862
Current assets	79,806	79,284	80,470
Deferred outflows of resources	17,448	12,459	14,189
Total assets and deferred outflows of resources	481,216	479,220	485,148
Net Position and Liabilities:			
Net Position:			
Net investment in capital assets	166,363	162,124	153,436
Restricted for capital projects	482	473	1,309
Restricted for debt service	4,349	4,041	3,976
Unrestricted	41,196	41,764	49,824
Total net position	212,390	208,402	208,545
Liabilities:			
Long-term obligations	239,170	234,806	242,658
Current liabilities	29,656	36,012	33,945
Total liabilities	268,826	270,818	276,603
Total net position and liabilities	$ 481,216	$ 479,220	$ 485,148

***Restricted assets**:* The Division's restricted assets decreased by $16,114,000 and $8,406,000 in 2014 and 2013, respectively. The decreases for both years are primarily related to use of revenue bond funds for capital project expenses.

Current assets: The Division's current assets increased by $522,000 in 2014 and decreased by $1,186,000 in 2013. The increase in 2014 is mainly due to increases of $1,002,000 in materials and supplies as well as $398,000 in due from other City of Cleveland departments, divisions or funds, offset by a decrease of $963,000 in accounts receivable (net of allowance for doubtful accounts).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The decrease in 2013 is mainly due to a decrease of $10,235,000 in cash and cash equivalents and a decrease of $1,012,000 in materials and supplies, offset by an increase of $10,063,000 in recoverable costs of purchased power, of which $3,045,000 is for Energy Adjustment Charge, $5,144,000 for SECA and $1,874,000 for AMP. For additional information on SECA see Note K.

Capital assets: The Division's capital assets as of December 31, 2014 amounted to $353,620,000 (net of accumulated depreciation). The total increase in the Division's net capital assets for the current year was $12,599,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2014 is as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
	(In thousands)			
Land	$ 5,029	$	$	$ 5,029
Land improvements	305			305
Utility plant	512,756	7,919	(550)	520,125
Buildings, structures and improvements	21,348		(33)	21,315
Furniture, fixtures, equipment and vehicles	82,193	2,369	(1,144)	83,418
Construction in progress	48,087	25,772	(5,107)	68,752
Total	669,718	36,060	(6,834)	698,944
Less: Accumulated depreciation	(328,697)	(18,354)	1,727	(345,324)
Capital assets, net	$ 341,021	$ 17,706	$ (5,107)	$ 353,620

The principal additions to construction in progress during 2014 included the following:

- Lake Road Project
- Denison Ave.
- East 9th Street Duct Bank
- Harvard Substation

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Land	$ 5,249	$	$ (220)	$ 5,029
Land improvements	305			305
Utility plant	495,234	22,281	(4,759)	512,756
Buildings, structures and improvements	21,413	6	(71)	21,348
Furniture, fixtures, equipment and vehicles	81,036	2,215	(1,058)	82,193
Construction in progress	46,583	20,944	(19,440)	48,087
Total	649,820	45,446	(25,548)	669,718
Less: Accumulated depreciation	(314,193)	(18,106)	3,602	(328,697)
Capital assets, net	$ 335,627	$ 27,340	$ (21,946)	$ 341,021

The principal additions to construction in progress during 2013 included the following:

- Lake Road Project
- Flats East Bank
- Emergency Transformer Repair
- 800 MGHz Radio System
- New Vehicles

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D to the basic financial statements.

Current liabilities: The decrease in current liabilities of $6,356,000 in 2014 is mainly due to the decrease of $5,695,000 in current portion of long-term debt.

Long-term obligations: The long-term obligation increase of $4,364,000 in 2014 is primarily derived from a refunding issue which added a net increase of $8,140,000 in par value as well as an increase in accreted interest of $2,021,000, offset by scheduled repayments of $10,770,000.

At December 31, 2014, the Division had total bonded debt outstanding of $229,773,000. All bonds are backed by the revenues generated by the Division.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The Division issued revenue bonds in the public capital markets in the late 1980’s and early 1990’s to finance a substantial expansion to its service territory. The Division also issued bonds in April 2008 for system expansion. In 2006, 2010 and 2012, the Division issued bonds to refinance a portion of its long-term debt. In 2014, the Division issued refunding bonds for the purpose of leveling the Division’s debt service payments over the life of the debt. This outstanding debt is being retired in accordance with repayment schedules through 2038.

Accreted interest payable will increase every year until 2025 due to interest accruing on the Division’s 2008B Capital Appreciation Bonds (CABs). Payments of the accreted amount will begin in 2025.

The activity in the Division’s debt obligations outstanding during the year ended December 31, 2014, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

	Balance January 1, 2014	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2014
			(In thousands)		
Revenue Bonds:					
Revenue Bonds 2006 A-1	$ 95,265	$	$ (49,980)	$	$ 45,285
Revenue Bonds 2006 A-2	12,295		(6,280)		6,015
Revenue Bonds 2008 A	21,105		(2,065)		19,040
Revenue Bonds 2008 B-1	42,855		(2,145)	(975)	39,735
Revenue Bonds 2008 B-2	27,903				27,903
Revenue Bonds 2010	23,470		(415)	(8,145)	14,910
Revenue Bonds 2012	9,510		(7,860)	(1,650)	-
Revenue Bonds 2014		76,885			76,885
Total	$ 232,403	$ 76,885	$ (68,745)	$ (10,770)	$ 229,773

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2013, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

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	Balance January 1, 2013	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2013
			(In thousands)		
Revenue Bonds:					
Mortgage Revenue Bonds 1994 A	$ 7,325	$	$	$ (7,325)	$ -
Revenue Bonds 2006 A-1	95,265				95,265
Revenue Bonds 2006 A-2	12,295				12,295
Revenue Bonds 2008 A	21,105				21,105
Revenue Bonds 2008 B-1	43,795			(940)	42,855
Revenue Bonds 2008 B-2	27,903				27,903
Revenue Bonds 2010	23,915			(445)	23,470
Revenue Bonds 2012	13,510			(4,000)	9,510
Total	$ 245,113	$ -	$ -	$ (12,710)	$ 232,403

The bond ratings for the Division's outstanding revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's
A3	A-

On July 2, 2014, Moody's Investors Service changed its rating on Cleveland Public Power's debt to A3 (negative outlook) from A2 (stable). The outlook was returned to stable in October 2014.

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2014, 2013 and 2012 was 147%, 130% and 143%, respectively. Additional information on the Division's long-term debt can be found in Note B to the basic financial statements on pages 27 - 31.

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows exceeded liabilities by $212,390,000, $208,402,000 and $208,545,000 at December 31, 2014, 2013 and 2012, respectively.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Of the Division's net position at December 31, 2014, $166,363,000 reflects the Division's investment in capital assets (e.g., land, buildings, utility plant, furniture, fixtures, vehicles and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. In addition, $482,000 denotes funds restricted for use in capital projects and $4,349,000 represents resources subject to debt service restrictions. The remaining $41,196,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

Of the Division's net position at December 31, 2013, $162,124,000 reflects the Division's investment in capital assets (e.g., land, buildings, utility plant, furniture, fixtures, vehicles and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. In addition, $473,000 denotes funds restricted for use in capital projects and $4,041,000 represents resources subject to debt service restrictions. The remaining $41,764,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

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

The Division increased its net position by $3,988,000 in 2014, compared to a decrease in its net position of $143,000 in 2013. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
		(In thousands)	
Operating revenues	$ 181,843	$ 170,342	$ 165,227
Operating expenses	172,469	159,287	153,958
Operating income (loss)	9,374	11,055	11,269
Non-operating revenue (expense):			
Investment income	37	59	80
Interest expense	(9,285)	(10,023)	(9,677)
Amortization of bond premiums and discounts	(133)	68	78
Gain (loss) on disposal of assets		(2,224)	
Other	3,995	536	164
Total non-operating revenue (expense), net	(5,386)	(11,584)	(9,355)
Income (loss) before capital and other contributions	3,988	(529)	1,914
Capital and other contributions		386	981
Increase (decrease) in net position	3,988	(143)	2,895
Net position, beginning of year	208,402	208,545	205,650
Net position, end of year	$ 212,390	$ 208,402	$ 208,545

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

- In 2014, operating revenues increased by $11,501,000, mostly from increased power costs passed on to customers through the Energy Adjustment Charge. There was a 0.2% decrease in KWH sold.

- In 2013, operating revenues increased by $5,115,000, mostly from deferred costs carried through to revenue in the Energy Adjustment Charge. There was a 0.2% increase in KWH sold.

- In 2014, the cost of purchased power increased $14,994,000 due to the increased price of purchased power on the market. This increase in the cost of purchased power is passed through to customers via an Energy Adjustment Charge.

- In 2013, the cost of purchased power increased $5,141,000 due to the increased price of purchased power on the market. This increase in the cost of purchased power is passed through to customers via an Energy Adjustment Charge.

- Operating expenses increased by $13,182,000 in 2014. Other than purchased power, the majority of this is due to an increase of $513,000 in professional services and an increase in capital improvement inventory cost of $1,738,000. This was offset by a decrease in other supplies expense in 2014 of $2,921,000, full time permanent labor decreased by $873,000 and bad debt expense decreased by $585,000. Maintenance expense decreased by $1,345,000 in 2014. Most of this was in labor maintenance accruals, from an estimated allocation between operations and maintenance. All labor decreased by $3,837,000 or 14%, due to reallocation of administrative staff to department wide services and capitalization of labor on various capital assets completed by Division staff.

- Operating expenses decreased by $5,329,000 in 2013. The majority of this is due to an increase of $2,428,000 in wages and benefits that were capitalized. The Division is using the Safe Harbor method in 2013 to calculate this; in 2012 an itemized figure was used. This was offset by an increase in Workers' Compensation expense in 2013 of $849,000, other supplies increased by $2,565,000, other contractual increased by $338,000 and professional services decreased by $648,000.

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

As a municipally-owned utility, the Division's mission is to improve the quality of life in the City by providing reliable, affordable energy and energy services to the residents and businesses of the City. The Division is currently evaluating strategic options to address competitive factors likely to impact the division over the next several years.

The Capacity Expansion Program has been an ongoing project for the Division. Two major components remain and are expected to be completed in the future. The Capacity Expansion Program is designed to support and improve the Division's electric system reliability and provide for future load growth opportunities.

Southern Project: Construction is beginning on the Southern Project. In 2014, the Division acquired easements for the project. The Southern Project includes modification of the Ridge Road Substation to create a ring bus to support the new 138 kV transmission loop which routes from Ridge Road Substation to the newly completed Pofok Substation. A portion of the 138 kV transmission line will be underground. The Division has successfully partnered with the City, Cuyahoga County and the Ohio Department of Transportation to combine the construction of the duct line with a streetscapes project. The joint project lessens the Division's costs while simultaneously reducing construction related disturbances. The design is complete on the duct line and an award was made in January 2014 for the construction of the duct line. The overhead portion of the 138 kV transmission line will complete the loop. The final engineering design of the overhead line is complete and the land acquisition is nearly complete.

The Southern Transmission Line will be built to provide additional reliability to the Division's system and has an anticipated in service date of 2nd quarter 2016.

Lake Road Project: The Lake Road Project includes the construction of a duct line and feeder cables to the 11th Street Substation. The refeeding of the 11th Street Substation will increase capacity in this area of downtown and along the corridor between the Lake Road Substation and the 11th Street Substation. In addition, a new step-up substation known as the South Marginal Substation is complete. It provides capacity from the 11.5 kV distribution system located downtown to a portion of the 13.8 kV distribution system situated east and southeast of downtown. The Lake Road Substation is scheduled to be energized in 2nd quarter of 2015.

The Division is focusing its marketing efforts on those sections of the City that were part of its earlier system expansion to increase the density of customers served. As the Division competes with CEI in these areas, density is measured as the number of the Division's customers on a given street versus the total customers available on that street. New customers can be added with little additional expense.

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

The Division purchases most of its power requirements via contracts in the power markets. The Division is reducing its dependence on the purchased power market by acquiring interests in certain generating facilities. The Division's long-term base load supply will include a mix of power provided by participation in AMP Inc. hydroelectric projects, the Fremont Energy Center, the Prairie State Energy Campus project and new/emerging alternative energy technologies. The Division is currently scheduled to purchase a total of approximately 50 MW from the AMP Inc.'s hydroelectric projects, which are expected to be in operation in 2015. The Division purchases 25 MW from AMP Inc.'s share of the Prairie State Energy Campus project, an Illinois coal-fired generating plant that came on-line in November 2012. The Division also purchases 60-80 MW from the Fremont Energy Center, a 707 MW natural gas-fired generating plant, which came on-line in January 2012. Like other power expenses, the Division's payments for the Prairie State and Fremont projects power will be an operating expense for the Division as purchased power and the cost will be passed through to its customers via an Energy Adjustment Charge on its bills. As power costs rise, sales revenue will also increase commensurately through the Energy Adjustment Charge.

The Division owns and operates approximately 67,000 street lights, including 18,000 that were purchased in 2008 from CEI for $4,000,000. The Division provides street lighting service to its customer, the City of Cleveland, under a published rate schedule. CEI will continue to provide the power to street lights where the Division lacks distribution facilities but will charge an energy-based rate under CEI's tariff for municipally-owned street lights. The Division intends to continue to charge the City the current CEI rate for the newly acquired lights for eight years until September 2016, after which the lights will be billed at the Division's then-current standard rate. In addition to adding a new revenue stream, the transfer will enable the City to avoid future increases in CEI's street lighting tariff charges, potentially affecting the General Fund, and will allow for improved maintenance of the new lights by increasing responsiveness.

