CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2015

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

City Council
City of Cleveland
601 Lakeside Ave Rm 24
Cleveland, OH 44114

We have reviewed the *Independent Auditor's Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2015 through December 31, 2015. 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
Auditor of State

August 26, 2016

This page intentionally left blank.

TABLE OF CONTENTS

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
Direct Programs:				
Urban and Community Forestry Program 2015	10.675		$	$ 107,897
Subtotal			-	107,897
Pass-Through Programs:				
Ohio Department of Education Office of Child Nutrition Services:				
Summer Food Service Program for Children 2013	10.559	087593		52,140
Summer Food Service Program for Children 2014	10.559	087593		52,140
Summer Food Service Program for Children 2015	10.559	087593		253,430
Subtotal			-	357,710
Cuyahoga County:				
Able Bodied Adults Without Dependents	10.561	AG1400113		92,898
Subtotal			-	92,898
Total Department of Agriculture			-	558,505
Department of Energy				
Pass-Through Programs:				
Ohio Department of Development Services Agency:				
Weatherization Assistance for Low-Income Persons DOE 2014	81.042	14-111	6,640	735,904
Subtotal			6,640	735,904
Total Department of Energy			6,640	735,904
Department of Health and Human Services				
Direct Programs:				
Healthy Start Initiative Yr 14	93.926		836,156	1,109,915
Healthy Start Initiative Yr 15	93.926		603,762	905,559
Subtotal			1,439,918	2,015,474

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):				
Pass-Through Programs:				
Ohio Department of Health:				
Substance Abuse and Mental Health Services Administration	93.243	1H79TI024189-01		221,317
Substance Abuse and Mental Health Services Administration	93.243	1H79TI025119-01		307,130
Subtotal			-	528,447
Public Health Emergency Preparedness 2013	93.074	18-1-001-2-PH-0413		35,910
Public Health Emergency Preparedness 2014	93.074	18-1-001-2-PH-0514		923
Public Health Emergency Preparedness 2015	93.074	18-1-001-2-PH-0615	6,500	123,801
Public Health Emergency Preparedness 2016	93.074	18-100-12-PH-0716		57,081
Public Health Emergency Preparedness - Emergency Ebola	93.074	18-100-12-EB-0116		30,312
City Readiness Initiative 2015	93.074	18-2-001-2-PH-0615	268,690	393,998
City Readiness Initiative 2016	93.074	18-2-001-2-PH-0716	77,171	172,974
Subtotal			352,361	814,999
Immunization Grants 2013	93.268	18-100-1-2-IM-0613		341
Immunization Grants 2014	93.268	18-100-1-2-IM-0714		3,301
Immunization Grants 2015	93.268	18-100-1-2-IM-0815		96,438
Subtotal			-	100,080
Family Planning Services Title X FY 2015	93.217	18-200-11-HW-0215		177,016
Family Planning Services Title X FY 2016	93.217	18-200-11-HW-0316	77,000	460,733
Subtotal			77,000	637,749
Family Planning Services Title X FY 2015	93.994	18-200-11-HW-0215		64,898
Family Planning Services Title X FY 2016	93.994	18-200-11-HW-0316		74,760
Healthy Homes Awareness 2015	93.994	B04MC26688-01-02		5,000
Subtotal			-	144,658
Ohio Public Health Partnership	93.507			2,748
Subtotal			-	2,748

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):				
Pass-Through Programs (Continued):				
HIV Prevention 2015	93.940	18-2-001-2-HP-0815	379,761	621,717
Subtotal			379,761	621,717
Sexually Transmitted Diseases Diagnosis & Treatment 2014	93.977	18-2-001-2-ST-0614		19,773
Sexually Transmitted Diseases Diagnosis & Treatment 2015	93.977	18-2-001-2-ST-0715		128,262
Subtotal			-	148,035
Cuyahoga County Board of Health:				
Block Grants for Prevention and Treatment of Substance Abuse:				
Alcohol, Drug Addiction and Mental Health Service 2015 Treatment	93.959			123,014
Alcohol, Drug Addiction and Mental Health Service 2015 Prevention	93.959			71,382
Subtotal			-	194,396
Western Reserve Area Agency on Aging (WRAAA):				
WRAAA OAA/ADRN Project 2014	93.044			2,624
WRAAA OAA/ADRN Project 2015	93.044			198,888
WRAAA Supporting Services 2012	93.044			2,484
WRAAA Supporting Services 2014	93.044			5,630
WRAAA Supporting Services 2015	93.044			48,133
Subtotal			-	257,759
WRAAA MyCare Ohio	93.778			1,409
Subtotal			-	1,409
WRAAA Supportive Services/MIPPA 2013	93.071			12,600
WRAAA Supportive Services/MIPPA 2014	93.071			4,300
Subtotal			-	16,900
WRAAA HEAP Outreach Program FY 2015	93.568			16,259
WRAAA HEAP Outreach Program FY 2016	93.568			3,500
Subtotal			-	19,759

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):				
Pass-Through Programs (Continued):				
Ohio Department of Development:				
Weatherization Assistance for Low-Income Home Energy Assistance-HHS 2014	93.568	14-111	310,323	2,103,155
Subtotal			310,323	2,103,155
Cuyahoga County:				
Temporary Assistance to Needy Families	93.558	AG1400113		192,729
Connecting the Dots - TANF Demo	93.558	AG1400113		4,684
Subtotal - TANF Cluster			-	197,413
Total Department of Health and Human Services			2,559,363	7,804,698
Department of Housing & Urban Development				
Direct Programs:				
CDBG Yr 35	14.218		21,890	21,890
CDBG Yr 36	14.218		26,277	60,797
CDBG Yr 37	14.218		16,000	515,822
CDBG Yr 38	14.218		67,129	160,173
CDBG Yr 39	14.218		590,700	1,721,091
CDBG Yr 40	14.218		7,310,038	13,615,311
CDBG Yr 41	14.218		4,202,156	6,243,674
Neighborhood Stabilization Program 1	14.218		97,794	98,049
Neighborhood Stabilization Program 3	14.218		14,231	15,202
Subtotal			12,346,215	22,452,009
ARRA Neighborhood Stabilization Program	14.256		194,443	194,477
Subtotal			194,443	194,477
Healthy Homes Production Program Grant	14.913		92,618	92,618
Subtotal			92,618	92,618

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing & Urban Development (Continued):				
Direct Programs (Continued):				
HOME Investment Partnerships Program 2010	14.239			350,000
HOME Investment Partnerships Program 2011	14.239			740,139
HOME Investment Partnerships Program 2012	14.239			276,089
HOME Investment Partnerships Program 2013	14.239			1,865,933
HOME Investment Partnerships Program 2014	14.239			368,648
HOME Investment Partnerships Program 2015	14.239			219,477
Subtotal			-	3,820,286
Emergency Shelter Grants Program 2013	14.231		514,283	514,283
Emergency Shelter Grants Program 2014	14.231		1,000,119	1,022,696
Emergency Shelter Grants Program 2015	14.231			37,529
Subtotal			1,514,402	1,574,508
Housing Opportunities for Persons With AIDS 2013	14.241		407,804	407,804
Housing Opportunities for Persons With AIDS 2014	14.241		878,082	878,082
Subtotal			1,285,886	1,285,886
Empowerment Zones Program	14.246			485,707
Subtotal			-	485,707
Pass-Through Programs:				
Cuyahoga County Board of Health:				
Lead Hazard Reduction Demonstration Grant Program 2012	14.905	OHLHD0218-10		12,828
Subtotal			-	12,828
Ohio Department of Development:				
Neighborhood Stabilization Program - State	14.228	A-Z-08-264-1		45,600
Subtotal			-	45,600
Total Department of Housing & Urban Development			15,433,564	29,963,919

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Justice				
Direct Programs:				
Veterans Treatment - Residential	16.585			98,215
Residential Opiate Project	16.585			69,777
Subtotal			-	167,992
National Forum on Youth Violence	16.819			20,477
Subtotal			-	20,477
Public Safety Partnership and Community Policing Grants:				
Cleveland Universal Hiring II	16.710			390,937
Federal DOJ-COPS Technology GR FY10	16.710			7,421
Subtotal			-	398,358
2013-Edward Byrne Crime Justice Innovation	16.817			308,648
Subtotal			-	308,648
2010-Edward Byrne Memorial-JAG	16.738			1,154
2012-Edward Byrne Memorial-JAG	16.738			3,037
2013-Edward Byrne Memorial-JAG	16.738		112,420	381,613
2014-Edward Byrne Memorial-JAG	16.738		113,602	279,438
Pass-Through Programs:				
Ohio Department of Public Safety:				
2014-Edward Byrne Memorial-NOLETF	16.738	2014-JG-A01-6444		85,000
2013-Edward Byrne Memorial-NOVCC	16.738	2013-JG-A02-6947		72,491
Nationwide Crime Analysis Capability Building Project	16.738	2014-4078-006-01		33,556
Subtotal			226,022	856,289
Project Safe Neighborhood 2013	16.609	2013-PS-PSN-347		29,927
Subtotal			-	29,927
State of Ohio - Office of Criminal Justice Services:				
Equitable Sharing Program - Asset Forfeiture Program	16.922			301,014
Subtotal			-	301,014