In early 2001, Ohio Electric Choice legislation created a new kilowatt-hour excise tax on electric power distributed to end-users of electricity in the State by both investor-owned and municipal utilities. For municipal utilities, the State law requires the utility to remit the tax receipts to the municipality's General Fund. Under Ordinance No. 193-13 passed in March 2013, the General Fund retained 100% of the tax remittance in 2013 and returned 50% to CPP during the calendar year 2014. Ordinance No. 1350-14 was passed in December 2014, authorizing the General Fund to return 50% of the excise tax to CPP for calendar years' 2015 and 2016.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Division's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

(*In thousands*)

	2014	2013
ASSETS		
CAPITAL ASSETS		
Land	$ 5,029	$ 5,029
Land improvements	305	305
Utility plant	520,125	512,756
Buildings, structures and improvements	21,315	21,348
Furniture, fixtures, equipment and vehicles	83,418	82,193
	630,192	621,631
Less: Accumulated depreciation	(345,324)	(328,697)
	284,868	292,934
Construction in progress	68,752	48,087
CAPITAL ASSETS, NET	353,620	341,021
RESTRICTED ASSETS		
Cash and cash equivalents	30,342	46,456
TOTAL RESTRICTED ASSETS	30,342	46,456
CURRENT ASSETS		
Cash and cash equivalents	47,870	47,862
Restricted cash and cash equivalents	1,677	1,415
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $9,611,000 in 2014 and $10,522,000 in 2013	5,999	6,962
Recoverable costs of purchased power	9,634	10,063
Unbilled revenue	2,590	2,346
Due from other City of Cleveland departments, divisions or funds	3,053	2,655
Materials and supplies - at average cost	8,816	7,814
Prepaid expenses	167	167
TOTAL CURRENT ASSETS	79,806	79,284
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on debt refunding	17,448	12,459
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 481,216	$ 479,220

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

(In thousands)

	2014	2013
NET POSITION AND LIABILITIES		
NET POSITION		
Net investment in capital assets	$ 166,363	$ 162,124
Restricted for capital projects	482	473
Restricted for debt service	4,349	4,041
Unrestricted	41,196	41,764
TOTAL NET POSITION	212,390	208,402
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Revenue bonds	223,572	221,127
Accreted interest payable	11,707	9,686
Accrued wages and benefits	436	495
Other	3,455	3,498
TOTAL LONG-TERM OBLIGATIONS	239,170	234,806
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	7,500	13,195
Accounts payable	9,661	10,626
Current payable from restricted assets	1,677	1,415
Due to other City of Cleveland departments, divisions or funds	5,214	4,656
Accrued interest payable	1,455	1,205
Current portion of accrued wages and benefits	2,572	3,370
Other accrued expenses	440	445
Customer deposits and other liabilities	1,137	1,100
TOTAL CURRENT LIABILITIES	29,656	36,012
TOTAL LIABILITIES	268,826	270,818
TOTAL NET POSITION AND LIABILITIES	$ 481,216	$ 479,220

See notes to financial statements. (Concluded)

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013

(In thousands)

	2014	2013
OPERATING REVENUES		
Charges for services	$ 181,843	$ 170,342
TOTAL OPERATING REVENUES	181,843	170,342
OPERATING EXPENSES		
Purchased power	115,923	100,929
Operations	20,688	21,338
Maintenance	17,504	18,849
Depreciation	18,354	18,171
TOTAL OPERATING EXPENSES	172,469	159,287
OPERATING INCOME (LOSS)	9,374	11,055
NON-OPERATING REVENUE (EXPENSE)		
Investment income	37	59
Interest expense	(9,285)	(10,023)
Amortization of bond premiums and discounts	(133)	68
Gain (loss) on disposal of assets		(2,224)
Other	3,995	536
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(5,386)	(11,584)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	3,988	(529)
Capital and other contributions		386
INCREASE (DECREASE) IN NET POSITION	3,988	(143)
NET POSITION, BEGINNING OF YEAR	208,402	208,545
NET POSITION END OF YEAR	$ 212,390	$ 208,402

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	(In thousands) 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 184,299	$ 171,139
Cash payments to suppliers for goods or services	(18,814)	(15,350)
Cash payments to employees for services	(17,637)	(19,172)
Cash payments for purchased power	(116,276)	(106,074)
Electric excise tax payments to agency fund and other	(5,371)	(5,407)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	26,201	25,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants		984
Electric Deregulation tax receipts	2,801	
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	2,801	984
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds	76,885	
Acquisition and construction of capital assets	(27,164)	(22,255)
Principal paid on long-term debt	(10,770)	(12,710)
Interest paid on long-term debt	(8,074)	(9,767)
Cash paid to escrow agent for refunding	(75,763)	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(44,886)	(44,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities		(39,987)
Proceeds from sale and maturity of investment securities		43,726
Interest received on investments	40	77
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	40	3,816
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,844)	(14,796)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	95,733	110,529
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 79,889	$ 95,733

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	(In thousands) 2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 9,374	$ 11,055
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	18,354	18,171
Changes in assets and liabilities:		
Accounts receivable, net	963	(59)
Unbilled revenue	(244)	(415)
Recoverable costs of purchased power	429	(10,063)
Due from other City of Cleveland departments, divisions or funds	(398)	658
Materials and supplies, net	(1,002)	1,012
Prepaid expenses		(77)
Accounts payable	(965)	1,894
Due to other City of Cleveland departments, divisions or funds	558	157
Accrued wages and benefits	(857)	(489)
Other accrued expenses	(5)	(62)
Customer deposits and other liabilities	37	(144)
Other long-term liabilities	(43)	3,498
TOTAL ADJUSTMENTS	16,827	14,081
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 26,201	$ 25,136

See notes to financial statements. (Concluded)

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Cleveland Public Power (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Public Utilities and is a part of the City's primary government. The Division was created for the purpose of supplying electrical services to customers within the City. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Division has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operation* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Division has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The Division has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statement of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of electricity to residential, commercial and industrial customers based upon actual consumption. Electricity rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury Bills, State Treasury Asset Reserve Fund of Ohio (STAROhio), commercial paper, mutual funds and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market prices.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has invested funds in STAROhio during fiscal year 2014 and 2013. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

Recoverable Costs of Purchased Power: The Division passes through certain power costs to the customer as Energy Adjustment Charges. The power costs related to recoverable costs of purchased power will be billed to customers in future billing periods.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies GASB guidance pertaining to capitalization of interest cost for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2014 and 2013, total interest costs incurred amounted to $11,730,000 and $13,399,000 respectively, of which $2,443,000 and $3,359,000, respectively, was capitalized, net of interest income of $2,000 in 2014 and $17,000 in 2013.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings*:* Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid out within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division allows employees to carryover vacation from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three year base salary rate, with the balance being forfeited.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2014 and 2013 is as follows:

	Interest Rate	Original Issuance	2014	2013
			(In thousands)	
Revenue Bonds:				
Series 2006 A-1, due through 2024	5.00%	$ 95,265	$ 45,285	$ 95,265
Series 2006 A-2, due through 2016	5.00%	12,295	6,015	12,295
Series 2008 A, due through 2024	4.00%-4.50%	21,105	19,040	21,105
Series 2008 B-1, due through 2038	4.00%-5.00%	44,705	39,735	42,855
Series 2008 B-2, due through 2038	5.13%-5.40%	27,903	27,903	27,903
Series 2010, due through 2017	5.00%	23,915	14,910	23,470
Series 2012, due through 2016	2.00%	15,325		9,510
Series 2014, due through 2038	5.50%	76,885	76,885	
		$ 317,398	$ 229,773	$ 232,403
Less:				
Unamortized discount-zero coupon bonds				(768)
Unamortized premium (discount)-current interest bonds (net)			1,299	2,687
Current portion			(7,500)	(13,195)
Total Long-Term Debt			$ 223,572	$ 221,127

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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

	Balance January 1, 2014	Increase	Decrease	Balance December 31, 2014	Due Within One Year
			(In thousands)		
Revenue Bonds:					
Series 2006 A-1, due through 2024	$ 95,265	$	$ (49,980)	$ 45,285	$
Series 2006 A-2, due through 2016	12,295		(6,280)	6,015	1,580
Series 2008 A, due through 2024	21,105		(2,065)	19,040	
Series 2008 B-1, due through 2038	42,855		(3,120)	39,735	
Series 2008 B-2, due through 2038	27,903			27,903	
Series 2010, due through 2017	23,470		(8,560)	14,910	5,920
Series 2012, due through 2016	9,510		(9,510)	-	
Series 2014, due through 2038		76,885		76,885	
Total revenue bonds	232,403	76,885	(79,515)	229,773	7,500
Accrued wages and benefits	3,865	2,513	(3,370)	3,008	2,572
Total	$ 236,268	$ 79,398	$ (82,885)	$ 232,781	$10,072

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(In thousands)		
Revenue Bonds:					
Series 1994 A, due through 2013	$ 7,325	$	$ (7,325)	$ -	$
Series 2006 A-1, due through 2024	95,265			95,265	
Series 2006 A-2, due through 2016	12,295			12,295	
Series 2008 A, due through 2024	21,105			21,105	
Series 2008 B-1, due through 2038	43,795		(940)	42,855	975
Series 2008 B-2, due through 2038	27,903			27,903	
Series 2010, due through 2017	23,915		(445)	23,470	8,145
Series 2012, due through 2016	13,510		(4,000)	9,510	4,075
Total revenue bonds	245,113	-	(12,710)	232,403	13,195
Accrued wages and benefits	4,354	3,366	(3,855)	3,865	3,370
Total	$ 249,467	$ 3,366	$ (16,565)	$ 236,268	$ 16,565

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(In thousands)	
2015	$ 7,500	$ 10,410	$ 17,910
2016	8,055	9,859	17,914
2017	8,455	9,457	17,912
2018	8,845	9,065	17,910
2019	9,255	8,655	17,910
2020 - 2024	53,195	36,367	89,562
2025 - 2029	42,105	47,446	89,551
2030 - 2034	47,763	41,793	89,556
2035 - 2038	44,600	27,044	71,644
Total	$ 229,773	$ 200,096	$ 429,869

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The City has pledged future power system revenues, net of specified operating expenses, to repay $229,773,000 in various Public Power System Revenue Bonds issued in various years since 2006. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 68 percent of net revenues. The total principal and interest remaining to be paid on the various Power System Revenue Bonds is $429,869,000. Principal and interest paid for the current year and total net revenues were $18,832,000 and $27,762,000, respectively.

Effective October 30, 2014, the City issued $76,885,000 Public Power System Taxable Revenue Refunding Bonds, Series 2014. These bonds were issued to refund $68,745,000 of outstanding Public Power System Bonds for the purpose of restructuring the Division's debt in order to level out the annual principal and interest payments over the life of CPP's bonds. The 2014 Bonds refunded $49,980,000 of outstanding Series 2006A-1 Bonds, $6,280,000 of Series 2006A-2 Bonds, $2,065,000 of Series 2008A Bonds, $2,145,000 of Series 2008B-1 Bonds, $415,000 of Series 2010 Bonds and $7,860,000 of Series 2012 Bonds. Net proceeds of $75,755,473 were placed in an irrevocable trust account to pay the principal and interest on the refunded bonds as it comes due. Consequently, the refunded bonds were defeased and the liability for these bonds has been removed from long-term debt. As a result of this restructuring, the Division will pay approximately $4 million less in annual debt service payments through 2024, with annual debt service payments of approximately $18 million from 2014 through 2038.

The Division has, at various times, defeased certain revenue bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements. The aggregate amount of defeased debt outstanding at December 31, 2014 and 2013 is as follows:

Bond Issue	2014	2013
	(In thousands)	
Series 2006A-1	$ 49,980	$
Series 2006A-2	6,280	
Series 2008A	2,065	
Series 2008B-1	2,145	
Series 2010	415	
Total	$ 60,885	$ -

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Revenue bonds are payable from the revenues derived from operations of the Public Power System, after the payment of all operating and maintenance expenses (net revenues). The bonds are collateralized by a pledge of and lien on such net revenues and the special funds described below.

The indenture requires that, at all times, the Division will charge rates and fees for the products and services of the Public Power System. Revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the power system and an amount equal to 1.25 times the payments of principal and interest on the revenue bonds then outstanding and due in that year. As of December 31, 2014 and 2013, the Division was in compliance with the terms and requirements of the bond indenture. The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds.

Debt Service Fund: Monthly deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund: Deposits will be made to this fund if the required amount in the debt service reserve fund at any time is less than the debt service reserve requirement. However, the Division has elected, pursuant to provisions of the indenture governing the Division's bonds, to satisfy the bond reserve requirement with a surety bond in an aggregate amount at least equal to the bond reserve requirement. The Series 2014 Bonds are not secured by the debt service reserve fund.

Renewal and Replacement Fund: The balance in this fund is maintained at a minimum of $1,000,000 and is to be applied against the cost of repair or replacement of capital assets in order to maintain the system.

Construction Fund: The proceeds from Series 1991, Series 1994 and Series 2008 Bonds of $12,050,000, $79,386,000, and $72,608,000, respectively, were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. As of December 31, 2014 and 2013, the Division had $24,752,000 and $42,011,000, respectively, of outstanding commitments for future constructions that will be funded by available bond proceeds and operating revenue. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding bonds to the extent that amounts in all other funds are insufficient. No payment needs to be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, the amounts are classified as restricted assets in the financial statements.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: At December 31, 2014 and 2013, the Division's carrying amount of deposits totaled $12,569,000 and $13,543,000, respectively, and the Division's bank balances totaled $12,688,000 and $13,029,000, respectively. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $12,688,000 and $13,029,000 of the bank balances at December 31, 2014 and 2013, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110% of the carrying value of the deposits being secured.

Investments: The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

Investment securities are exposed to various risks such as interest rate, market and credit. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect the portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the *Concentration of Credit Risk* section.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the State statute.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Division's investments as of December 31, 2014 and 2013 include STAROhio, commercial paper and mutual funds. The Division maintains the highest ratings for its investments. Investments in STAROhio and the First American Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Division's investment in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2014 and 2013, which include those classified as cash and cash equivalents in the Statement of Net Position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less.

Type of Investment	2014 Fair Value	2014 Cost	2013 Fair Value	2013 Cost	Investment Maturities Less than One Year
			(In thousands)		
STAROhio	$ 36,603	$ 36,603	$ 35,182	$ 35,182	$ 36,603
Commercial Paper	1,135	1,135	1,134	1,134	1,135
Mutual Funds	29,582	29,582	45,874	45,874	29,582
Total Investments	67,320	67,320	82,190	82,190	67,320
Total Deposits	12,569	12,569	13,543	13,543	12,569
Total Deposits and Investments	$ 79,889	$ 79,889	$ 95,733	$ 95,733	$ 79,889

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value.

As of December 31, 2014, the investments in STAROhio, commercial paper and mutual funds are approximately 54%, 2% and 44%, respectively, of the Division's total investments. As of December 31, 2013, the investments in STAROhio, commercial paper and mutual funds are approximately 43%, 1%, and 56%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

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

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 5,029	$	$	$ 5,029
Construction in progress	48,087	25,772	(5,107)	68,752
Total capital assets, not being depreciated	53,116	25,772	(5,107)	73,781
Capital assets, being depreciated:				
Land improvements	305			305
Utility plant	512,756	7,919	(550)	520,125
Buildings, structures and improvements	21,348		(33)	21,315
Furniture, fixtures, equipment and vehicles	82,193	2,369	(1,144)	83,418
Total capital assets, being depreciated	616,602	10,288	(1,727)	625,163
Less: Accumulated depreciation	(328,697)	(18,354)	1,727	(345,324)
Total capital assets being depreciated, net	287,905	(8,066)	-	279,839
Capital assets, net	$ 341,021	$ 17,706	$ (5,107)	$ 353,620

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NOTE D - CAPITAL ASSETS (Continued)

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

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 5,249	$	$ (220)	$ 5,029
Construction in progress	46,583	20,944	(19,440)	48,087
Total capital assets, not being depreciated	51,832	20,944	(19,660)	53,116
Capital assets, being depreciated:				
Land improvements	305			305
Utility plant	495,234	22,281	(4,759)	512,756
Buildings, structures and improvements	21,413	6	(71)	21,348
Furniture, fixtures, equipment and vehicles	81,036	2,215	(1,058)	82,193
Total capital assets, being depreciated	597,988	24,502	(5,888)	616,602
Less: Accumulated depreciation	(314,193)	(18,106)	3,602	(328,697)
Total capital assets being depreciated, net	283,795	6,396	(2,286)	287,905
Capital assets, net	$ 335,627	$ 27,340	$ (21,946)	$ 341,021

Commitments: The Division has outstanding commitments of approximately $36,675,000 and $53,669,000 for future capital expenditures at December 31, 2014 and 2013, respectively. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

The Division’s required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were $2,100,000, $2,513,000 and $2,037,000 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

NOTE F - OTHER POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014 and 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014 and 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were \$350,000 in 2014, \$193,000 in 2013 and \$815,000 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

NOTE F - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 21,000 kilowatts of a total 771,281 kilowatts, giving the City a 2.72 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is $3,638,459. The City received a credit of $1,182,083 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $949,722 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of $1,506,654. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. The City made payments in 2014 totaling $124,933 leaving a net impaired cost estimate of $3,704,495 at December 31, 2014.

The City intends to recover these costs and repay AMP over the next 15 years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Statement 65. The City intends to recover 50% of these costs from the customers through the Energy Adjustment Charge passed along to customer's monthly bills.

In addition, various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division carries insurance to cover particular liabilities and property protection. Otherwise, the Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014. There were no significant decreases in any insurance coverage in 2014.

The City provides the choice of four separate health insurance plans to its employees. On April 1, 2014 the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The Divisions are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio's Workers' Compensation retrospective rating program. As the result of a claim incurred in 2013, the expense for workers compensation increased.

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is reported as part of accounts payable on the statement of net position and is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides services to the City, including its various departments and divisions. The usual and customary rates are charged to all City departments and divisions.

Operating Expenses: The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
	(In thousands)	
City Administration	$ 1,106	$ 1,109
Telephone Exchange	1,227	994
Division of Water	444	414
Utilities Administration and Fiscal Control	1,279	1,128
Motor Vehicle Maintenance	658	611

NOTE I - CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $1,029,000 and $1,048,000 for the years ended December 31, 2014 and 2013, respectively.

NOTE J - KILOWATT PER HOUR TAX

In May 2001, the Division started billing its customers the electric deregulation kilowatt-hour tax according to the laws of the State of Ohio. This law requires the Division to remit the proceeds to the City's General Fund, except for any proceeds attributable to sales outside the City which are remitted to the State of Ohio. The Division billed $5,356,000 and $5,304,000 for this tax in 2014 and 2013, of which $7,333 and $6,593 was remitted to the State. As directed by City Ordinance the General Fund retained 100% of the tax remittance during calendar years 2013, 2012, and 2011. In accordance with Ordinance No. 193-13 passed in March 2013, the General Fund retained 50% of the tax remittance during the calendar year 2014. Ordinance No. 1350-14, passed December 2014, also directed 50% of the proceeds of the tax to the General Fund in 2015 and 2016.

NOTE K– SEAMS ELIMINATION COST ADJUSTMENT (SECA) PAYMENTS

Seams are price inefficiencies arising from operational or rate schedule differences in markets that cross borders. Between December 2004 and March 2006, the Division was required by the FERC to pay SECA payments totaling $10,800,000. The payments arose from a transmission restructuring effort aimed at reducing transmission costs by allowing users such as Cleveland Public Power to pay a single rate for transmission across a regional system consisting of multiple utilities. These payments, made subject to refund and the outcome of litigation proceedings, were intended as a temporary replacement for revenues previously received by transmission owners in neighboring regional systems for transmission access across their systems.

Through litigation and settlements, the Divison recovered about $5,656,000 of the $10,800,000 initially charged. The Division is not anticipating any additional refunds. The Division intends to pass through the unrecovered SECA charges to customers and began billing customers for such charges in July 2014.

NOTE L – SUBSEQUENT EVENTS

On or about April 3, 2015, an oily substance was discovered on Lake Erie. Pollution responders with the U.S. Coast Guard and U.S. Environmental Protection Agency (EPA) worked with a contractor to place booms, skimmers, and other equipment in the water to clear the oily water mixture that was last reported to be about 2,900 gallons. The Division agreed to cooperate as a potentially responsible party under the Oil Pollution Control Act of 1990 and Federal Water Pollution Control Act when a leaking tank containing lube oil at their facility was believed to be the cause of the spill. The Division entered into an emergency purchase order to continue the clean-up and is negotiating a contract to conduct additional clean-up work. The Coast Guard ordered the Division to set up a claims process as well. The City estimates the liability could exceed $500,000.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Water
Department of Public Utilities
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Water, Department of Public Utilities, City of Cleveland, Ohio (the Division) as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Water, Department of Public Utilities, City of Cleveland, Ohio, (as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2014 and 2013. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 18.

The Division services not only the City, but also sixty-eight direct service communities, eight master meter communities, and three emergency standby communities. They provide water to approximately 418,381 city and suburban accounts in the Cleveland metropolitan area. They also sell water to master meter communities that operate their own distribution systems, and they provide billing and payment services for the Northeast Ohio Regional Sewer District and other communities.

During 2014, the Division provided services to approximately 123,512 accounts located within Cleveland and approximately 294,869 accounts located in direct service communities. Water provided to each master meter community is metered at each community's boundary. Consumers within the City of Cleveland accounted for 24% of the Division's metered sales revenue, while the direct service and master meter communities accounted for 66% and 10% of metered sales revenue, respectively.

The Division, along with the Division of Utilities Fiscal Control (UFC), provides a complete array of processing services including billing, payment processing, mailing delinquency notices, terminating water service on delinquent accounts and distributing the money collected to the communities. UFC processes approximately 5,000 payments daily, which include bills for water only, sewer only, water and sewer, final notices and delinquent bills.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The Division's net position was $1,372,821,000, $1,287,764,000 and $1,254,321,000 at December 31, 2014, 2013 and 2012, respectively. Of these amounts, $322,072,000, $274,517,000 and $252,427,000 are unrestricted net position at December 31, 2014, 2013 and 2012, respectively, and may be used to meet the Division's ongoing obligations to customers and creditors.

- In 2014, total operating revenues of the Division increased $30,734,000 or 11.3%. The increase was primarily due to an increase in fixed fee rates and usage charges beginning January 1, 2014, in addition to an increase in net consumption of 3.7%. The major users of water consumption were ArcelorMittal, Cuyahoga Metropolitan Housing Authority, Stouffer/Nestle USA, Cleveland Clinic Foundation, Northeast Ohio Regional Sewer District, Pepsi Inc., Case Western Reserve University and Alcoa Inc.

- In 2013, total operating revenues of the Division decreased by $7,649,000 or 2.7%, mainly due to a water pumpage decrease of 4.6%. The major users of water consumption were ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Nestle Inc., Cleveland Clinic Foundation, Northeast Ohio Regional Sewer District, Pepsi Inc., Case Western Reserve University and Alcoa Inc.

FINANCIAL HIGHLIGHTS (Continued)

- The Division's overall net position increased by $85,057,000 and $33,443,000 in 2014 and 2013, respectively.

- The Division had increases in capital assets, net of accumulated depreciation, of $27,640,000, and $24,224,000 in 2014 and 2013, respectively. In 2014, the Division added water mains for two suburbs totaling $29,391,000, net of accumulated depreciation. Major additions were related to renewing and replacing water mains. The major projects that were capitalized included Suburban Watermain Renewal for 14 Cities, Morgan Raw Water Pump Station, Opportunity Corridor Phase I and Secondary Station Improvements, which are part of the larger restructuring work for the Division's storage facilities. Construction is underway at these sites on modification of tanks to ensure these assets are conforming to Environmental Protection Agency (EPA) and Occupational Safety and Health Administration (OSHA) standards.

- The Division added water mains for three suburbs in 2013 totaling $11,030,000, net of accumulated depreciation. The major additions during 2013 were related to the continuing renovation projects for plant enhancements at the Morgan, Baldwin, Crown and Nottingham sites, suburban water main renewal and the meter reading program.

- The total long-term revenue bonds and loans payable of the Division decreased by $46,922,000 due to scheduled principal payments. The total long-term revenue bonds and loans payable of the Division were paid as scheduled in the amount of $37,895,000 in 2013. The Division also issued $11,950,000 of Ohio Water Development Authority Loans in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Water.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 18 – 23 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 25 - 48 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2014, 2013 and 2012:

	2014	2013	2012
		(In thousands)	
Assets:			
Capital assets, net	$ 1,738,803	$ 1,711,163	$ 1,686,939
Restricted assets	137,297	169,617	211,843
Current assets	359,633	332,252	308,093
Total assets	2,235,733	2,213,032	2,206,875
Deferred outflows of resources:			
Derivative instruments-interest rate swaps	19,455	17,206	27,699
Loss on bond refunding	20,972	23,338	25,704
Total deferred outflows of resources	40,427	40,544	53,403
Total assets and deferred outflows	2,276,160	2,253,576	2,260,278
Net Position, Deferred Inflows and Liabilities:			
Net position:			
Net investment in capital assets	955,410	916,392	914,193
Restricted for capital projects	99	99	99
Restricted for debt service	95,240	96,756	87,602
Unrestricted	322,072	274,517	252,427
Total net positon	1,372,821	1,287,764	1,254,321
Deferred inflows of resources:			
Derivative instruments-interest rate swaps	19,455	17,206	27,699
Total deferred inflows of resources	19,455	17,206	27,699
Liabilities:			
Long-term obligations	800,751	854,030	894,744
Current liabilities	83,133	94,576	83,514
Total liabilities	883,884	948,606	978,258
Total net position, deferred inflows and liabilities	$ 2,276,160	$ 2,253,576	$ 2,260,278

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Total Assets and Deferred Outflows: The Division's investment in total assets and deferred outflows as of December 31, 2014, amounted to $2,276,160,000, which is an increase of $22,584,000 from 2013. The Division had an increase in current assets of $27,381,000, due primarily to an increase in unrestricted cash and cash equivalents of $23,367,000 and an increase in accounts receivable – net of allowance for doubtful accounts of $4,621,000, as well as materials and supplies of $3,407,000. Restricted assets decreased by $32,320,000, primarily due to payments to vendors from revenue bond proceeds. Deferred outflows of resources decreased by $117,000, primarily due to a $2,366,000 decrease in unamortized loss on debt refunding, offset by an increase in interest rate swaps by $2,249,000. The Division's net capital assets as of December 31, 2014, amounted to $1,738,803,000, which is an increase of $27,640,000.