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	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		13,129
Subtotal			-	13,129
VAWA Team Approach 2014 Law	16.588	2014-VP-VA2-V041		119,881
VAWA Team Approach 2013 Safety	16.588	2013-VP-VA2-V042		42,845
VAWA Team Approach 2014 Safety	16.588	2014-VP-VA2-V042		76,909
FY 2014 VAWA Sexual Assault	16.588	2014-VP-VA2-V045		29,999
Subtotal			-	269,634
State of Ohio - Office of Criminal Justice Services:				
Juvenile Accountability Incentive Block Grants 2014	16.523	2013-JB-MUN-1101		1,622
Subtotal			-	1,622
Total Department of Justice			226,022	2,367,090
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		3,041,351
Subtotal			-	3,041,351
Total Department of Commerce			-	3,041,351
Department of Labor				
Pass-Through Programs:				
Ohio Department of Jobs and Family Services:				
WIA Adult Program	17.258	G-1415-15-0292		370,508
WIA Youth Program	17.259	G-1415-15-0292		17,172

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Labor (Continued):				
Pass-Through Programs (Continued):				
WIA Dislocated Worker Program	17.278	G-1415-15-0292		150,006
WIA Adult Program	17.258	G-1415-15-0292		306,344
WIA Youth Program	17.259	G-1415-15-0292		15,790
WIA Dislocated Worker Program	17.278	G-1415-15-0292		172,412
Subtotal			-	1,032,232
Total Department of Labor			-	1,032,232
Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106			552,400
Subtotal			-	552,400
Pass-Through Programs:				
Highway Planning and Construction:		See Footnote 2		
Lake Pedestrian Bridge	20.205	PID 80966		274,398
Professor Avenue	20.205	PID 90218		37,476
Federal NOACA Transportation for Livable Communities Initiative	20.205	PID 96802		148,965
Subtotal			-	460,839
Ohio Department of Public Safety:				
Cuyahoga County OVI Task Force 2013	20.601	OVITF-2013-18-00-00-00315-00		8,564
Cuyahoga County OVI Task Force 2014	20.601	OVITF-2014-18-00-00-00429-00		2,696
Subtotal			-	11,260
Impaired Driving Enforcement Program 2015	20.616	IDEP-2015-18-00-00-00404-00		16,525
Impaired Driving Enforcement Program 2016	20.616	IDEP-2016-18-00-00-00384-00		1,692
Subtotal			-	18,217

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Transportation (Continued):				
Pass-Through Programs (Continued):				
Selective Traffic Enforcement Program 2015	20.600	STEP-2015-18-00-00-00587-00		12,010
Selective Traffic Enforcement Program 2016	20.600	STEP-2016-18-00-00-00461-00		499
Subtotal			-	12,509
Subtotal - Highway Safety Cluster			-	41,986
Cuyahoga County OVI Task Force 2015	20.608	OVITF-2015-18-00-00-00453-00		2,089
Subtotal			-	2,089
Total Department of Transportation			-	1,057,314
Department of Environmental Protection Agency				
Direct Programs:				
Air Pollution Control Program Support 2014	66.001			71,926
Air Pollution Control Program Support 2015	66.001			294,276
Air Pollution Control Program Support 2016	66.001			334,287
Subtotal			-	700,489
Pass-Through Programs:				
Ohio Environmental Protection Agency:				
EPA Tremont Montessori School Parking Lot & Jefferson Avenue Green Infrastructure Retrofit	66.469	12SWIF-CUY-GLRI-12		125,532
Subtotal			-	125,532
Total Department of Environmental Protection Agency			-	826,021
Department of Homeland Security				
Direct Programs:				
FEMA Disaster Grant	97.036			297,802
Subtotal			-	297,802
Pass-Through Programs:				
Ohio Environmental Protection Agency:				
Bio-Watch Program 2015	97.091	EPAFBW15		247,426
Bio-Watch Program 2016	97.091	EPAFBW16		133,958
Subtotal			-	381,384

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Homeland Security (Continued):				
Pass-Through Programs (Continued):				
Cuyahoga County Department of Justice Affairs:				
State Homeland Security Programs 2013	97.067	EMW-2013-SS-00120		183,102
State Homeland Security Programs 2014	97.067	EMW-2014-SS-00101-S01		53,349
Urban Area Security Initiative 2008	97.067	2008-GE-T8-0025		79,333
Urban Area Security Initiative 2014	97.067	EMW-2014-SS-00101-S01		35,923
Subtotal			-	351,707
Port Security Grant Program FY 2012	97.056	EMW-2012-PU-00519-S01		13,030
Subtotal			-	13,030
Total Department of Homeland Security			-	1,043,923
Department of the Interior Fish and Wildlife Service				
Direct Programs:				
Clean Vessel Act	15.616			34,901
Total Department of the Interior Fish and Wildlife Service			-	34,901
Grand Total			$ 18,225,589	$ 48,465,858
				(Concluded)

CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 Uniform Grant Guidance.

Footnote 1: Revolving Loan Fund

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2015:

Beginning loans receivable balance as of January 1, 2015	$2,332,162
Loans made during 2015	223,605
Loan principal repaid on loans issued prior to 2015	(439,855)
Ending loans receivable balance as of December 31, 2015	$2,115,912

Cash balance on hand in the revolving loan fund as of December 31, 2015	
Cash balance, unobligated	$963,065
Revolving loan committed but not disbursed	300,302
Total unobligated cash and committed but not disbursed cash	1,263,367
Total value of revolving loan portion of the EDA 11.307 program	3,379,279
Less: City's matching share	(337,928)
Total federal value of revolving loan portion as of December 31, 2015	$3,041,351

Berry Insulation Company	$116,547
Binkowsky-Dougherty Distribution, LLC	96,668
Binkowsky-Dougherty Distribution, LLC	177,903
Certified Aircraft Maintenance	120,408
Evergreen Real Estate Corporation	123,134
Green City Growers Cooperative	121,912
Gypsy Brewery, LLC	200,000
Hansa Import House Co.	95,436
Hemingway at 7000 LLC (formerly Hemingway at 6555 LLC)	494,448
Jane & Arthur Ellison Ltd.	29,579
Northeast Ohio Neighborhood Real Estate	43,389
Northeast Ohio Lumber & Timber Co.	54,914
Ohio Cooperative Solar Inc.	100,250
Patterson-Britton	85,558
Platform Beer Co. LLC	62,210
Tremont Athletic Club, LLC	193,556
Total	$2,115,912

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 2015	$753,793
Non City Expenses during 2015	(444,382)
Federal Expenditures reported in prior years schedule	(28,765)
Amount expensed by the City in Fiscal Year 2015 not reimbursed in 2015	180,193
Expensed and reported by the City in Fiscal Year 2015	$460,839

Footnote 3: Subrecipients

The City passes certain federal awards received to other governments or not-for-profit agencies (subrecipients). The City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements and that subrecipients achieve the award's performance goals.

Footnote 4: Indirect Cost Rates

The City has elected to not use the 10% de minimis cost rate as covered in 2 CFR 200.414 Indirect (F&A) costs.

Note 5: Matching Requirements

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditures of non-Federal matching funds.

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, 2015 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 28, 2016, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

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 28, 2016

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 THE UNIFORM GUIDANCE

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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 28, 2016, which contained unmodified opinions on those financials statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 State of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 28, 2016

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

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 2 CFR 200.516(a)?	None

Identification of major programs:

- CFDA 14.231 – Emergency Solutions Grant Program
- CFDA 14.218 – Community Development Block Grant (CDBG) – Entitlement Grants
- CFDA 14.239 – Home Investment Partnerships Program
- CFDA 93.568 – Low-Income Home Energy Assistance
- CFDA 93.926 – Healthy Start Initiative

Dollar threshold to distinguish between Type A and Type B Programs:	$1,453,976
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

CITY OF CLEVELAND, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2015

CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2015

Issued by the
Department of Finance

Sharon Dumas
Director

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

Statistical Section

INTRODUCTORY SECTION

This Page Intentionally Left Blank.

June 28, 2016

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 (CAFR) of the City of Cleveland (the City) for the year ended December 31, 2015. 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 2015 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 (GAAP) in the United States of America. 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, 2015, 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, 2015, 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 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, MD&A, Basic Financial Statements and various other statements and schedules pertaining to the City's funds and activities.
- The Required Supplemental Information Section contains tables relating to the City's pension obligations.
- 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 2006 through 2015.

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, OH Metropolitan Statistical Area (MSA), comprised of Cuyahoga, Lake, Lorain, Geauga and Medina counties. This MSA is the 31st 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, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. 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 U.S. Office of Management and Budget's Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). The information related to the Uniform Guidance, 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, deferred outflows of resources, liabilities, deferred inflows of resources 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, deferred outflows of resources, current liabilities and deferred inflows of resources) 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 of resources, liabilities and deferred inflows of resources). 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, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the City has implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the City has implemented GASB Statement No. 71 as of December 31, 2015.

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 Fiscal Officer 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 63 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 134.

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.

The City'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. The City 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

The City, 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, the City has tried to combat the declining industry base with more professional and service industry opportunities. The City's budget basis income tax collections increased 4.0% in 2015.

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 the City based industrial companies has improved.

For 2015, the U.S. Bureau of Labor Statistics (BLS) indicates that the Cleveland area employment base continues to become more diversified. The following table summarizes the percentage of nonfarm employment in the Cleveland area by major industry.