The Division's investment in restoration and renovation of water mains are the primary reason for the increase in capital assets in 2014. Utility plant increased by $100,816,000, primarily due to the additions, restoration, and cost to add on infrastructure from 14 cities. This includes several assets that were moved from construction in progress because they were completed in 2014. Completed assets include approximately $56,000,000 in suburban water mains, the Morgan Raw Water Pump Station, Watermain Rehabilitation 2012, Brainard Road Express Main, Opportunity Corridor Phase I, Tower City Center Water Infrastructure, 800 MHz, and Secondary Station Improvements. Also, included in this increase is $29,391,000, net of accumulated depreciation, of distribution mains acquired from two suburbs. This is offset by furniture, equipment and vehicles, which decreased by $20,436,000 primarily due to retirement of sludge equipment totaling $21,981,000.

Additionally, construction in progress had additions and deletions of $69,291,000 and $81,795,000, resulting in a net decrease of $12,504,000, (See Note D) due to the completion of several major projects which are being capitalized into assets. Several ongoing major projects include the Meter Automation & Replacement Program which added approximately $36,000,000 to construction in progress, Suburban Watermain Renewal Program, Watermain Renewal 2014, and Nottingham Filter Roofs.

The Division's investment in total assets and deferred outflows as of December 31, 2013, amounted to $2,253,576,000, which is a decrease of $6,702,000 from 2012. The decrease in restricted assets of $42,226,000 is due primarily to the repayment of revenue bonds of $37,895,000. The Division had a decrease in deferred outflows of resources of $12,859,000, primarily due to the fair value of the Division's interest rate swap agreements decreasing from $27,699,000 in 2012 to $17,206,000 in 2013. The fair value of the swaps is determined by the taxable London Interbank Offered Rate (LIBOR) as of December 31, 2013. The Division's net capital assets as of December 31, 2013, amounted to $1,711,163,000, which is an increase of $24,224,000 from the previous year.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital Assets: The Division of Water entered into amended Water Service Agreements with two member communities, Olmsted Falls and Broadview Heights, who transferred the ownership of their distribution mains to the Division. These new assets account for $29,391,000, net of accumulated depreciation, or 26.9% of the net additions recorded in 2014.

The Division's investment in capital assets, as of December 31, 2014, amounted to $1,738,803,000 (net of accumulated depreciation). The total increase in the Division's investment in net capital assets for the current year was approximately 1.6%. The Division's investment in capital assets, as of December 31, 2013 amounted to $1,711,163,000 (net of accumulated depreciation). The total increase in the Division's investment in net capital assets for 2013 was approximately 1.4%. A summary of the activity in the Division's capital assets during the years ended December 31, 2014 and 2013 is as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
	(In thousands)			
Land	$ 5,463	$	$	$ 5,463
Land improvements	16,549	878		17,427
Utility plant	1,543,875	113,187	(12,371)	1,644,691
Buildings, structures and improvements	262,087	215		262,302
Furniture, fixtures, equipment and vehicles	598,431	6,760	(27,196)	577,995
Construction in progress	212,426	69,291	(81,795)	199,922
Total	2,638,831	190,331	(121,362)	2,707,800
Less: Accumulated depreciation	(927,668)	(80,870)	39,541	(968,997)
Capital assets, net	$ 1,711,163	$ 109,461	$ (81,821)	$ 1,738,803

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Land	$ 5,463	$	$	$ 5,463
Land improvements	16,549			16,549
Utility plant	1,497,878	48,192	(2,195)	1,543,875
Buildings, structures and improvements	238,532	23,555		262,087
Furniture, fixtures, equipment and vehicles	586,549	24,126	(12,244)	598,431
Construction in progress	201,167	87,710	(76,451)	212,426
Total	2,546,138	183,583	(90,890)	2,638,831
Less: Accumulated depreciation	(859,199)	(82,748)	14,279	(927,668)
Capital assets, net	$ 1,686,939	$ 100,835	$ (76,611)	$ 1,711,163

Major events during 2014 affecting the Division's capital assets included the following:

- Projects completed in 2014 included the Suburban Watermain Renewal for 14 Cities, Morgan Raw Water Pump Station, Opportunity Corridor Phase I, Secondary Station Improvements for upgrades, betterments and refurbishing of Dover Tower, Keller Tower, Kirtland and the Green Pump Station, as well as the Plant Enhancement Program. Additions to construction in progress totaled $69,291,000, include water mains totaling $65,454,000. The major projects still under construction include: Meter Automation & Replacement Program, Suburban Watermain Renewal, Crown Water Plant, Watermain Renewal 2013, Watermain Rehab Year 2010, General Engineering Services Phase VII which consist of multiple projects, including but not limited to, Boosted Third High Pump station which is an elevated storage tank regulating water capacity and fire flow fluctuations, Watermain Renewal 2014, Transmission Main Renewal Program and Watermain Rehab 2011.

- The Division of Water entered into amended Water Service Agreements with two member communities, Olmsted Falls and Broadview Heights and transferred the ownership of their distribution mains to the Division in the amount of $29,391,000, net of accumulated depreciation.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2013 affecting the Division's capital assets included the following:

- The Construction, Renovations and Plant Enhancements Phase II Project, as well as the Customer Service Information System Project were completed in 2013. Capital project expenses totaling $75,816,000 involved additions to the rehabilitation of watermains and water tanks. The major projects still under construction include: Security Enhancements Program, Plant Enhancement Program, Pump Station Enhancement Program, Water Tank Rehabilitation, Suburban Watermain Renewal and Automated Meter Reading Program.

- Three suburbs signed asset transfer agreements that turned over their distribution water mains in the amount of $11,030,000, net of accumulated depreciation.

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D to the basic financial statements.

***Liabilities*:** In 2014, the factors for the Division's net decrease in long-term obligations of $53,279,000 are primarily attributed to debt retirement of $46,922,000 and a decrease in the unamortized discount and premium of $4,835,000.

In 2013, the factors for the Division's net decrease in long-term obligations of $40,714,000 are primarily attributed to debt retirement of $37,895,000 and a decrease in the unamortized discount and premium of $5,681,000, offset by the issuance of $11,950,000 of new loans.

Current Liabilities: In 2014, total current liabilities decreased by $11,443,000. The significant component of the change was a decrease to the current payable from restricted assets of $7,539,000, which was primarily due to lower capital related expenses at year-end. Other decreases included customer deposits and other liabilities of $2,317,000 and accounts payable of $1,945,000. These decreases were offset by an increase in the current portion of long-term debt, due within one year, of $1,515,000.

In 2013, total current liabilities increased by $11,062,000. The significant component of the change was an increase to the current portion of long-term debt obligations of $9,118,000, which was primarily due to the current portion of Series O and Series P becoming due. Other increases included customer deposits and other liabilities of $1,877,000, accrued interest of $1,221,000, due to other city divisions of $744,000 and accounts payable of $1,377,000. These increases were offset by decreases in accrued wages and benefits of $1,802,000 and payable from restricted assets of $1,473,000.

Long-term Debt: At the end of 2014, the Division had total long-term debt outstanding of $820,072,000. All bonds are backed by the revenues generated by the Division. The Ohio Water Development Authority (OWDA) loans do not have a lien on revenues of the Division.

At the end of 2013, the Division had total long-term debt outstanding of $866,994,000. All bonds are backed by the revenues generated by the Division. The Ohio Water Development Authority (OWDA) loans do not have a lien on revenues of the Division.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2014, is summarized below (excluding unamortized discounts and premiums):

	Balance January 1, 2014	Debt Issued	Debt Retired	Balance December 31, 2014
		(In thousands)		
Long-Term Debt				
Water Revenue Bonds:				
Series G 1993	$ 66,550	$	$ (330)	$ 66,220
Series N 2005	22,735		(870)	21,865
Series O 2007	130,610		(2,950)	127,660
Series P 2007	113,280		(9,290)	103,990
Series Q 2008	90,800			90,800
Series T 2009	65,150		(8,130)	57,020
Series U 2010	54,935			54,935
Series V 2010	26,495			26,495
Series W 2011	62,760		(18,340)	44,420
Series X 2012	44,410			44,410
Second Lien Series A 2012	76,710			76,710
Ohio Water Development				
Authority Loans	112,559		(7,012)	105,547
Total	$ 866,994	$ -	$ (46,922)	$ 820,072

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2013, is summarized below (excluding unamortized discounts and premiums):

	Balance January 1, 2013	Debt Issued	Debt Retired	Balance December 31, 2013
	(In thousands)			
Long-Term Debt				
Water Revenue Bonds:				
Series G 1993	$ 66,860	$	$ (310)	$ 66,550
Series N 2005	28,015		(5,280)	22,735
Series O 2007	130,610			130,610
Series P 2007	113,280			113,280
Series Q 2008	90,800			90,800
Series T 2009	71,330		(6,180)	65,150
Series U 2010	54,935			54,935
Series V 2010	26,495			26,495
Series W 2011	82,090		(19,330)	62,760
Series X 2012	44,410			44,410
Second Lien Series A 2012	76,710			76,710
Ohio Water Development Authority Loans	107,404	11,950	(6,795)	112,559
Total	$ 892,939	$ 11,950	$ (37,895)	$ 866,994

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds as of December 31, 2014, are as follows:

	Moody's Investors Service	Standard & Poor's
Waterworks Improvement Revenue Bonds	Aa1	AA
Second Lien Water Revenue Bonds	Aa2	AA-

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2014, 2013 and 2012 was 221%, 173% and 231%, respectively.

Additional information on the Division's long-term debt can be found in Note B on pages 29 - 39.

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows exceed liabilities and deferred inflows by $1,372,821,000, $1,287,764,000 and $1,254,321,000 at December 31, 2014, 2013 and 2012, respectively.

Of the Division's net position, $955,410,000 or 69.6% and $916,392,000 or 71.2% at December 31, 2014 and 2013, respectively, reflects its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Division's net position, $95,339,000 or 6.9% and $96,855,000 or 7.5%, at December 31, 2014 and 2013, respectively, represents resources that are subject to external restrictions. These funds are set aside for the payment of revenue bonds and capital projects. The remaining balance of unrestricted net position, $322,072,000 or 23.5% and $274,517,000 or 21.3%, at December 31, 2014 and 2013, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's net position increased during 2014 and 2013 by $85,057,000 and $33,443,000, respectively. The following table identifies the key elements of the Division's results of operations as of and for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
		(In thousands)	
Operating revenues	$ 303,408	$ 272,674	$ 280,323
Operating expenses	225,187	229,164	216,624
Operating income (loss)	78,221	43,510	63,699
Non-operating revenue (expense):			
Investment income	774	1,650	1,965
Interest expense	(28,138)	(28,413)	(28,322)
Amortization of bond premiums and discounts	4,835	5,681	5,118
Gain (loss) on disposal of capital assets	(26)	(84)	(15)
Other revenue (expense)			(1,468)
Total non-operating revenue (expense), net	(22,555)	(21,166)	(22,722)
Income (loss) before capital and other contributions	55,666	22,344	40,977
Capital and other contributions	29,391	11,099	20,118
Increase (decrease) in net position	85,057	33,443	61,095
Net position, beginning of year	1,287,764	1,254,321	1,193,226
Net position, end of year	$ 1,372,821	$ 1,287,764	$ 1,254,321

Operating revenue: In 2014, total operating revenues of the Division increased $30,734,000 or 11.3%. The increase was primarily due to an increase in fixed fee rates and usage charges at January 1, 2014, in addition to an increase in net consumption of 3.7%. The major users of water were as follows: ArcelorMittal, Cuyahoga Metropolitan Housing Authority, Cleveland Clinic Foundation, Stouffer/Nestle USA, Northeast Ohio Regional Sewer District, Pepsi Cola Bottling, Alcoa Inc., Case Western Reserve University, Charter Steel and University Hospitals Health System.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

In 2013, total operating revenues decreased by $7,649,000, primarily due to a decrease in net consumption of 4.6%, offset by a rate increase. The major users of water were as follows: ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Nestle Inc., Cleveland Clinic Foundation, Northeast Ohio Regional Sewer District, Pepsi Inc., Case Western Reserve University and Alcoa Inc.

Operating expenses: In 2014, the overall decrease in operating expenses of $3,977,000 was primarily due to a $2,589,000 decrease in depreciation expense and a $1,809,000 decrease in maintenance expense. The decrease in depreciation expense is primarily attributed to capital assets concluding their scheduled useful life including the Coordinated Geographic Information System (GIS), Customer Care & Billing (CC&B) software and water mains from 1914.

In 2013, the overall increase in operating expenses of $12,540,000 was primarily due to a $1,720,000 increase in sewer charges, a $1,521,000 increase in professional services charges, a $3,357,000 increase in maintenance of utility systems and a $6,762,000 increase in depreciation expense. Depreciation increased because several assets were brought into service during the year.

Non-operating revenue (expense): Total non-operating revenue (expense) decreased by $1,389,000 in 2014. Investment income decreased by $876,000 while amortization of bond premiums and discounts decreased by $846,000. These items were offset by decrease in interest expense of $275,000.

The major changes in 2013 were an increase in other revenues (expenses) of $1,468,000 due to not incurring bond issuance costs in 2013, offset by a decrease in investment income of $315,000 primarily caused by the maturity of a high-yield guaranteed investment contract in June 2013.

Capital and other contributions: In 2014, capital and other contributions increased by $18,292,000 as compared to 2013. The increase is primarily attributed to the Division acquiring two suburban distribution mains totaling $29,391,000, net of accumulated depreciation.

In 2013, there was a $9,019,000 decrease in capital and other contributions as compared to 2012, due to the acquisition of three smaller community distribution mains totaling $11,030,000, net of accumulated depreciation. The decrease is primarily attributed to the Division acquiring twenty-four suburban distribution mains in 2012.