Industry		Percent of Workforce	
Education and health services		19.21	%
Trade, transportation and utilities		17.60	
Professional and business services		13.69	
Government		12.81	
Manufacturing		11.65	
Leisure and hospitality		9.91	
Other services		6.39	
Mining, logging and construction		3.91	
Information		3.43	
	Total	1.40	
		100	%

Current Projects and 2015 Accomplishments

The 2015 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 2015 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 citywide 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.

- Several noteworthy multifamily projects were completed in 2015, 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.

- Construction started on several projects that promoted strategic citywide or neighborhood objectives, including Emerald Alliance VIII, a 66-unit permanent supportive housing project; A Place for Us Housing, a 54-unit new construction senior building; and Historic Shoreway Apartments, a 21-unit rehabilitation of two multifamily rental buildings.

- The Lead Hazard Reduction Demonstration Grant was issued to the Department by the Department of Housing & Urban Development in the amount of $3,389,272, along with the Healthy Homes Supplement in the amount of $325,000. The Department will use this funding to complete 220 lead units and 80 Healthy Homes Units from November 2, 2015 through November 1, 2018.

Department of Building and Housing

- Since January 2006, the Department has inspected, condemned and razed over 8,365 structures, of which 490 were demolished in 2015.

- Initiated 1,401 court cases against negligent property owners.
- Issued 4,228 violation notices.
- Issued 15,038 construction permits valued at $1.430 billon in new construction.
- Boarded-up and secured 3,580 vacant structures.
- Issued 1,461 condemnation notices.

Department of Economic Development

- The City contributed a $200,000 recoverable Urban Development Action Grant (UDAG) to the Health-Tech Corridor (HTC) Attraction Fund. The fund is expected to create over 50 full-time jobs over the next five years. HTC provides flexible financial resources to innovation driven technology companies.
- The City provided a $218,445 grant to MidTown Cleveland, Inc. for the railroad bridge beautification project. Crossing over the intersection of Euclid Avenue and East 55th Street a railroad bridge was transformed into a symbol of innovative health-tech and high-tech economy that is emerging in MidTown Cleveland and the Health-Tech Corridor.
- Abeona Therapeutics develops and delivers gene therapy and plasma-based products for severe and life-threatening rare diseases. Abeona will be developing their manufacturing facility in the HTC. To assist with the development of the $6 million facility, the City is providing an $180,000 Vacant Property Initiative (VPI) Forgivable loan and $250,000 Economic Development Administration (EDA) Machinery and Equipment loan.
- Dealer Tire is staying in the City and moving to the Victory Building. The City is providing an incentive package that includes TIF, low-interest loans and grants totaling over $6.5 million. This project maintains Dealer Tire's over 400 employees and over $50 million payroll, while providing a long-term home for their future growth, expected to create at least 100 jobs over the next five years.
- Under the VPI program, the City provided approximately $3.1 million in assistance to 16 borrowers. The total project cost for these borrowers is $24.6 million and will create over 300 new jobs. A few borrowers include The Beauty Shoppe, LLC, Empire Paving, Abeona Therapeutics and Ohio Awning.

Department of Public Health (CDPH)

- Successfully contained 13 outbreak investigations.
- Developed health data mapping infrastructure for program areas including chronic disease, infectious disease, violence injury, environmental and substance abuse.
- Provided over 147,000 condoms through departmental and partner events.
- Conducted 7,043 HIV tests through City health center services and 3,533 HIV tests through community partners.
- Reached over 3,900 community members through HIV prevention and risk reduction education.
- Expanded reproductive health services for teens to include evenings at both J. Glen Smith and McCafferty Health Centers.
- Administered 1,646 childhood immunizations.

- Funding was received to craft a communications plan for the Healthy Cleveland Initiative that created a user friendly website to share and disseminate health information and resources as well as promote individual health messaging and campaigns.

- The Complete Health and Wellness Fair, which assembles providers who offer services in demand, was attended by over 500 consumers.

- The Celebrating Recovering 5K run/ 3K walk enticed over 300 runners.

- Moms First developed a “Safe Sex” poster campaign focusing on neighborhoods with high teen pregnancy rates.

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

- An agreement to launch First Year Cleveland, an initiative designed to lower the region’s high infant mortality rate, was signed on by more than a dozen local leaders, including the Mayor, County Executive, Council Members, hospital chief executive officers and health leaders.

- Planned and executed the Health Division Summit for the Cleveland Council on World Affairs’ Kosovo Youth Exchange Program’s “Youth In Action”.

- The Department, through its Office of Mental Health and Substance Abuse, offers one of only a few Project Deaths Avoided With Naloxone (DAWN) walk-in clinics. It opened its doors in late July 2015 and has documented opiate overdose reversal.

- The Division of Air Quality surpassed their annual goal for issuing City Air Contaminant Source permits. As a result the division’s revenue reached over $150,000.

- The Air Quality Enforcement Section processed 3,663 asbestos National Emission Standards for Hazardous Air Pollutants (NESHAP) notifications, which consisted of 1,487 original and 2,176 revised.

- The Air Quality Division was awarded the biennial contract from Ohio Environmental Protection Agency (EPA) to continue to serve as their delegated Local Air Agency for all of Cuyahoga County.

- The Division of Environment initiated case management and investigation into 729 lead poisoning case reports including six that required hospitalization.

- The Division of Environment performed 2,450 citizen nuisance complaint investigations, 246 food complaints, issued 2,284 tickets and 71 court summons.

- Investigated 246 rodent complaints and performed baiting if necessary.

- Investigated 546 mosquito breeding locations and complaints and treated with larvicides as appropriate.

- Conducted 7,356 food operations inspections, including restaurants, mobile food vehicles, temporary operations, retail food establishments and vending locations.

Department of Aging

- Provided core services to 5,665 unduplicated clients, seniors and adults with disabilities.

- Secured approximately $700,000 in grants to support programs for seniors and adults with disabilities.

- The Annual Senior Day Program held in May 2015 attracted more than 2,000 senior citizens. The Annual Cleveland Senior Walk, held in September had over 1,000 participants. The Annual Disability Awareness Day luncheon held in October included over 300 participants.

The Office of Equal Opportunity (OEO)

- Under Codified Ordinance No. 188, OEO penalizes contractors that fail to meet the Cleveland Resident Employment Law. Since 2009, over $308,000 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 fourth 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 2015, OEO provided more than 88 hours of technical assistance to both internal and external customers, contractors, subcontractors and the City's contracting departments as a matter of customer service, a Mayoral goal and in an effort to implement seamless Go Live implementation of B2GNow & LCP. In 2015, OEO will continue to provide technical assistance sessions as a matter of on-going customer service.

- In 2015, 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 133,144 nutritious after school and summer meals.

- The Division of Park Maintenance serviced 72,646 vacant properties.

- The Division of Motor Vehicle Maintenance purchased 84 new vehicles. Included in the total are 30 police vehicles, 26 waste packers, 20 dump/plow trucks, five ambulances and three fire trucks.

- The Division of Park Maintenance, Urban Forestry section, trimmed 1,420 trees, removed 1,241 trees and planted 412 new trees.

- The Division of Waste Collection collected and disposed of 206,879 tons of debris and recycled 21,809 tons of materials. They expanded the automated waste collection and curbside recycling program to 18,000 additional households, bringing the citywide total to 138,000.

- The Division of Parking expanded smart meters on West 6th Street, Euclid Avenue and Detroit Avenue. 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 244,774 square yards of curb-to-curb projects. The Division also performed crack-sealing on approximately 61 miles of roadway to extend each road's useful life.

- The Division of Traffic Engineering painted 485 miles of lane lines and replaced over 3,364 traffic light bulbs.

Department of Public Safety

- The City continued its efforts to expand its wireless video surveillance initiative Cleveland Shared Security Surveillance (CS3) program. This program now includes 120 cameras citywide. The City is planning video expansion projects with several members of City Council and the Ohio Department of Transportation for 2016.

- The Division of Police implemented the upgrade to the Records Management System (RMS). The new robust RMS platform will streamline and expedite police reporting, enabling officers to engage in direct law enforcement activities and accelerate investigations for police detectives. This system will also include mobile field reporting, which will revamp the way officers write and submit reports and allow for future expansion.

- The Division of Police continued the implementation of the Body Worn Camera Project. In February 2015, the City began the implementation of 1,093 body worn cameras, which included the five Police Districts, Bureau of Traffic, Mounted Unit and Officers assigned to City Hall. These cameras create a video record of police interactions with the public thereby enhancing accountability, transparency and public trust. Since this implementation, the City has seen a 39% decrease in citizen complaints filed with the Office of Professional Standards.

- The Department, in partnership with federal, state and local agencies has been heavily immersed in planning for the 2016 Republican National Convention (RNC). The Division of Police will be the lead local law enforcement agency tasked with planning, needs assessment, asset procurement and coordination of law enforcement and security efforts for the RNC.

- The Division of Police opened the new state-of-the-art Third District Headquarters. In addition to the Division of Police field and support functions, it is home to the new Public Safety Communications Center. The facility features community meeting rooms for citizen gatherings and is Leadership in Energy and Environmental Design (LEED) silver certified.

- In March 2015, the Department implemented a program to equip every police cruiser with First Aid kits and to train police officers on First Aid procedures. Under this program, 800 First Aid kits were purchased and the Division of Emergency Medical Service (EMS) provided First Aid training to approximately 1,400 Division of Police personnel. These program objectives were accomplished in less than nine months.

- In June of 2015, the City negotiated a Settlement Agreement with the U.S. Department of Justice, thus embarking on a historic process of remaking the Division of Police into a national model of community based policing.

- The Division of Fire Public Education Unit facilitated the installation of smoke detectors at 542 locations at no cost to the recipients. Over 1,500 smoke detectors have been installed upon request by city residents. The unit was also present at 355 community-related events in 2015 with their Fire Safety House, fire safety programming and mentoring activities.

- The Division of Fire applied for and was awarded the Assistance to Firefighters Grant (AFG) and the Staffing for Adequate Fire & Emergency Response (SAFER) grant. The AFG will provide fire training and rescue equipment and the SAFER will provide funding for the first two years of employment for 30 firefighters. These two grants combined will provide the City with over $4.7 million of outside funding for operations.

- The Insurance Services Office (ISO) announced that fire-protection services of the Division of Fire improved to Class 2, effective October 1, 2015. This significant achievement is provided to less than 1,100 of the 47,500 fire jurisdictions in the U.S. By classifying communities' ability to suppress fires, ISO helps the communities evaluate their public fire-protection services. This information plays an important role in the decisions residential and commercial property insurers make affecting the availability and price of insurance coverage.

- The Division of EMS had another record breaking year for emergency medical calls. The Division received 115,303 calls for service and transported 74,658 patients to area hospitals. In addition, the Division provided cardiopulmonary resuscitation (CPR), automated external defibrillators (AED) and First Aid training as well as training in the use of tourniquets, Quik-Clot gauze and Bolin chest seals for over 1,400 Division of Police employees. In addition, 513 first aid kits were distributed to all police districts and specialty units.

- The Departments of Public Safety, Personnel and Human Resources along with the Civil Service Commission are working to streamline the hiring process for the uniformed and civilian personnel of the Divisions of Police, Fire and EMS. Completion of this process should result in enabling prospective applicants to electronically submit employment applications and to monitor ongoing Civil Service tests and schedules.

- A site for the new Kennel for the Division of Animal Care and Control has been approved. The Department has engaged community stakeholders in the design of the new facility and groundbreaking is scheduled for September 2016. The Division continues to work with their regional partners to develop a regional approach to animal care and control.

- The CITY DOGS Cleveland Adoption Program is now trademarked and has received national recognition. The Division continues to upgrade its technology capabilities and now accepts credit card payments. Future initiatives include installing mobile devices in all animal control vehicles to enable the dispatch of calls to service in live-time; and installing global positioning systems (GPS) to enable tracking capabilities. The kennel has added open kennel hours on Sundays to provide seven day a week access to the dogs.

- The City 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 the City's prisoners. This is another example of the Department'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.

- The Division of Correction continues to work with the Cleveland Municipal Courts on programs to help reduce the daily average jail population. Recently a judicial order has been implemented revamping the bond schedule for non-violent misdemeanants. Two additional video court booths, at the House of Correction, have been implemented to reduce inmate transportation to the courts, adding to safety and security.

- The Office of Professional Standards (OPS) has implemented many initiatives in accordance with the Consent Decree/Settlement Agreement the City entered into with the U.S. Department of Justice. These initiatives include revisions in the appointment process of members of the Civilian Police Review Board (CPRB), developed a Spanish-Translated Citizen Complaint Form, revised the Operations Manual for OPS and the CPRB and established a centralized numbering and tracking system to ensure complaints can be tracked through initiation to resolution.

Department of Public Utilities

- The Division of Water services not only the City, but also 69 direct service communities, eight master meter communities and three emergency standby communities. They provide water to approximately 419,469 city and suburban accounts in the Cleveland metropolitan area. Of these 419,469 accounts, approximately 123,338 accounts were located within the City; accounting for 24% of the Division's metered sales revenue. The Division also sells 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. In 2015, the major capital projects for the Division of Water included the meter automation and replacement program, suburban water main renewal, Crown Water Plant and the water main rehabilitation.

- The Division of Cleveland Public Power (CPP) provided approximately 73,500 residential and business customers in the City with reliable and affordable power. In 2015, CPP sold approximately 1.616 billion Kilowatt hours (kWh) of electricity.

- The Division of Water Pollution Control maintains the local sanitary sewer and storm water collection system within the City. The system is comprised of over 1,400 miles of sewer lines, more than 44,000 storm drains and 15 pump stations. In 2015, the Division's sewers transported 1,790,290 thousand cubic feet (Mcf's) of water. In 2015, the major capital projects for the Division included emergency sewer repairs, sewer replacement and rehabilitation, catch basins and manhole covers and Massie Avenue sewers.

Department of Port Control

- During 2015, Cleveland Hopkins International Airport (CLE) enplaned 4,047,000 passengers and had aircraft landed weight of 5,118,972,000 pounds.

- In 2015, the design of the Airport Signage Program, Phase I project was completed and preparations were made to bid the project in early 2016. The goal of this project is to provide a positive and efficient guidance for customers to their desired destinations.

- In May of 2015, work had begun on the CLE Terminal Exterior Façade/Ticketing Lobby Project. This includes the modernization and upgrade of the exterior façade on the passenger terminal building for the upper and lower levels.

- The design of the CLE Airport In-Line Baggage Project was completed. The new design will support the non-United carriers to improve the baggage sorting areas.

- Phase II of the CLE Parking Redevelopment began. This project will provide a car canopy system over the premium Red Lot as well as the economy Blue Lot.

Department of Law

- Drafted approximately 597 contracts and reviewed over 854 contracts for legal form and correctness.

- Prepared 440 pieces of legislation for introduction to City Council.

- Obtained 805 search warrants for Housing Court enforcement actions and helped Building and Housing obtain legal authorization for more than 594 demolitions of unsafe structures in the City.

- Responded to 3,370 citizen requests for non-routine public records.

- Processed 953 claims for property damage and other losses.

- Represented the City in 623 civil cases pending in various Ohio state and federal courts and represented the City in 233 labor and employment related matters pending before various tribunals including arbitrators and commissioners.

- Prosecuted 1,402 criminal complaints in Housing Court for failing to comply with Building and Housing administrative orders at sites with code violations found at properties. Successfully prosecuted civil nuisance abatement actions for numerous properties across the City.

- Processed 3,176 citizen complaints in the Prosecutor's office.

- Issued 17,977 misdemeanor charges, of which, 1,641 were domestic-violence and issued 4,078 felony charges, of which, 342 were domestic violence.

- Issued 1,620 Operating Vehicle Impaired charges and 49,107 traffic offense charges.

Office of Capital Projects

- The Office of Capital Projects continued to meet with the Complete and Green task force to plan and implement complete and green streetscape projects. The design and construction was completed on several projects including Triskett Avenue from Lorain to West 117th Street, Prospect Avenue from Ontario Street to East 22nd Street, Broadview Avenue from Brookpark Road to Pearl Road, East Boulevard and Ford Drive from Euclid Avenue to St. Clair Avenue and Harvard Avenue from East 55th Street to East 93rd Street. Also, there were 300 Americans with Disability Act (ADA) ramps installed in conjunction with the City's resurfacing program.

- The Office furthered 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. The design and construction were completed for the Dwayne Browder Synthetic Turf Field at Lonnie Burden Recreation Center. The design and construction was also completed for the Duggan Park and swimming pool, citywide play surfaces, the Rockefeller Park Greenhouse heating system upgrades, various improvements to the West Side Market, City Impound Lot, 3rd District Police Headquarters, Jefferson Avenue Green Infrastructure Project and the Near West Theatre Parking Lot.

- The Office planned, designed, managed and constructed street and bridge capital improvement projects and developed funding strategies through the pursuit of grants and loans from various sources. Design and construction was completed on several projects including Warren Road from Munn Road to Lorain Avenue, Woodland Avenue from East 55th Street to Buckeye Road, Buckeye Road from Woodland Avenue to Woodhill Road, Cedar Avenue from East 55th Street to East 89th Street and the Ackley Broadway intersection, East 6th Street from Superior Avenue to Lakeside Avenue and St. Clair Avenue from West 6th Street to West 9th Street.

- Completed 84 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 Opportunity Corridor, West 130th Street, West 65th Street and Clark, Carter and Scranton Roads, West Shoreway and West 73rd Street as well as land acquisitions for Towpath Trail, Ken Johnson Recreation Center and West Side Market Parking Lot Projects.

Office of Sustainability

- Created the Cleveland Tree Plan to improve the tree canopy.

- Received grants from local and national funders to advance the Cleveland Climate Action Plan.

- Coordinated the Year of Clean Water, including hosting Clean Water Tour and Sweepstakes consisting of 25 events, Clean Water Videos and the Bottled Water Pledge.

- Worked with the Division of Waste to launch the One Simple Act Recycling campaign and to engage City employees in the 50 Simple Acts employee challenge.

- Supported LEED Co. in continued progress to install an offshore wind farm in Lake Erie.

- Collaborated on Solarize Cleveland, a program that offers low cost, turnkey solar solutions to residents and small businesses.

- Managed and reported on utility and energy data for all city facilities.

- Continued to collaborate on the implementation of complete and green streets. In 2015, 16.3 miles of bikeway were completed or were under construction, bringing the total of bikeway miles to 78.