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

Water rate increases will continue to have a positive impact on the financial position of the Division:

WATER RATES				
CLEVELAND - PER 1st .6 MCF (Thousand cubic feet)			CLEVELAND - PER ADDITIONAL MCF (Thousand cubic feet)	
EFFECTIVE	REGULAR	HOMESTEAD	REGULAR	HOMESTEAD
January 1, 2015	$19.26	$12.52	$32.74	$12.52

WATER RATES				
DIRECT SERVICE SUBURBS - PER 1st .6 MCF (Thousand cubic feet)			DIRECT SERVICE SUBURBS-PER ADDITIONAL MCF (Thousand cubic feet)	
EFFECTIVE	REGULAR	HOMESTEAD	REGULAR	HOMESTEAD
January 1, 2015	$25.04-$35.63	$16.27-$23.16	$42.56-$60.57	$16.27-$23.16

These increase in rates, fixed customer charges and recommended modifications to the Division's water rate structure were adopted by the Cleveland City Council on May 23, 2011. The new fixed customer charges are based on meter size. The first increase in a series of annual increases in water consumption charges became effective January 1, 2012. The annual rate increases for 2015 are expected to increase operating revenues to adequately cover anticipated operating expenses. The increases in rates within the City of Cleveland average 11.1% for the first .6 MCF and 4.9% for each additional MCF in 2015. The increases in rates within the Direct Service Suburbs average 6.0% for the first .6 MCF and 0.1% for each additional MCF in 2015. The increases for fixed customer charges for the City and surrounding communities average 12.5% for 2015.

On April 14, 2015, the City sold $132,135,000 Water Revenue Bonds, Series 2015 consisting of $116,205,000 Water Revenue Bonds, Series Y and $15,930,000 Water Revenue Bonds, Series Z. As a result of this refunding, the Division will achieve net present value debt service savings of $12.8 million or 9.6%.

Effective May 27, 2015 the City issued $90,800,000 Water Revenue Bonds, Series AA. These bonds were issued to refund the outstanding $90,800,000 Water Revenue Bonds, Series Q upon the expiration of the existing letter of credit. The bonds were issued as variable rate bonds with the City paying 65.1% of LIBOR plus a spread and were directly purchased by Bank of America, N.A.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Division's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall, Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

(In thousands)

	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CAPITAL ASSETS		
Land	$ 5,463	$ 5,463
Land improvements	17,427	16,549
Utility plant	1,644,691	1,543,875
Buildings, structures and improvements	262,302	262,087
Furniture, fixtures, equipment and vehicles	577,995	598,431
	2,507,878	2,426,405
Less: Accumulated depreciation	(968,997)	(927,668)
	1,538,881	1,498,737
Construction in progress	199,922	212,426
CAPITAL ASSETS, NET	1,738,803	1,711,163
RESTRICTED ASSETS		
Cash and cash equivalents	137,286	169,569
Accrued interest receivable	11	48
TOTAL RESTRICTED ASSETS	137,297	169,617
CURRENT ASSETS		
Cash and cash equivalents	235,891	212,524
Restricted cash and cash equivalents	3,743	11,282
Investments	10,037	10,021
Receivables:		
Accounts receivable - net of allowance for doubtful accounts $16,860,000 in 2014 and of $15,727,000 in 2013	50,408	45,787
Unbilled revenue	32,825	31,171
Due from other City of Cleveland departments, divisions or funds	17,395	15,599
Accrued interest receivable		1
Materials and supplies - at average cost, net of allowance for obsolescence of $79,000 in 2014 and $80,000 in 2013	8,076	4,669
Prepaid expenses	1,258	1,198
TOTAL CURRENT ASSETS	359,633	332,252
DEFERRED OUTFLOWS OF RESOURCES		
Derivative instruments-interest rate swaps	19,455	17,206
Unamortized loss on bond refunding	20,972	23,338
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,427	40,544
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,276,160	$ 2,253,576

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	(In thousands) 2014	2013
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$ 955,410	$ 916,392
Restricted for capital projects	99	99
Restricted for debt service	95,240	96,756
Unrestricted	322,072	274,517
TOTAL NET POSITION	1,372,821	1,287,764
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Revenue bonds	701,053	747,088
OWDA loans	98,310	105,547
Accrued wages and benefits	1,388	1,395
TOTAL LONG-TERM OBLIGATIONS	800,751	854,030
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	48,437	46,922
Accounts payable	4,383	6,328
Current payable from restricted assets	3,743	11,282
Due to other City of Cleveland departments, divisions or funds	3,742	3,374
Accrued interest payable	13,888	14,742
Current portion of accrued wages and benefits	7,629	8,281
Other accrued expenses	376	395
Customer deposits and other liabilities	935	3,252
TOTAL CURRENT LIABILITIES	83,133	94,576
TOTAL LIABILITIES	883,884	948,606
DEFERRED INFLOW OF RESOURCES		
Derivative instruments-interest rate swaps	19,455	17,206
TOTAL DEFERRED INFLOWS OF RESOURCES	19,455	17,206
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	$ 2,276,160	$ 2,253,576

See notes to financial statements. (Concluded)

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013

(*In thousands)*

	2014	2013
OPERATING REVENUES		
Charges for services	$ 303,408	$ 272,674
TOTAL OPERATING REVENUES	303,408	272,674
OPERATING EXPENSES		
Operations	99,286	98,865
Maintenance	54,273	56,082
Depreciation	71,628	74,217
TOTAL OPERATING EXPENSES	225,187	229,164
OPERATING INCOME (LOSS)	78,221	43,510
NON-OPERATING REVENUE (EXPENSE)		
Investment income	774	1,650
Interest expense	(28,138)	(28,413)
Amortization of bond premiums and discounts	4,835	5,681
Gain (loss) on disposal of capital assets	(26)	(84)
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(22,555)	(21,166)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	55,666	22,344
Capital and other contributions	29,391	11,099
INCREASE (DECREASE) IN NET POSITION	85,057	33,443
NET POSITION, beginning of year	1,287,764	1,254,321
NET POSITION, end of year	$ 1,372,821	$ 1,287,764

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	(In thousands) 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 287,531	$ 271,954
Cash payments to suppliers for goods or services	(79,201)	(73,222)
Cash payments to employees for services	(74,591)	(76,436)
Other		195
NET CASH PROVIDED BY(USED FOR) OPERATING ACTIVITIES	133,739	122,491
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(67,887)	(77,308)
Capital grant proceeds		69
Proceeds of OWDA loan		11,950
Principal paid on long-term debt	(46,922)	(37,895)
Interest paid on long-term debt	(36,235)	(36,561)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(151,044)	(139,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(14,996)	(69,929)
Proceeds from sale and maturity of investment securities	14,991	59,982
Interest received on investments	855	1,685
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	850	(8,262)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,455)	(25,516)
CASH AND CASH EQUIVALENTS, beginning of year	393,375	418,891
CASH AND CASH EQUIVALENTS, end of year	$ 376,920	$ 393,375

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	(In thousands) 2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 78,221	$ 43,510
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	71,628	74,217
Changes in assets and liabilities:		
Accounts receivable, net	(4,621)	3,081
Unbilled revenue	(1,654)	369
Due from other City of Cleveland departments, divisions or funds	(1,796)	(937)
Materials and supplies, net	(3,407)	45
Prepaid expenses	(60)	(20)
Accounts payable	(1,945)	1,377
Due to other City of Cleveland departments, divisions or funds	368	744
Other accrued expenses	(19)	
Accrued wages and benefits	(659)	(1,772)
Customer deposits and other liabilities	(2,317)	1,877
TOTAL ADJUSTMENTS	55,518	78,981
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 133,739	$ 122,491

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution of capital assets	$ 29,391	$ 11,030

(Concluded)

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying water services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Division has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Division has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The Division has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statement of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of water to residential, commercial and industrial customers based upon actual water consumption and from a fixed charge based upon meter size. Water rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing, and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market prices.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has invested funds in STAROhio during 2014 and 2013. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies Governmental Accounting Standards Board guidance pertaining to capitalization of interest costs for its revenue bonds. This statement requires capitalization of interest cost of eligible borrowings, less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2014 and 2013, total interest costs incurred amounted to $37,748,000 and $40,257,000, respectively, of which $9,557,000 and $11,771,000, respectively, was capitalized, net of interest income of $53,000 in 2014 and $73,000 in 2013.

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division allows employees to carryover vacation from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three highest year average base salary rate, with the balance being forfeited.

Interfund Transactions: During the course of normal operations the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenues) until that time.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2014 and 2013 is as follows:

	Interest Rate	Original Issuance	2014	2013
			(In thousands)	
Water Revenue Bonds:				
Series G 1993 due through 2021	5.50%	$ 228,170	$ 66,220	$ 66,550
Series N 2005 due through 2023	3.50%-5.00%	64,480	21,865	22,735
Series O 2007 due through 2037	4.25%-5.00%	143,570	127,660	130,610
Series P 2007 due through 2028	4.50%-5.00%	135,410	103,990	113,280
Series Q 2008 due through 2033	Variable	90,800	90,800	90,800
Series T 2009 due through 2021	2.50%-5.00%	84,625	57,020	65,150
Series U 2010 due through 2033	Variable	54,935	54,935	54,935
Series V 2010 due through 2033	Variable	26,495	26,495	26,495
Series W 2011 due through 2026	2.00%-5.00%	82,090	44,420	62,760
Series X 2012 due through 2042	3.63%-5.00%	44,410	44,410	44,410
Second Lien Series A 2012 due 2027	4.00%-5.00%	76,710	76,710	76,710
Ohio Water Development Authority Loans payable annually through 2033	0.00%-4.14%	153,828	105,547	112,559
		$ 1,185,523	820,072	866,994
Adjustments:				
Unamortized discount and premium			27,728	32,563
Current portion			(48,437)	(46,922)
Total Long-Term Debt			$ 799,363	$ 852,635

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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

	Balance January 1, 2014	Increase	Decrease	Balance December 31, 2014	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series G 1993 due through 2021	$ 66,550	$	$ (330)	$ 66,220	$ 345
Series N 2005 due through 2023	22,735		(870)	21,865	905
Series O 2007 due through 2037	130,610		(2,950)	127,660	3,080
Series P 2007 due through 2028	113,280		(9,290)	103,990	9,755
Series Q 2008 due through 2033	90,800			90,800	
Series T 2009 due through 2021	65,150		(8,130)	57,020	8,335
Series U 2010 due through 2033	54,935			54,935	
Series V 2010 due through 2033	26,495			26,495	
Series W 2011 due through 2026	62,760		(18,340)	44,420	18,780
Series X 2012 due through 2042	44,410			44,410	
Second Lien Series A 2012 due through 2027	76,710			76,710	
Ohio Water Development Authority Loans payable annually through 2033	112,559		(7,012)	105,547	7,237
Total revenue bonds/loans	866,994	-	(46,922)	820,072	48,437
Accrued wages and benefits	9,676	7,622	(8,281)	9,017	7,629
Total	$ 876,670	$ 7,622	$ (55,203)	$ 829,089	$ 56,066

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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

	Balance January 1, 2013	Increase	Decrease	Balance December 1, 2013	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series G 1993 due through 2021	$ 66,860	$	$ (310)	$ 66,550	$ 330
Series N 2005 due through 2023	28,015		(5,280)	22,735	870
Series O 2007 due through 2037	130,610			130,610	2,950
Series P 2007 due through 2028	113,280			113,280	9,290
Series Q 2008 due through 2033	90,800			90,800	
Series T 2009 due through 2021	71,330		(6,180)	65,150	8,130
Series U 2010 due through 2033	54,935			54,935	
Series V 2010 due through 2033	26,495			26,495	
Series W 2011 due through 2026	82,090		(19,330)	62,760	18,340
Series X 2012 due through 2042	44,410			44,410	
Second Lien Series A 2012 due through 2027	76,710			76,710	
Ohio Water Development Authority Loans payable annually through 2033	107,404	11,950	(6,795)	112,559	7,012
Total revenue bonds/loans	892,939	11,950	(37,895)	866,994	46,922
Accrued wages and benefits	11,448	8,311	(10,083)	9,676	8,281
Total	$ 904,387	$ 20,261	$ (47,978)	$ 876,670	$ 55,203

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
	(In thousands)		
2015	$ 48,437	$ 36,119	$ 84,556
2016	48,754	33,849	82,603
2017	51,499	31,439	82,938
2018	47,058	29,102	76,160
2019	49,170	26,828	75,998
2020-2024	243,948	99,628	343,576
2025-2029	188,149	49,353	237,502
2030-2034	96,493	21,022	117,515
2035-2039	38,455	5,753	44,208
2040-2042	9,170	703	9,873
Total	$ 821,133	$ 333,796	$ 1,154,929

The above schedule of minimum principal and interest payments on long-term debt includes the amortization on eleven loans provided to the City by the Ohio Water Development Authority (OWDA).

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant items(s) for each of the eleven loans. From the information received, the City prepared a detailed amortization schedule for each loan based upon the amount expected to be financed. However, the amortization schedule is tentative and will be adjusted if, and when, OWDA revises the amount to be financed.

Further, OWDA requires the City to begin making semi-annual payments for each loan based on the agreed upon initial repayment date, regardless of whether the City has received all loan proceeds or has completed the project(s).

In 2014, the Division did not take out any loans. However, in 2013, the Division expended $9,747,000 on the Crown Chemical project which is funded by a 2.0% OWDA loan maturing in July 2032. The Division also expended $2,203,000 on a new Shaker Heights Watermain Replacement project. This project is funded by a 20 year 1.88% loan from OWDA which matures in January 2033.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

At December 31, 2014, the amount financed on these eleven loan projects, less principal payments made, totaled $106,608,000 and is reflected in the debt service payment schedule. However, the total of the actual loan balances received by the Division was $105,547,000 as reflected on the schedules of long-term debt outstanding and changes in long-term debt obligations as of December 31, 2014. The difference of $1,061,000 will be received or accrued in future years.

The Division has, from time to time, defeased certain Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements. The Division had no defeased debt outstanding at December 31, 2014 and 2013.

In 1996, the City authorized the adoption of the eighth supplemental indenture to amend and restate the existing indenture, subject to the receipt of consent of the requisite number of bondholders. With the issuance of the Series J bonds, the City reached the 66.7% consent required to enact the Amended and Restated Indenture. Effective October 5, 2001, all outstanding bonds and any future bonds are secured by the Amended and Restated Indenture. Under the new indenture, the bonds are no longer secured by a mortgage lien. All bonds are secured by the Division's net revenues and by the pledged funds.

The Division's indentures have certain restrictive covenants and principally require that bond reserve funds be maintained for certain series of bonds, and charges for fees to customers are sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal and maintenance of properties in good condition.

The indenture requires that at all times the Division will charge rates and fees for the products and services of the waterworks system, so that revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the waterworks system and the greater of (1) an amount equal to 1.25 times the payments of principal, premium, if any, and interest on the revenue bonds then outstanding due in that year or (2) an amount sufficient to maintain the required balances in all funds and accounts created under the indenture. As of December 31, 2014 and 2013, the Division was in compliance with the terms and requirements of the bond indenture.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds. An amount equal to one-sixth of the operating expenses, before depreciation, for the preceding fiscal year must be maintained in this fund.

Debt Service Fund: Deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund: Deposits will be made to this fund if the amount in the debt service fund at any time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the revenue bonds secured by the reserve fund and represent the maximum annual debt service requirement of these bonds.

Contingency Fund: The balance in this fund must be maintained at $3,500,000.

Construction Fund: Proceeds from the revenue bonds were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the waterworks system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding revenue bonds to the extent that amounts in all other funds are insufficient. No payments need be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in any fund may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and accordingly, the funds are classified as restricted assets in the accompanying financial statements.

Upon the mandatory tender by the direct purchasers of the Water Revenue Bonds, Series U, 2010 and the Water Revenue Bonds, Series V, 2010, the City entered into new direct purchase agreements on both series of bonds. Effective November 1, 2013, the $54,935,000 Water Series U Bonds were directly purchased by PNC Bank, National Association and subsequently, on December 2, 2013, the $26,495,000 Water Series V Bonds were also directly purchased by PNC Bank. The City will be paying an interest rate equal to 65.001% of one month LIBOR plus a spread for three years.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

In conjunction with the issuance of the Second Lien Water Revenue Bonds, Series A, 2012 in October 2012, the Division established a Subordinate Bonds Indenture. Bonds issued under this indenture are special obligations of the City payable solely from and secured solely by a pledge of and lien on the Subordinate Pledged Revenues and the Subordinate Pledged funds. The Subordinate Pledged Revenues generally consist of the net revenues of the Division which remain after the payment of all operating expenses and the deposit of all funds required to be made on the Senior Lien Bonds. Bonds issued under this indenture are subordinate to those issued as senior lien bonds under the Amended and Restated Indenture.

The City has pledged future water system revenues, net of specified operating expenses, to repay $714,525,000 in various Senior Lien Water Revenue Bonds and Subordinate Lien Bonds issued in various years since 1993. Proceeds from the bonds provided financing for Water System improvements. The bonds are payable from water system net revenues and are payable through 2042. Annual principal and interest payments on the bonds are expected to require less than 47% of net revenues. The total principal and interest remaining to be paid on the various Water Revenue Bonds is $1,025,800,000. Principal and interest requirements for the current year on the senior lien bonds and total net revenues were $69,363,000 and $150,623,000, respectively.

Interest Rate Swap Transactions:

Upon the refunding of the Series M Bonds in 2009, the Division's swap became associated with the Series Q, Series R and Series S Bonds. When the Series R and Series S Bonds were refunded in 2010, the swap associated with these bonds was transferred to a portion of the new Series U and Series V Bonds.

Terms: Simultaneously with the issuance of the City's $175,000,000 Water Revenue Bonds, Series M, on August 10, 2004, the City entered into floating to fixed rate swap agreements with notional amounts equal to the total declining balance of the Series M Bonds. Bear Stearns Financial Products Inc. (Bear Stearns), (which has since been acquired by JPMorgan Chase Bank, N.A. (JPM)), was the counterparty on a two-thirds pro-rata share of the transaction and Morgan Stanley Capital Services Inc. (Morgan Stanley) was the counterparty on a one-third pro-rata share of the transaction.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Under the original swap agreements for the Series M Bonds, the Water System was the fixed rate payor, paying a fixed rate of 3.533%. Each counterparty was a floating rate payor, with each paying the Water System 61.25% of one month LIBOR plus a spread of 28 basis points. Net payments were exchanged semiannually on January 1 and July 1. The obligation of the Water System to make periodic payments (but not any termination payment) was secured by a pledge of and lien on the net revenues of the Water System on a parity with the pledge and lien securing the payment of debt service on the bonds. Both the bond debt service payments on the Series M bonds and the periodic swap payments were insured by Financial Security Assurance (FSA). As part of the refunding of the Series M Bonds, the City amended and restated the original swap agreements to (a) eliminate the swap insurance and related insurer rights, (b) modify the payment frequency, (c) transfer the original swap agreement from Bear Stearns to JPM and (d) split each original swap agreement into two separate interest rate swaps in order to hedge separate series of bonds. The original Bear Stearns swap, which has been assumed by JPM, hedged the entire principal amount of Series R and certain maturities of the Series Q Bonds. The original Morgan Stanley swap hedged the entire principal amount of Series S and a portion of the Series Q Bonds. The floating rate received by the City was not altered. However, the fixed rate paid by the City was adjusted to 3.553% for the JPM swap and 3.5975% for the Morgan Stanley swap. The termination date for the swaps associated with the Series Q Bonds is January 1, 2021 while the termination date for the Series R and Series S swaps is January 1, 2033. Net payments are now exchanged monthly. With the refunding of the Series R and Series S Bonds, the JPM swap now hedges all but $200,000 of the Series U Bonds and the Morgan Stanley Swap hedges all but $200,000 of the Series V Bonds.

Objective: The City entered into the swaps in order to maximize the savings associated with the refunding of the bonds. The actual savings to be realized by the Water System will depend upon the payments made on the variable rate bonds and the payments received under the swap agreement.

Basis Risk: By entering into swaps based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between Securities Industry Financial Markets Association (SIFMA) (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. If the payments received from the counterparties are less than the amount paid on the variable rate bonds, the Water System must make up the difference in addition to paying the fixed rate resulting from the swap. As a result of the turmoil in the financial markets since 2008, the SIFMA/LIBOR ratio has been both significantly higher and lower than 67% for large periods of time. In addition, a reduction in federal income tax rates might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of the financing.

Counterparty Risk: The City selected highly rated counterparties in order to minimize this risk. However, in the wake of the subprime mortgage crisis, Bear Stearns was acquired by JPM. The portion of the City's swap with Bears Stearns as the counterparty has been assumed by JPM. Over the long-term it is possible that the credit strength of JPM and/or Morgan Stanley could change and this event could trigger a termination payment on the part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to JPM and Morgan Stanley, or by JPM and Morgan Stanley to the City, depending upon the prevailing economic circumstances at the time of the termination.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2014 and December 31, 2013 as reported by JPM and Morgan Stanley totaled $19,455,000 and $17,206,000, respectively, which would be payable by the City.

Derivative Instruments: Derivative instruments are contracts, the value of which depends upon, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The City has entered into various derivative or hedging agreements since 1999. A detailed description of each outstanding derivative, including its terms, objectives, risks and fair value, can be found in the section discussing the bonds to which the derivative relates.

	Changes in Fair Value		Fair Value at December 31, 2014		
	Classification	Amount	Classification	Amount	Notional
			(In thousands)		
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred inflow	$ 837	Debt	$ (5,416)	$ 61,370
2010 U Water Swap	Deferred outflow	(2,083)	Debt	(9,386)	54,735
2010 V Water Swap	Deferred outflow	(1,003)	Debt	(4,653)	26,295

	Changes in Fair Value		Fair Value at December 31, 2013		
	Classification	Amount	Classification	Amount	Notional
			(In thousands)		
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred inflow	$ 3,316	Debt	$ (6,253)	$ 69,880
2010 U Water Swap	Deferred inflow	4,793	Debt	(7,303)	54,735
2010 V Water Swap	Deferred inflow	2,384	Debt	(3,650)	26,295

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The following table presents the objective and significant terms of the City's derivative instruments at December 31, 2014, along with the credit rating of each swap counterparty.

Bonds	Type	Objective		Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$	40,185,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$	21,185,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$	54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$	26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A

The following table presents the aggregate debt service requirements on the City's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2014. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2014 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(In thousands)		
2015	$	$ 430	$ 4,287	$ 4,717
2016		430	4,229	4,659
2017		430	4,190	4,620
2018		430	3,864	4,294
2019		430	3,448	3,878
2020-2024	48,430	1,688	10,357	60,475
2025-2029	75,930	333	1,289	77,552
2030-2033	47,870	47	119	48,036
Total	$ 172,230	$ 4,218	$ 31,783	$ 208,231

Ohio Water Development Authority (OWDA) Loans: These loans are payable from net revenues derived from the Waterworks System. These obligations do not have a lien on revenues of the Division. The Division received an increase in OWDA loans in the amount of $11,950,000 during 2013. The current loans are being paid directly to the contractor by the State of Ohio, but accounted for as if the Division received and disbursed those monies.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2014 and 2013 totaled $79,973,000 and $91,649,000, respectively, and the Division's bank balances were $76,258,000 and $85,060,000, respectively. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3, $76,258,000 and $85,060,000 of the bank balances at December 31, 2014 and 2013, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110% of the carrying value of the deposits being secured.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers and are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

Investment securities are exposed to various risks such as interest rate, market and credit. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the *Concentration of Credit Risk* section.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the State statute.

Credit Risk: The Division's investments as of December 31, 2014 and 2013 include U.S. Treasury Notes, STAROhio, commercial paper, mutual funds, guaranteed investment contracts and other investments. The Division maintains the highest ratings for their investments. Investments in the U.S. Treasury Notes carry a Fitch rating of AAA, which is the highest rating given by Fitch. Investments in STAROhio, the PNC Treasury Money Market Fund and the First American Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Division's investment in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2014 and 2013, which include those classified as cash and cash equivalents in the Statement of Net Position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2014 Fair Value	2014 Cost	2013 Fair Value	2013 Cost	Investment Maturities Less than One Year	Investment Maturities 1 - 5 Years
			(In thousands)			
U.S. Treasury Notes	$ 10,037	$ 9,989	$ 10,021	$ 9,984	$	$ 10,037
STAROhio	161,223	161,223	129,575	129,575	161,223	
Commercial Paper	125,563	125,563	102,901	102,901	125,563	
Mutual Funds	10,161	10,161	7,400	7,400	10,161	
Guaranteed Investment Contracts			16,850	16,850		
Other Investments			45,000	45,000		
Total Investments	306,984	306,936	311,747	311,710	296,947	10,037
Total Deposits	79,973	79,973	91,649	91,649	79,973	
Total Deposits and Investments	$ 386,957	$ 386,909	$403,396	$403,359	$ 376,920	$ 10,037

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Investment type "Other Investments" consist of deposits into collective cash escrow pools managed by U.S. Bank as trustee.

The City's guaranteed investment contracts are not categorized as investments on the financial statements because they are reserved against future debt service requirements and may need to be liquidated prior to maturity.

As of December 31, 2014, the investments in U.S. Treasury Notes, STAROhio, commercial paper, and mutual funds are approximately 3%, 53%, 41% and 3%, respectively, of the Division's total investments. As of December 31, 2013, the investments in U.S. Treasury Notes, STAROhio, commercial paper, mutual funds, guaranteed investment contracts and other are approximately 3%, 42%, 33%, 2%, 5% and 15%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE D – CAPITAL ASSETS

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

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 5,463	$	$	$ 5,463
Construction in progress	212,426	69,291	(81,795)	199,922
Total capital assets, not being depreciated	217,889	69,291	(81,795)	205,385
Capital assets, being depreciated:				
Land improvements	16,549	878		17,427
Utility plant	1,543,875	113,187	(12,371)	1,644,691
Buildings, structures and improvements	262,087	215		262,302
Furniture, fixtures, equipment and vehicles	598,431	6,760	(27,196)	577,995
Total capital assets, being depreciated	2,420,942	121,040	(39,567)	2,502,415
Less: Accumulated depreciation	(927,668)	(80,870)	39,541	(968,997)
Total capital assets being depreciated, net	1,493,274	40,170	(26)	1,533,418
Capital assets, net	$ 1,711,163	$ 109,461	$ (81,821)	$ 1,738,803

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE D – CAPITAL ASSETS (Continued)

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

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 5,463	$	$	$ 5,463
Construction in progress	201,167	87,710	(76,451)	212,426
Total capital assets, not being depreciated	206,630	87,710	(76,451)	217,889
Capital assets, being depreciated:				
Land improvements	16,549			16,549
Utility plant	1,497,878	48,192	(2,195)	1,543,875
Buildings, structures and improvements	238,532	23,555		262,087
Furniture, fixtures, equipment and vehicles	586,549	24,126	(12,244)	598,431
Total capital assets, being depreciated	2,339,508	95,873	(14,439)	2,420,942
Less: Accumulated depreciation	(859,199)	(82,748)	14,279	(927,668)
Total capital assets being depreciated, net	1,480,309	13,125	(160)	1,493,274
Capital assets, net	$ 1,686,939	$ 100,835	$ (76,611)	$ 1,711,163

Commitments: The Division has outstanding commitments at December 31, 2014 and 2013 of approximately $82,311,000 and $102,497,000, respectively, for future capital expenditures. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – 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.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

The Division’s required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were \$6,333,000, \$6,921,000, and \$5,452,000 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml,writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014 and 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014 and 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were $1,055,000 in 2014, $532,000 in 2013 and $2,180,000 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014 or 2013.