- Continued to implement the Summer Rain Barrel Program as part of the Mayor's Summer Youth Employment Program, which provides 400 free rain barrels to City residents. 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.

2016 Budget

During 2015, the City maintained existing staffing levels. 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. It is being considered to add a 0.5% income tax increase on the November ballot. The tax increase along with controlling costs, will preserve our current work force, improve services to the public and help the implementation of a federal consent decree on police use of force. Another challenge for fiscal 2016 is the Department of Justice compliance. The City has also begun significant planning for the arrival of the Republican National Convention in 2016. The Budget Management strategy for fiscal 2016 includes, but is not limited to, the following:

- Civil service testing for police and fire entrance exams.

- A 9% increase in projected healthcare 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 2016 budget are:

- Revenues and other sources are projected to increase from $516.8 million in 2015 to $525.4 million in 2016. This increase is primarily attributed to an increase of $15.0 million due to modest gains in economic growth and an increase of $1.9 million as a result of EMS transport billing.

- Expenditures and other uses are estimated to increase from $524.9 million in 2015 to $566.7 million in 2016. The rise is primarily attributed to costs arising from the Department of Justice decree.

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 $26 million). The fund balance in the Rainy Day Reserve Fund at December 31, 2015 was $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 2 years, 2016 – 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 (RNC). The event is expected to draw 50,000 attendees and 15,000 members of the media to the City and have a $400 million dollar economic impact. The City received a $50 million Federal Grant to meet the security needs of the RNC.

- Work continued 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 $272 million 600-room convention center hotel. The construction is expected to be completed by 2016 and Hilton Worldwide will operate the facility.

- The Cleveland Clinic and Case Western Reserve University broke ground on their joint $515 million Health Education Campus. This project is intended to burnish the City's image as a center of medicine and medical education. The four-story building will house the Cleveland Clinic Lerner College of Medicine, Case Western Reserve University's School of Medicine, School of Dental Medicine and Frances Payne Bolton School of Nursing. It will include a free-standing, two or three story dental clinic.

- Construction began in Ohio City on West 25th Street. The construction of a $27.4 million loft apartment project will turn the old Exhibit Builders property into 83 residences and commercial space. The apartments could open in September 2016. The apartments will range from studios to three-bedroom units.

- Phase II of First Energy Stadium included $50 million of renovations including updates to the general-concession areas, modernization of premium seats, technology upgrades and graphics throughout the Stadium. The graphics include images honoring current and former Browns players.

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 2020 Citywide Plan* – a plan for the future of the City and its neighborhoods. It seeks to create great neighborhoods by creating "connections" between people, places and opportunities. It is developing buildings as well as developing people and communities. It means linking the "physical" and the "social" in order to create a community that is truly viable and sustainable. The plan lays out a practical vision to achieve its goals through a strategy that builds on the City's unique assets and the assets in each of its diverse neighborhoods.

- *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 the City 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.

- *Clean Cleveland* – is a systematic delivery system designed to deliver service more efficiently and improve quality of service to Cleveland neighborhoods, without spending more money. Departments and divisions coordinate across boundaries to provide services, not limited to vacant structure clean-up, waste collection, street sweeping, graffiti removal, hydrant painting and abandoned structure board up or demolition.

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, 2015, represents the 35th consecutive year the City has prepared a 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.

Government Finance Officers Association (GFOA) Certificate of Achievement Award: The GFOA of the United States and Canada 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, 2014. 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 CAFR's 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 31 years (years ended 1984 – 2014). 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

Sharon Dumas, Director
Department of Finance

James E. Gentile

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
Merle Gordon	Director, Department of Public Health
Melissa K. Burrows, Ph.D.	Director, Office of Equal Opportunity
Michael E. Cox	Director, Department of Public Works
Nycole West	Interim Director, Department of Human Resources
Fred Szabo.	Interim 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
Kerry McCormack	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

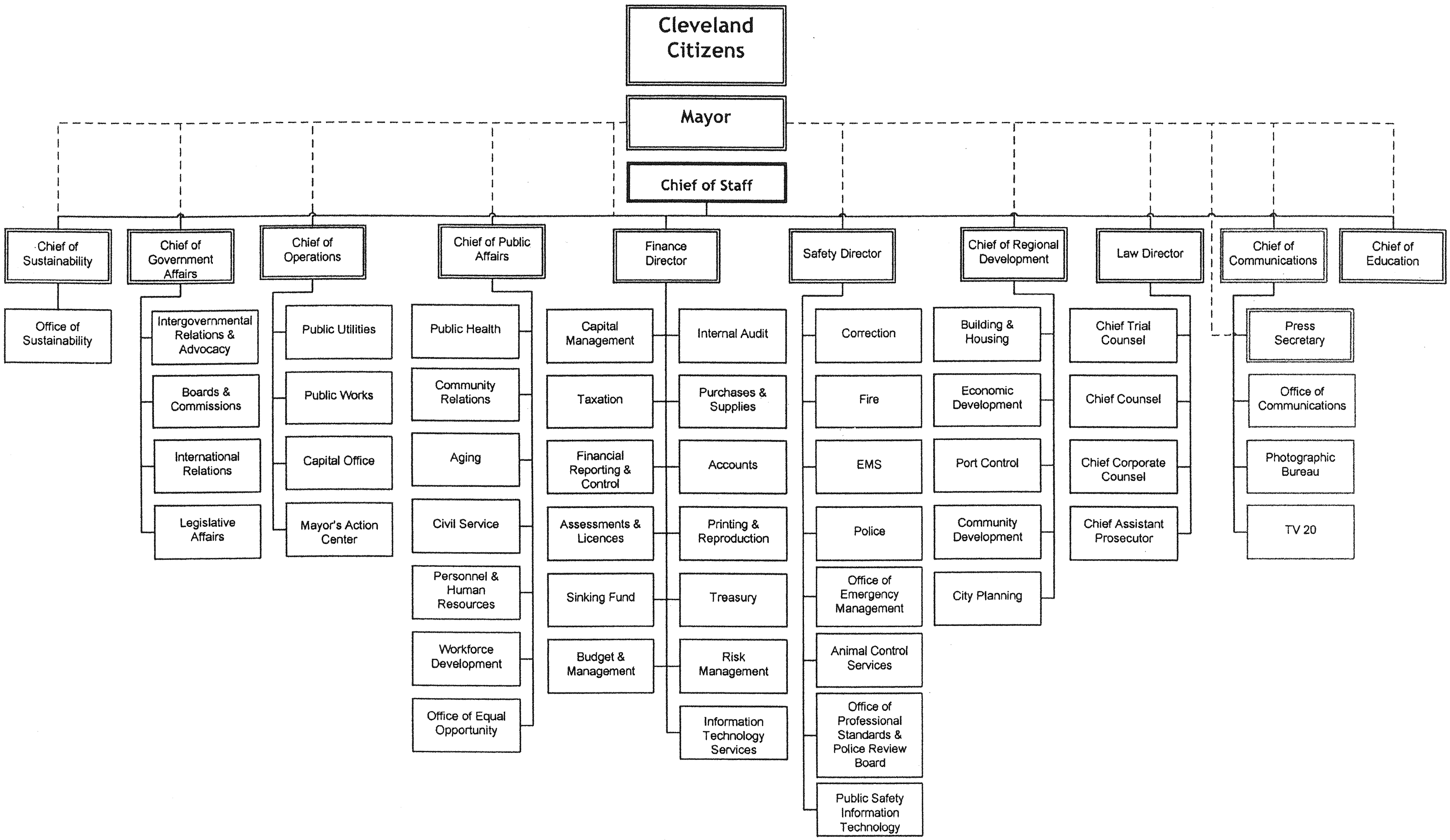
Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2014

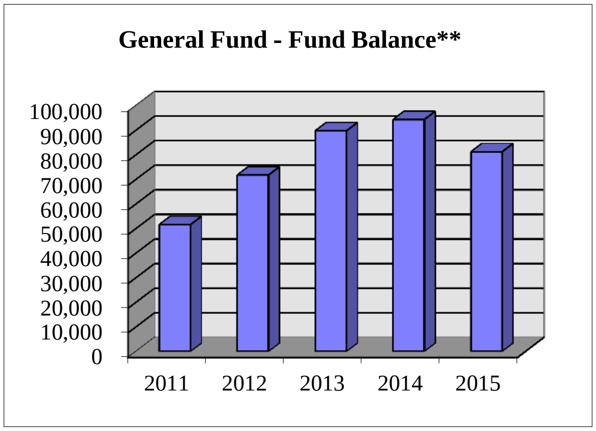
Executive Director/CEO

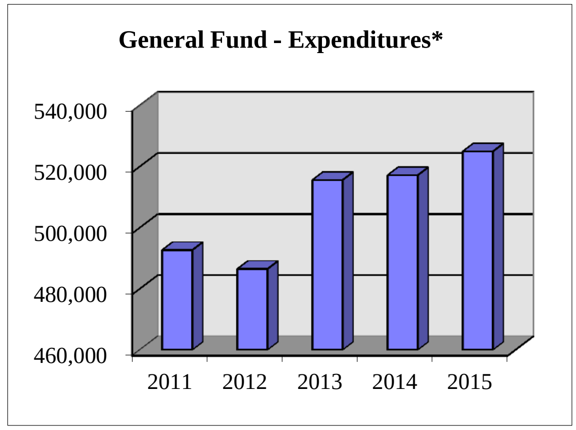
CITY OF CLEVELAND, OHIO
ADMINISTRATIVE ORGANIZATION CHART

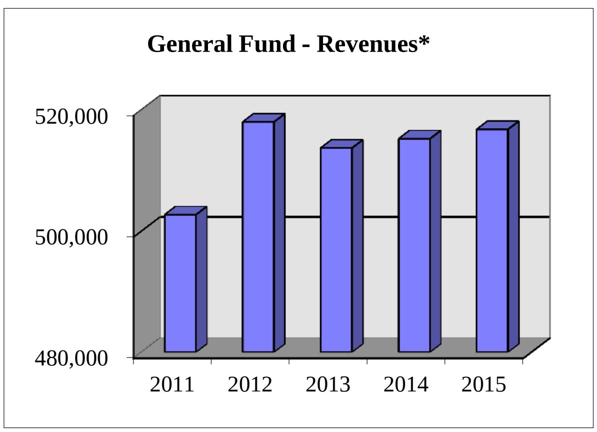


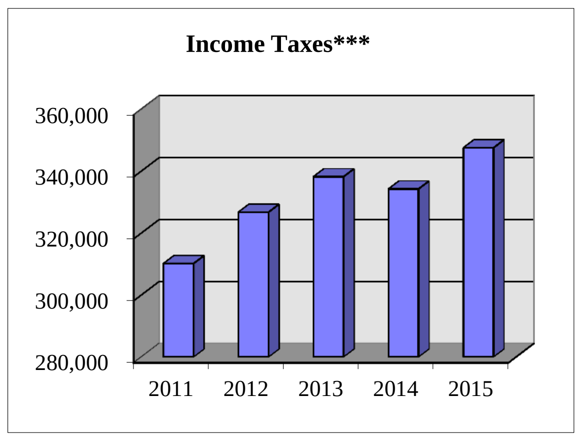
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(Amounts in 000's)









For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
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
2015	81,209	516,783	524,938	347,565

* *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.

This Page Intentionally Left Blank.

FINANCIAL SECTION

This Page Intentionally Left Blank.

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, 2015, 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.

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

www.cshco.com
p. 513.241.3111
f. 513.241.1212

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, 2015, 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.

Effect of Adopting New Accounting Standards

As discussed in Note 20, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities and pension contributions, as listed in the table of contents, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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 28, 2016 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 28, 2016

This Page Intentionally Left Blank.

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, 2015. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 56.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2015 by approximately $2.478 billion (net position). Of this amount, $60.7 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the approximately $2.478 billion of net position, governmental activities accounted for approximately $399 million of net position, while business-type activities net position accounted for approximately $2.079 billion.
- The City's net position increased by $49.3 million as compared to 2014. The governmental activities net position decreased by $8.0 million and the business-type activities net position increased by $57.3 million.
- At the end of the current year, unassigned fund balance for the General Fund was $68.5 million, which represents the amount available for spending at the City's discretion. The unassigned fund balance equals 13.4% of the total General Fund expenditures and other financing uses.
- In 2015, the City's total long-term debt and other long-term debt-related obligations, excluding premiums, accreted interest and discounts decreased by $48.1 million. The decrease indicates that the City's debt service payments and debt refunded or defeased exceeded new debt issued in 2015.

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 five components: (1) government-wide financial statements, (2) fund financial statements, (3) General Fund budget and actual statement, (4) notes to the financial statements and (5) Required Supplementary Information. 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 56-59 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 60-63 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 64-68 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 69 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 71-126 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, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	(Amounts in 000's)					
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets:						
Current and other assets	$ 805,159	$ 793,665	$ 1,105,759	$ 1,099,149	$ 1,910,918	$ 1,892,814
Capital assets	1,179,281	1,136,326	3,074,319	3,099,352	4,253,600	4,235,678
Total assets	1,984,440	1,929,991	4,180,078	4,198,501	6,164,518	6,128,492
Deferred outflows of resources	91,301	57,131	98,048	93,553	189,349	150,684
Liabilities:						
Pension	539,489	512,722	99,105	97,031	638,594	609,753
Long-term obligations	910,656	833,293	1,886,217	1,978,958	2,796,873	2,812,251
Other liabilities	164,738	172,580	191,683	174,976	356,421	347,556
Total liabilities	1,614,883	1,518,595	2,177,005	2,250,965	3,791,888	3,769,560
Deferred inflows of resources	62,016	61,689	22,419	19,639	84,435	81,328
Net position:						
Net investment in capital assets	653,925	828,002	1,354,871	1,335,195	2,008,796	2,163,197
Restricted	167,042	152,360	240,979	244,937	408,021	397,297
Unrestricted	(422,125)	(573,524)	482,852	441,318	60,727	(132,206)
	$ 398,842	$ 406,838	$ 2,078,702	$ 2,021,450	$ 2,477,544	$ 2,428,288
Beginning net position	$ 406,838	$ 779,075	$ 2,021,450	$ 2,026,042	$ 2,428,288	$ 2,805,117
Change in net position	(7,996)	90,637	57,252	80,060	49,256	170,697
Restatement - see Note 20		(462,874)		(84,652)	-	(547,526)
Ending net position	$ 398,842	$ 406,838	$ 2,078,702	$ 2,021,450	$ 2,477,544	$ 2,428,288

During 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the City's, part of a bargained-for benefit to the employee and should accordingly be reported by the City as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates and return on investments affect the balance of the net pension liability, but are outside the control of the City. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $2,975,814,000 to $2,428,288,000.

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 of resources exceeded liabilities and deferred inflows of resources by approximately $2.478 billion at the close of the most recent fiscal year. This represents an increase of 2.0% in 2015. Of the City's net position, 16.1% represents its governmental net position and 83.9% represents its business-type net position.

Of the net position from governmental activities, $653.9 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, $167.0 million, represents resources that are subject to external restrictions on how they may be used. There was an increase in unrestricted net position of $151.4 million.

In 2015, the total assets and deferred outflows of resources from governmental activities increased by $88.6 million. This increase is primarily attributed to increases in capital assets of $43.0 million and deferred outflows of resources of $34.2 million. The increase in capital assets relates largely to various infrastructure improvements within the City. The increase in deferred outflows of resources is a result of a difference between projected and actual earnings on pension plan investments.

Also in 2015, the total liabilities and deferred inflows of resources from governmental activities increased by $96.6 million. This was caused primarily by an increase in long-term obligations of $77.4 million and net pension liability of $26.8 million offset by a decrease in due to other governments of $6.1 million.

In 2015, business-type total assets and deferred outflows of resources decreased by $13.9 million. Capital assets decreased $25.0 million which was offset by an increase in deferred outflows of resources $4.5 million and an increase in current and other assets of $6.6 million. The decrease in capital assets largely relates to depreciation expense. The increase in deferred outflows of resources is primarily due to a difference between projected and actual earnings on pension plan investments.

Business-type total liabilities and deferred inflows of resources decreased by $71.2 million primarily due to decreases in long-term obligations related to debt retirement. The Division of Water decreased long-term obligations by $46.9 million primarily relating to their revenue bonds and OWDA loans and the Division of Cleveland Public Power decreased their long-term obligations by $6.4 million.

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

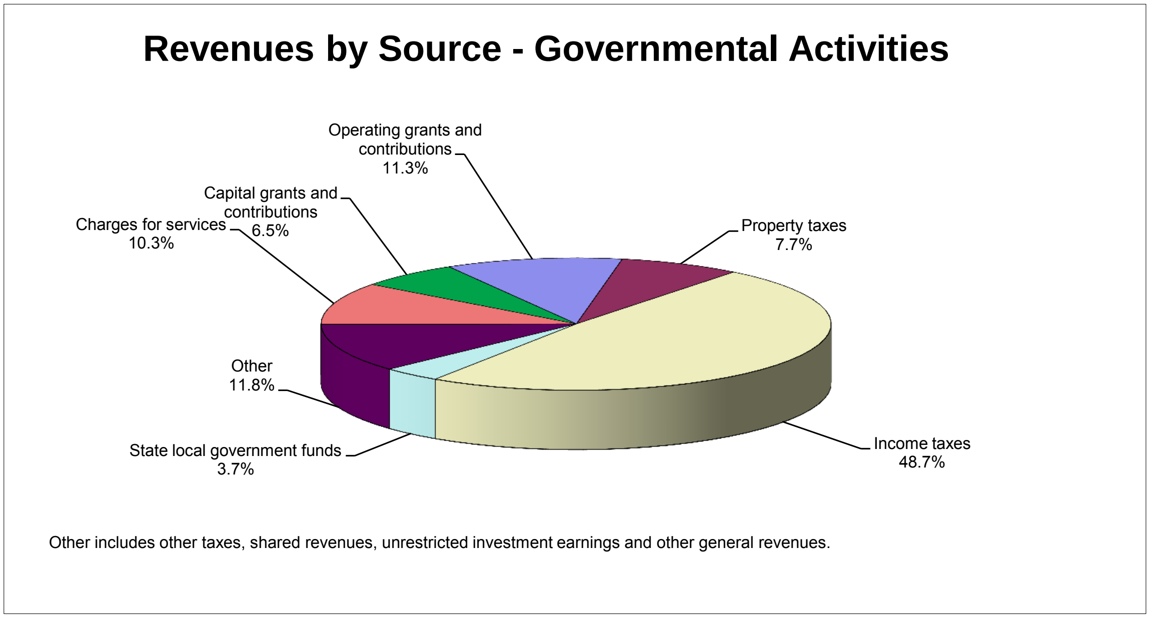
For Fiscal Years Ended December 31, 2015 and 2014