The City provides the choice of four separate health insurance plans to its employees. On April 1, 2014 the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The Divisions are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides water services to the City, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City, which by ordinance are provided free water services.

The Division performs billing and collection services for the Division of Water Pollution Control for a fee. This fee is based on the number of billings made on behalf of that division during the year at the same rates as charged to other users of the billing system. Revenue realized from the Division of Water Pollution Control for such services was approximately $2,425,000 and $2,426,000 in 2014 and 2013, respectively. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $5,631,000 and $4,778,000 in 2014 and 2013, respectively.

Operating Expenses: The Division utilizes various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31 were as follows:

	2014	2013
	(In thousands)	
Electricity purchases	$ 15,393	$ 13,585
City administration	2,675	2,655
Motor Vehicle Maintenance	3,012	2,998
Telephone Exchange	1,183	1,074
Utilities Administration and Utilities Fiscal Control	5,115	3,961
Street Construction	358	152

NOTE I – CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $5,756,000 and $5,955,000 for the years ended December 31, 2014 and 2013, respectively.

NOTE J – SUBSEQUENT EVENT

On April 14, 2015 the City sold $132,135,000 Water Revenue Bonds, Series 2015 consisting of $116,205,000 Water Revenue Bonds, Series Y and $15,930,000 Water Revenue Bonds, Series Z. These bonds were issued to refund certain outstanding Series N Water Revenue Bonds and Series O Water Revenue Bonds for debt service savings. A portion of the Series O Bonds were tendered for purchase and cancelled in lieu of being refunded. The Series Y Bonds were issued effective May 27, 2015. The Series Z Bonds were sold on a forward delivery basis and are expected to close on or about October 5, 2015. As a result of this refunding the Division will achieve net present value debt service savings of $12.8 million or 9.6%.

NOTE J – SUBSEQUENT EVENT (Continued)

Effective May 27, 2015 the City issued $90,800,000 Water Revenue Bonds, Series AA. These bonds were issued to refund the outstanding $90,800,000 Water Revenue Bonds, Series Q upon the expiration of the existing letter of credit. The bonds were issued as variable rate bonds with the City paying 65.1% of LIBOR plus a spread and were directly purchased by Bank of America, N.A.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Water Pollution Control
Department of Public Utilities
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio (the "Division") as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water Pollution Control (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2014 and 2013. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 14.

The Division was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area. Embarking with a rudimentary system in the late 1800's, the Cleveland Sewer System developed as the City itself expanded. Until the early 1970's, the City operated the entire system and managed all aspects of sewage treatment and disposal.

In 1972, a court order created the Northeast Ohio Regional Sewer District (NEORSD) and transferred the operation of all wastewater treatment plants and interceptors to the NEORSD in December 1973.

The City retained responsibility for the sewer collector system in Cleveland. The Division serves a significant portion of the entire metropolitan area by managing the sanitary sewage and storm water drainage collection system. The sewer collection system transfers sanitary and storm sewage from its point of origin to an interceptor sewer or treatment plant for processing. The system is comprised of over 1,400 miles of sewer lines with attendant catch basins and includes 15 pump/lift stations. The Division is also responsible for the cleaning of 127,000 catch basins and for maintaining two storm detention basins.

The Division currently has 125,768 customer accounts in the City of which 95.8% are residential and 4.2% commercial. Also, in 2014, the Division's sewers transported 1,824,168 Mcf's (thousand cubic feet) of water.

The Division acts as a custodian of billings and receipts for 17 other agencies including the NEORSD, other municipalities and Dominion East Ohio's residential service line protection plan. Accounts are billed quarterly and payments collected each month are remitted to the appropriate agency by the 15th of the subsequent month.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities (net position) by $97,202,000, $99,284,000 and $99,204,000 at December 31, 2014, 2013 and 2012, respectively. Of these amounts, $27,887,000, $32,267,000 and $32,655,000 are unrestricted net position at December 31, 2014, 2013 and 2012, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net position decreased by $2,082,000 in 2014. The main component of the change was an increase of $2,164,000 in operating expenses, primarily due to a $1,744,000 increase in bad debt expense and a $358,000 increase in depreciation expense.

FINANCIAL HIGHLIGHTS (Continued)

- The regular sewage rate was $12.53 per thousand cubic feet in 2014 and 2013. Also, the homestead sewage rate was $7.43 per thousand cubic feet in 2014 and 2013.

- During 2014, the Division's current assets increased by $2,069,000. The primary components were an increase in cash and cash equivalents of $2,686,000 offset by a $941,000 decrease in due from other City departments, divisions or funds.

- The Division's total debt decreased in 2014 and 2013 by $545,000 and $525,000, respectively, due to the continuing scheduled debt payments made during the year. The loans are owed to the Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC). The loans to OWDA will be repaid in 2017 and the OPWC loans in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Pollution Control Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Water Pollution Control. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Water Pollution Control is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

The basic financial statements of the Division can be found on pages 14 - 19 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 - 34 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below are the statements of net position information for the Division as of December 31, 2014, 2013 and 2012:

	2014	2013 (In thousands)	2012
Assets:			
Capital assets, net	$ 70,538	$ 68,652	$ 68,709
Restricted assets	393	558	586
Current assets	140,314	138,245	138,452
Total assets	211,245	207,455	207,747
Net Positon and Liabilities:			
Net position:			
Net investment in capital assets	69,270	66,839	66,371
Restricted for capital projects	45	178	178
Unrestricted	27,887	32,267	32,655
Total net position	97,202	99,284	99,204
Liabilities:			
Long-term obligations	893	1,406	1,949
Current liabilities	113,150	106,765	106,594
Total liabilities	114,043	108,171	108,543
Total net position and liabilities	$ 211,245	$ 207,455	$ 207,747

Current Assets: In 2014, there was an increase of $2,069,000 in current assets due to increases in current cash and cash equivalents of $2,686,000 and in net accounts receivable of $217,000, offset by a decrease in due from other City departments, divisions or funds of $941,000. In 2014, the cash balance included $20,692,000 that was paid to other entities in January 2015.

In 2013, there was a decrease of $207,000 in current assets due to the decrease in current cash and cash equivalents of $1,463,000, offset by an increase in due from other City departments, divisions or funds and net accounts receivable of $734,000 and $522,000, respectively. In 2013, the cash balance included $17,749,000 that was paid to other entities in January 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital Assets: At December 31, 2014, net capital assets amounted to $70,538,000. This is an increase of $1,886,000 from the prior year, of which $5,515,000 is an increase in construction in progress, offset by an increase in accumulated depreciation of $5,080,000. In 2013, the Division's net capital assets amounted to $68,652,000. This was a decrease of $57,000 from 2012. A summary of the activity in the Division's capital assets during the years ended December 31, 2014 and 2013 is as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
	(In thousands)			
Land	$ 297	$	$	$ 297
Utility plant	141,783	1,136		142,919
Buildings, structures and improvements	8,963			8,963
Furniture, fixture, equipment and vehicles	15,046	822	(507)	15,361
Construction in progress	4,701	6,570	(1,055)	10,216
Total	170,790	8,528	(1,562)	177,756
Less: Accumulated depreciation	(102,138)	(5,579)	499	(107,218)
Capital assets, net	$ 68,652	$ 2,949	$ (1,063)	$ 70,538

In 2014, the largest capital additions were the West 54th Street and Franklin Emergency Repair, Vehicles Purchased, and Broadway Avenue Rehabilitation.

The major capital projects/expenses for the year included:

- Emergency Sewer Repairs
- Lamille Court
- West 149 Sewer Rehabilitation
- Ridgeland Circle Sewer Repair

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Land	$ 297	$	$	$ 297
Utility plant	137,728	4,055		141,783
Buildings, structures and improvements	8,963			8,963
Furniture, fixture, equipment and vehicles	13,046	2,551	(551)	15,046
Construction in progress	6,143	4,041	(5,483)	4,701
Total	166,177	10,647	(6,034)	170,790
Less: Accumulated depreciation	(97,468)	(5,221)	551	(102,138)
Capital assets, net	$ 68,709	$ 5,426	$ (5,483)	$ 68,652

During 2013, the three largest capital additions were the Emergency Sewer Repairs 2013 for $687,000, the West 54 Street and Franklin Emergency Repair for $395,000 and the Gooding Avenue Sewer Replacement for $388,000. The major capital projects/expenses for the year included:

- 800MHZ System Upgrade
- Rehabilitating and Relining Sewers
- Emergency Sewer Repairs
- Earle Avenue Sewer

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D.

Current Liabilities: Current liabilities increased by $6,385,000 in 2014, mainly due to an increase in amounts due for billings on behalf of others of $4,791,000, most of which was due from monies held for other entities to the Division of Water and an increase in due to other City of Cleveland divisions, departments and funds of $1,938,000. During 2013, total current liabilities increased by $171,000. The major components were an increase of $900,000 in due to other City departments, divisions or funds, an increase of $301,000 in accounts payable and an increase of $249,000 in amounts due for billings on behalf of others, offset by a $1,122,000 decrease in construction payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Debt: At the end of 2014, the Division had total debt outstanding of $1,268,000 associated with five OWDA construction loans and two OPWC construction loans. These loans are payable by revenues generated by the Division. At the end of 2013, the Division had total debt outstanding of $1,813,000 associated with the same loans.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2014 is summarized below:

	Balance January 1, 2014	Debt Issued	Debt Retired	Balance December 31, 2014
	(In thousands)			
Ohio Water Development Authority Loans (OWDA)	$ 1,622	$	$ (521)	$ 1,101
Ohio Public Works Commission Loans (OPWC)	191		(24)	167
Total	$ 1,813	$ -	$ (545)	$ 1,268

The activity in the Division's debt obligations outstanding during the year ended December 31, 2013 is summarized below:

	Balance January 1, 2013	Debt Issued	Debt Retired	Balance December 31, 2013
	(In thousands)			
Ohio Water Development Authority Loans (OWDA)	$ 2,123	$	$ (501)	$ 1,622
Ohio Public Works Commission Loans (OPWC)	215		(24)	191
Total	$ 2,338	$ -	$ (525)	$ 1,813

Additional information on the Division's long-term debt can be found in Note B on pages 24 - 26.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $97,202,000, $99,284,000 and $99,204,000 at December 31, 2014, 2013 and 2012, respectively.

The largest portion of the Division's net position, $69,270,000 and $66,839,000, at December 31, 2014 and 2013, respectively, reflects its investment in capital assets (e.g., land, buildings, utility plant, machinery and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted for capital projects portion of the Division's net position was $45,000 and $178,000 at December 31, 2014 and 2013, respectively. These funds are set aside for the payment of capital projects.

The remaining balance of net position, $27,887,000 and $32,267,000, at December 31, 2014 and 2013, respectively, are unrestricted and may be used to meet the Division's ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

During 2014, the Division's operations decreased its net position by $2,082,000. The Division's operations for 2013 increased its net position by $80,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
	(In thousands)		
Operating revenues	$ 22,547	$ 22,549	$ 22,876
Operating expenses	24,708	22,544	24,377
Operating income (loss)	(2,161)	5	(1,501)
Non-operating revenue (expense):			
Investment income	54	58	59
Interest expense	(61)	(82)	(102)
Other	86	99	21
Total non-operating revenue (expense), net	79	75	(22)
Income (loss) before other contributions	(2,082)	80	(1,523)
Capital and other contributions			343
Increase (decrease) in net position	(2,082)	80	(1,180)
Net position, beginning of year	99,284	99,204	100,384
Net position, end of year	$ 97,202	$ 99,284	$ 99,204

Operating revenues: Operating revenues amounted to $22,547,000 in 2014, which was a decrease of $2,000 from the previous year. In 2014, consumption was stable in comparison to 2013. Total operating revenues amounted to $22,549,000 in 2013. This was a decrease of $327,000 from the prior year, mainly due to a decrease in consumption.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

Operating expenses: During 2014, total operating expenses increased by $2,164,000. The major components were increases in bad debt expense of $1,744,000 and depreciation expense of $358,000, offset by a decrease in charges from the Division of Water of $462,000. In 2013, total operating expenses decreased by $1,833,000. There was a decrease in operations costs of $962,000. The major component was accrued bad debt expense, which decreased by $1,945,000. Also, maintenance costs decreased by $984,000. The major components were transfers of wages and benefits to capital and maintenance utility systems, which decreased by $374,000 and $309,000, respectively. The transfer of wages and benefits to capital was calculated using the Safe Harbor Rate Method, which decreased overhead costs and increased capital projects costs.