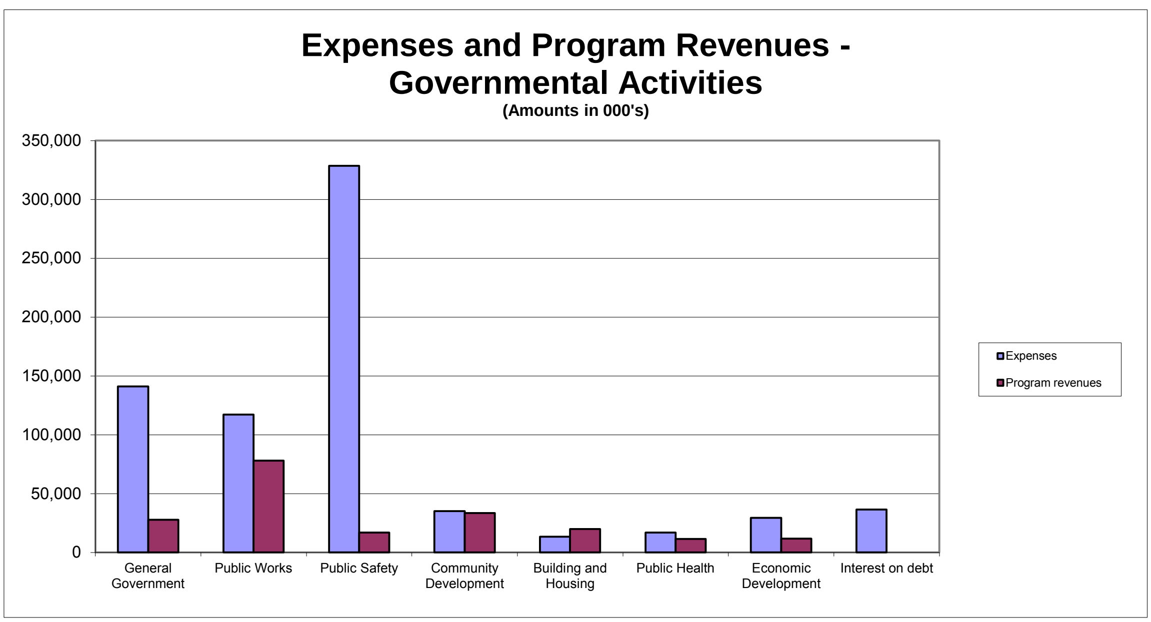
	Governmental Activities		Business-Type Activities (Amounts in 000's)		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Revenues:						
Program revenues:						
Charges for services	$ 73,525	$ 80,935	$ 661,528	$ 651,255	$ 735,053	$ 732,190
Operating grants and contributions	79,972	99,790	4,022	4,565	83,994	104,355
Capital grants and contributions	46,087	88,288	47,043	57,756	93,130	146,044
General revenues:						
Income taxes	346,797	337,933			346,797	337,933
Property taxes	55,017	52,327			55,017	52,327
Other taxes	38,904	35,851			38,904	35,851
Shared revenues	34,974	37,240			34,974	37,240
State local government funds	26,567	23,846			26,567	23,846
Unrestricted investment earnings	1,060	1,193	4	3	1,064	1,196
Other	8,760	11,454			8,760	11,454
Total revenues	711,663	768,857	712,597	713,579	1,424,260	1,482,436
Expenses:						
General Government	140,946	121,050			140,946	121,050
Public Works	117,040	129,551			117,040	129,551
Public Safety	328,453	298,768			328,453	298,768
Community Development	35,026	39,099			35,026	39,099
Building and Housing	13,433	11,059			13,433	11,059
Public Health	16,841	18,236			16,841	18,236
Economic Development	29,474	32,508			29,474	32,508
Interest on debt	36,489	26,333			36,489	26,333
Water			259,892	253,822	259,892	253,822
Electricity			197,823	181,862	197,823	181,862
Airport facilities			162,499	161,021	162,499	161,021
Nonmajor activities			37,088	38,430	37,088	38,430
Total expenses	717,702	676,604	657,302	635,135	1,375,004	1,311,739
Changes in net position before transfers	(6,039)	92,253	55,295	78,444	49,256	170,697
Transfers	(1,957)	(1,616)	1,957	1,616	-	-
Changes in net position	$ (7,996)	$ 90,637	$ 57,252	$ 80,060	$ 49,256	$ 170,697

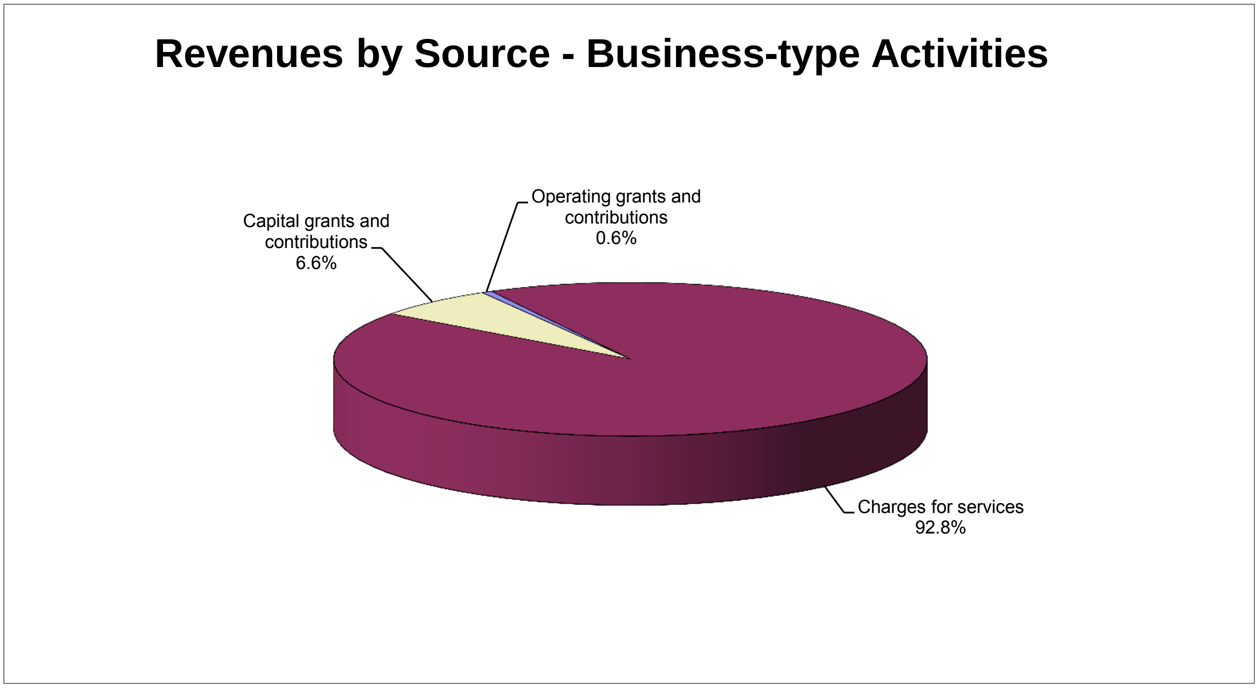
Business-type net position increased by $57.3 million in 2015. Of the business-type net position, $1.355 billion represents its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. These capital assets 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 $241.0 million of net position is subject to external restrictions on their use. The remaining balance of $483.0 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