Non-operating revenues and expenses: In 2014, non-operating revenue (expense) increased by $4,000. The increase was primarily related to a $21,000 decrease in interest expense due to continuing loan repayments, offset by a $13,000 decrease in other revenues primarily related to lower scrap metal revenue. In 2013, other revenues increased by $78,000. The major component was an increase of $89,000 in expenditure recoveries, offset by a $11,000 decrease in sale of scrap.

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

Effective April 1, 2015, City Council approved a new fixed fee charge based upon meter size in accordance with Ordinance No. 1030-14. Most residential customers will pay a fixed charge of $12.00 per quarter in 2015 and 2016, $15.00 per quarter in 2017 and 2018 and $18.00 per quarter in 2019. Larger meter rates per quarter will run from $30.00 to $450.00 in 2015 and go to $55.00 to $550.00 by 2019. These rate increases will allow the Division to improve their capital infrastructure.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Division's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall, Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	(In thousands) 2014	2013
ASSETS		
CAPITAL ASSETS		
Land	$ 297	$ 297
Utility plant	142,919	141,783
Buildings, structures and improvements	8,963	8,963
Furniture, fixtures, equipment and vehicles	15,361	15,046
	167,540	166,089
Less: Accumulated depreciation	(107,218)	(102,138)
	60,322	63,951
Construction in progress	10,216	4,701
CAPITAL ASSETS, NET	70,538	68,652
RESTRICTED ASSETS		
Cash and cash equivalents	393	558
CURRENT ASSETS		
Cash and cash equivalents	49,853	47,167
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $2,687,000 in 2014 and $2,269,000 in 2013	86,873	86,656
Unbilled revenue	2,888	2,830
Due from other City of Cleveland departments, divisions or funds	288	1,229
Materials and supplies - at average cost	412	363
TOTAL CURRENT ASSETS	140,314	138,245
TOTAL ASSETS	$ 211,245	$ 207,455

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	(In thousands) 2014	2013
NET POSITION AND LIABILITIES		
NET POSITION		
Net investment in capital assets	$ 69,270	$ 66,839
Restricted for capital projects	45	178
Unrestricted	27,887	32,267
TOTAL NET POSITION	97,202	99,284
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OWDA loans	610	1,101
OPWC loans	143	167
Accrued wages and benefits	140	138
TOTAL LONG-TERM OBLIGATIONS	893	1,406
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	515	545
Accounts payable	169	472
Construction payable	1,072	928
Amounts due for billing on behalf of others	95,744	90,953
Due to other City of Cleveland departments, divisions or funds	14,237	12,299
Current portion of accrued wages and benefits	1,204	1,390
Other accrued expenses	46	49
Customer deposits and other liabilities	163	129
TOTAL CURRENT LIABILITIES	113,150	106,765
TOTAL LIABILITIES	114,043	108,171
TOTAL NET POSITION AND LIABILITIES	$ 211,245	$ 207,455

(Concluded)

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013

	(In thousands) 2014	2013
OPERATING REVENUES		
Charges for services	$ 22,547	$ 22,549
TOTAL OPERATING REVENUES	22,547	22,549
OPERATING EXPENSES		
Operations	10,670	9,232
Maintenance	8,459	8,091
Depreciation	5,579	5,221
TOTAL OPERATING EXPENSES	24,708	22,544
OPERATING INCOME (LOSS)	(2,161)	5
NON-OPERATING REVENUE (EXPENSE)		
Investment income	54	58
Interest expense	(61)	(82)
Other	86	99
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	79	75
INCREASE (DECREASE) IN NET POSITION	(2,082)	80
NET POSITION, BEGINNING OF YEAR	99,284	99,204
NET POSITION, END OF YEAR	$ 97,202	$ 99,284

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 21,361	$ 21,462
Cash payments to suppliers for goods or services	(7,205)	(4,938)
Cash payments to employees for services	(9,704)	(10,063)
Agency activity on behalf of other sewer authorities	5,856	(1,216)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	10,308	5,245
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,235)	(6,239)
Principal paid on long-term debt	(545)	(525)
Interest paid on long-term debt	(61)	(82)
Capital grant proceeds		52
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(7,841)	(6,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	54	58
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	54	58
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,521	(1,491)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,725	49,216
CASH AND CASH EQUIVALENTS, END OF YEAR	50,246	47,725

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	(In thousands) 2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ (2,161)	$ 5
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	5,579	5,221
Changes in assets and liabilities:		
Accounts receivable, net	(217)	(522)
Accrued and unbilled revenue	(58)	1
Due from other City of Cleveland departments, divisions or funds	941	(734)
Materials and supplies, net	(49)	(1)
Accounts payable	(303)	301
Other accrued expenses	(3)	(6)
Amounts due for billings on behalf of others	4,791	249
Due to other City of Cleveland departments, divisions or funds	1,938	900
Accrued wages and benefits	(184)	(165)
Customer deposits and other liabilities	34	(4)
TOTAL ADJUSTMENTS	12,469	5,240
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 10,308	$ 5,245

(Concluded)

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying sewer services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Division has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Division has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The Division has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and is divided into the following categories:

- Net investment in capital assets.
- Restricted for capital projects.
- Remaining unrestricted amount.

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of sewer services to residential, commercial and industrial customers based upon actual water consumption. Sewer rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Accounts Receivables: The Division's share of the accounts receivable balance is $10,213,000 and $13,132,000, net of allowance for doubtful accounts of $2,687,000 and $2,269,000, for 2014 and 2013, respectively. The remaining accounts receivable balances of $76,660,000 and $73,524,000 for 2014 and 2013, respectively, belong to the Northeast Ohio Regional Sewer District and other municipalities in the Greater Cleveland Region and are offset by the corresponding amounts due for billings on behalf of others.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the Governmental Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, State Treasury Asset Reserve of Ohio (STAROhio), mutual funds and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market rates.

The City has invested funds in STAROhio during years 2014 and 2013. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Building, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division allows employees to carryover sick leave from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

NOTE B - LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2014 and 2013 as follows:

	Interest Rate	Original Issuance	2014	2013
			(In thousands)	
Ohio Water Development Authority (OWDA)				
Loans payable annually through 2017	4.04% - 4.18%	$ 7,897	$ 1,101	$ 1,622
Ohio Public Works Commission (OPWC) Loans				
payable annually through 2022	0.00%	481	167	191
		$ 8,378	1,268	1,813
Less:				
Current portion			(515)	(545)
Total Long-Term Debt			$ 753	$ 1,268

NOTE B - LONG-TERM OBLIGATIONS (Continued)

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

	Balance January 1, 2014	Increase	Decrease	Balance December 31, 2014	Due Within One Year
			(In thousands)		
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	$ 1,622	$	$ (521)	$ 1,101	$ 491
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	191		(24)	167	24
Total loans	1,813	-	(545)	1,268	515
Accrued wages and benefits	1,528	1,206	(1,390)	1,344	1,204
Total	$ 3,341	$ 1,206	$ (1,935)	$ 2,612	$ 1,719

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

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(In thousands)		
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	$ 2,123	$	$ (501)	$ 1,622	$ 521
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	215		(24)	191	24
Total loans	2,338	-	(525)	1,813	545
Accrued wages and benefits	1,693	1,392	(1,557)	1,528	1,390
Total	$ 4,031	$ 1,392	$ (2,082)	$ 3,341	$ 1,935

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(In thousands)	
2015	$ 515	$ 40	$ 555
2016	482	20	502
2017	177	3	180
2018	24		24
2019	24		24
2020-2022	46		46
Total	$ 1,268	$ 63	$ 1,331

The Ohio Water Development Authority and Ohio Public Works Commission Loans are being paid from the revenues derived from operations of the Division.

Water Pollution Control Loans: Under Title VI of the Clean Water Act, Congress created the State Revolving Fund (SRF). The SRF program provides federal capitalization grants to states, in addition to the 20% state matching funds, in order to capitalize state level revolving loan funds. Besides the traditional types of municipal wastewater treatment projects, Congress expanded the potential use of SRF funds to include correction of combined sewer overflows, major sewer rehabilitation and new collector sewers.

In Ohio, this SRF program is known as the Water Pollution Control Loan Fund and is jointly administered by the Ohio EPA and the Ohio Water Development Authority. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project. The repayment period for each loan commences no later than the 1st of January or July following the expected completion date of the project to which it relates utilizing an estimate of total eligible project costs as the preliminary loan amount. Construction loans and design loans are to be repaid in semi-annual payments of principal and interest over a period of twenty years and five years, respectively. The Division had five SRF loan awards related to projects as of December 31, 2014.

In addition, the Division had two OPWC loan awards as of December 31, 2014. The loan related projects are for sewer repair and replacement at the Hamlet and Adolpha Streets intersection and a storm water detention basin project at Kerruish Park. Both loans are interest-free and principal repayment will be made from the Division's operating revenues.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at years ended December 31, 2014 and 2013 totaled $19,759,000 and $22,903,000, and the Division's bank balances were approximately $22,170,000 and $25,421,000, respectively. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $22,170,000 and $25,421,000 of the bank balances at December 31, 2014 and 2013, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110% of the carrying value of the deposits being secured.

Investments: The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

Investment securities are exposed to various risks such as interest rate, market and credit. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect portfolio value.

***Interest rate risk*:** As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the *Concentration of Credit Risk* section.

***Custodial Credit Risk*:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the State statute.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk**:** The Division's investments as of December 31, 2014 and 2013 include STAROhio and mutual funds. The Division maintains the highest ratings for their investments. Investments in STAROhio and the PNC Treasury Money Market Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk**:** The Division places a limitation on the amount it may invest in any one issuer to minimize the concentration of credit risk. The Division had the following investments at December 31, 2014 and 2013, which include those classified as cash and cash equivalents in the Statement of Net Position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2014 Fair Value	2014 Cost	2013 Fair Value	2013 Cost	Investment Maturities Less than One Year
			(In thousands)		
STAROhio	$ 25,932	$ 25,932	$ 11,826	$ 11,826	$ 25,932
Mutual Funds	4,555	4,555	12,996	12,996	4,555
Total Investments	30,487	30,487	24,822	24,822	30,487
Total Deposits	19,759	19,759	22,903	22,903	19,759
Total Deposits and Investments	$ 50,246	$ 50,246	$ 47,725	$ 47,725	$ 50,246

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value.

As of December 31, 2014, the investments in STAROhio and mutual funds are 85% and 15%, respectively, of the Division's total investments. As of December 31, 2013, the investments in STAROhio and mutual funds were 48% and 52%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

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

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	4,701	6,570	(1,055)	10,216
Total capital assets, not being depreciated	4,998	6,570	(1,055)	10,513
Capital assets, being depreciated:				
Utility plant	141,783	1,136		142,919
Buildings, structures and improvements	8,963			8,963
Furniture, fixtures, equipment and vehicles	15,046	822	(507)	15,361
Total capital assets, being depreciated	165,792	1,958	(507)	167,243
Less: Accumulated depreciation	(102,138)	(5,579)	499	(107,218)
Total capital assets being depreciated, net	63,654	(3,621)	(8)	60,025
Capital assets, net	$ 68,652	$ 2,949	$ (1,063)	$ 70,538

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013

NOTE D - CAPITAL ASSETS (Continued)

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

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	6,143	4,041	(5,483)	4,701
Total capital assets, not being depreciated	6,440	4,041	(5,483)	4,998
Capital assets, being depreciated:				
Utility plant	137,728	4,055		141,783
Buildings, structures and improvements	8,963			8,963
Furniture, fixtures, equipment and vehicles	13,046	2,551	(551)	15,046
Total capital assets, being depreciated	159,737	6,606	(551)	165,792
Less: Accumulated depreciation	(97,468)	(5,221)	551	(102,138)
Total capital assets being depreciated, net	62,269	1,385	-	63,654
Capital assets, net	$ 68,709	$ 5,426	$ (5,483)	$ 68,652

Commitments: The Division had outstanding commitments of approximately $9,887,000 and $9,716,000 for future capital expenses at December 31, 2014 and 2013, respectively. It is anticipated that these commitments will be financed from the Division's cash balances. However, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were $831,000, $874,000 and $686,000 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014 and 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014 and 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were $138,000 in 2014, $67,000 in 2013 and $274,000 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014 or 2013.

The City provides the choice of four separate health insurance plans to its employees. On April 1, 2014, the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The Division is charged a monthly rate per employee by type of coverage. The Division participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides sewer services to the City, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City, which by ordinance are provided free sewer services.

Billing and collection services for the Division are performed by the Division of Water for a fee. This fee is based on the number of billings made on behalf of the Division during the year at the same rates as charged to other users of the billing system. These fees were approximately $2,425,000 and $2,426,000 in 2014 and 2013, respectively.

Operating Expenses*:* The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2014 and 2013 were as follows:

	(In thousands) 2014	2013
Electricity purchases	$ 239	$ 218
Street construction and maintenance	50	2
City Administration	465	454
Motor Vehicle Maintenance	410	359
Utilities Administration and Utilities Fiscal Control	710	492
Services provided by the Division of Water	654	1,116

NOTE I - CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $23,100 and $24,063 for the years ended December 31, 2014 and 2013, respectively.

NOTE J – SUBSEQUENT EVENTS

Effective April 1, 2015, City Council approved a new fixed fee charge based upon meter size in accordance with Ordinance No. 1030-14. Most residential customers will pay a fixed charge of $12.00 per quarter in 2015 and 2016, $15.00 per quarter in 2017 and 2018 and $18.00 per quarter in 2019. Larger meter rates per quarter will run from $30.00 to $450.00 in 2015 and go to $55.00 to $550.00 by 2019. These rate increases will allow the Division to improve their capital infrastructure.

CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 24, 2015