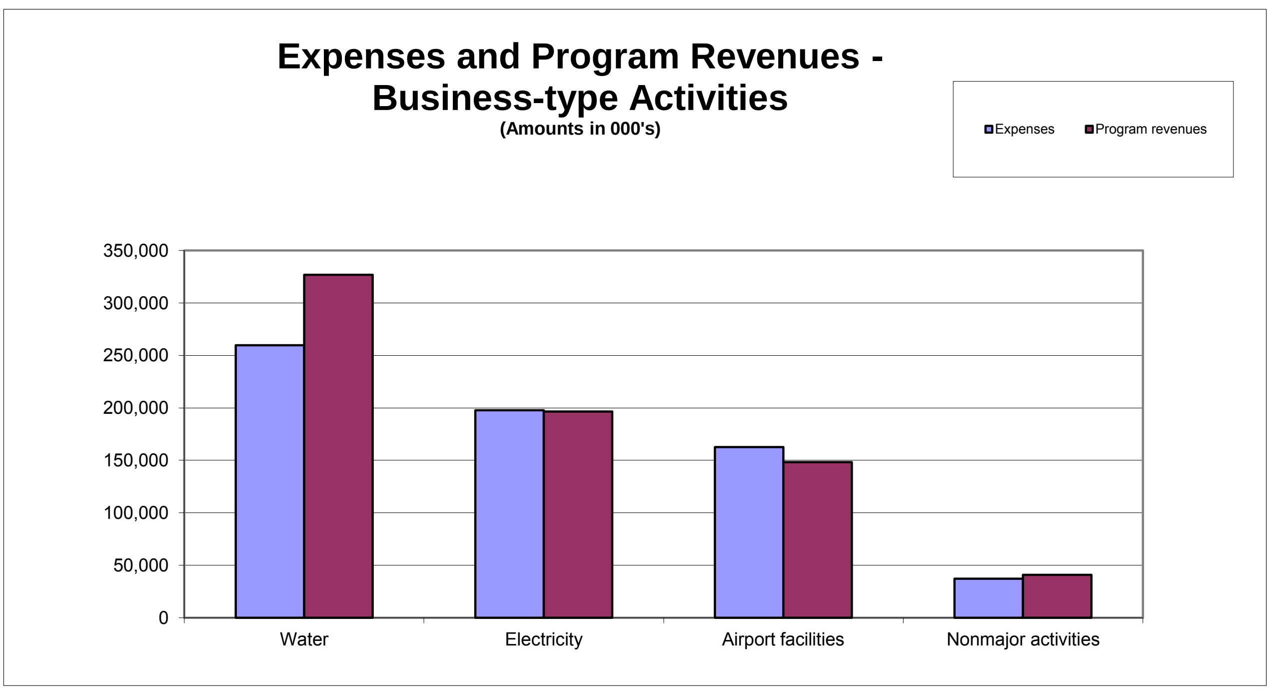
The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 expenses still include pension expense of $62.2 million computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of $65.4 million. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
		(Amounts in 000's)	
Total 2015 program expenses under GASB 68	$ 717,702	$ 657,302	$ 1,375,004
Pension expense under GASB 68	(54,471)	(10,955)	(65,426)
2015 contractually required contribution	51,550	12,341	63,891
Adjusted 2015 program expenses	714,781	658,688	1,373,469
Total 2014 program expenses under GASB 27	(676,604)	(635,135)	(1,311,739)
Increase in program expenses not related to pension	$ 38,177	$ 23,553	$ 61,730


Revenues by Source - Governmental Activities
Operating grants and contributions 11.3%
Capital grants and contributions 6.5%
Charges for services 10.3%
Property taxes 7.7%
Other 11.8%
State local government funds 3.7%
Income taxes 48.7%
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
Operating grants and contributions 0.6%
Capital grants and contributions 6.6%
Charges for services 92.8%


Expenses and Program Revenues - Business-type Activities
(Amounts in 000's)
Expenses
Program revenues
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 69 direct service, eight master meter and three emergency standby suburban municipalities in Cuyahoga, Medina, Summit, Portage, Lake and Geauga counties. They provide water to approximately 419,469 city and suburban accounts in the Cleveland Metropolitan Area. Operating revenue in 2015 decreased to $301.3 million from $303.4 million in 2014. The reduction is primarily attributed to water pumpage decreases of approximately 358,000 MCF (thousand cubic feet) or 3.3% as compared to 2014. Operating expenses, exclusive of depreciation, increased approximately 8.1% to $166.0 million compared to $153.6 million in 2014.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 73,500 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 2015 operating revenue increased 6.1% to $192.9 million from $181.8 million in 2014. Purchased power expense increased 6.8% to $123.8 million in 2015 from $115.9 million in 2014. Operating expenses, exclusive of depreciation and purchased power increased 11.0% to $42.4 million compared to $38.2 million in 2014.

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 2015, 23 passenger airlines provided 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 decreased $6.4 million in 2015 largely due to a 16.2% decrease in landing fees from signatory airlines. Total operating expenses for 2015 increased $2.7 million primarily due to higher insurance, taxes and professional fees.

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 $476.4 million, an increase of $21.0 million and approximately 4.6% in comparison with the prior year. The components of the governmental fund balances include an unassigned balance of $68.5 million, which indicates the amount available for spending at the City's discretion. An additional $312.1 million of fund balance is available for expenditures that are legally restricted for a particular purpose. The nonspendable portion of fund balance has $1.6 million of items that are not in a spendable form, such as inventory. An additional $82.2 million is committed to fund specific purposes and cannot be reassigned without legislative approval. The remaining assigned balance of $12.0 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 $68.5 million and the total fund balance was $81.2 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 13.4% of total General Fund expenditures and other financing uses, while total fund balance represents approximately 15.9% 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
2015 and 2014
(Amounts in 000's)

	2015	**2014**
Revenues:		
Income taxes	$ 311,174	$ 299,669
Property taxes	32,673	32,349
State local government funds	26,433	25,077
Other taxes	38,904	35,851
Other shared revenues	16,564	17,541
Licenses and permits	16,741	13,046
Charges for services	31,740	33,512
Fines, forfeits and settlements	15,169	23,348
Investment earnings	498	507
Grants	399	1,706
Miscellaneous	5,036	8,208
Total revenues	495,331	490,814
Expenditures:		
General Government	79,272	84,408
Public Works	66,301	66,553
Public Safety	306,492	285,937
Community Development	265	245
Building and Housing	9,135	8,610
Public Health	6,150	5,604
Economic Development	1,480	1,514
Other	8,635	10,580
Capital outlay	3,750	716
Principal retirement	250	250
Total expenditures	481,730	464,417
Excess (deficiency) of revenues over (under) expenditures	13,601	26,397
Other financing sources (uses):		
Transfers in	1,693	5,597
Transfers out	(28,727)	(28,459)
Sale of City assets	315	1,044
Net change in fund balance	(13,118)	4,579
Fund balance at beginning of year	94,327	89,748
Fund balance at end of year	$ 81,209	$ 94,327

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $497.3 million in 2015, a decrease of approximately $116,000 from 2014. 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 2015, 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 $11.5 million in 2015, 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	Total Assessed Valuation
		(Amounts in 000's)	
2015	$ 4,629,285	$ 318,829	$ 4,948,114
2014	$ 4,601,349	$ 298,603	$ 4,899,952

Property tax revenue increased by $324,000 as a result of an increase in residential property valuations.

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 increased slightly by $1.4 million or 5.4% due to economic growth. Other Taxes increased by $3.1 million or 8.5% from 2014 levels primarily as a result of increases in admission tax receipts, parking tax revenues and hotel tax revenues. Other Shared Revenues decreased by $1.0 million or 5.6% from 2014 levels primarily as a result of the phase out of estate tax.

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.

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled $510.5 million in 2015, an increase of 3.6% from 2014. 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 2015**	**% of Total**	**Actual 2014**	**% of Total**	**Increase (Decrease)**	**% Change**
			(Amounts in 000's)			
Current:						
General Government	$ 79,272	15.53	$ 84,408	17.13	$ (5,136)	(6.08)
Public Works	66,301	12.99	66,553	13.50	(252)	(0.38)
Public Safety	306,492	60.04	285,937	58.01	20,555	7.19
Community Development	265	0.05	245	0.05	20	8.16
Building and Housing	9,135	1.79	8,610	1.75	525	6.10
Public Health	6,150	1.21	5,604	1.14	546	9.74
Economic Development	1,480	0.29	1,514	0.31	(34)	(2.25)
Other	8,635	1.69	10,580	2.15	(1,945)	(18.38)
Capital Outlay	3,750	0.73	716	0.14	3,034	423.74
Principal retirement	250	0.05	250	0.05	-	0.00
Transfers Out	28,727	5.63	28,459	5.77	268	0.94
Total Expenditures and Other Financing Uses	$ 510,457		$ 492,876		$ 17,581	

The total expenditures and other financing uses increased by $17.6 million. The growth was primarily caused by an increase in Public Safety payroll and benefits, mainly due to the ratification of the Fraternal Order of Police (FOP) and Local 93 union contracts.

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 $325.3 million, $28.3 million and $103.3 million, respectively, at December 31, 2015. The change in net position for each of the respective funds amounted to an increase of $66.9 million, a decrease of $1.1 million and $14.3 million during 2015. 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, 2015 and 2014, the City had approximately 6,970 and 6,969 full-time employees, respectively. Of the 6,970 full-time employees, approximately 5,347 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 – 1,137 members; Cleveland Police Patrolmen's Association (CPPA) – 1,251 members; the Association of Cleveland Firefighters – 739 members; Municipal Foreman and Laborers Union, Local 1099 – 429 members; and Local 244 – 383 members.

There have been no significant labor disputes or work stoppages in the City within the last 32 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)
2015	$ 430,189
2014	$ 421,809

In 2015, there was an increase in salaries and wages payable due to a 2% increase in cost of living.

GENERAL FUND BUDGETARY ANALYSIS

In 2015, the major differences between the original and final budget included a $5.0 million increase in income taxes which was predominantly due to the number of construction projects resulting in more construction workers contributing to the City's income tax. There was an increase of $14.4 million in the public safety expenditure budget which was due to the expected ratification of the CPPA, FOP and Local 93 union contracts. The decrease of $5.1 million in the other expenditure budget was due to the negotiation of payment terms for the Justice Center, and the $3.5 million decrease in transfers out was due to debt savings.

The major differences between the final amended budget and the actual total revenues were increases of $4.2 million in income taxes, $5.7 million in other taxes, and $4.7 million in miscellaneous. The increase in income taxes was primarily attributed to increased employment due to an increase in construction projects and developments within the City. Other taxes increased due to the advanced sales of Cavs tickets and an increase in parking and hotel tax receipts. Miscellaneous revenue increases were due to an increase in utilities indirect cost payments.

The major differences between the final amended budget and the actual total expenditures were decreases of $11.8 million in Public Safety and $6.7 million in General Government. There was a decrease in the Public Safety expenditures as a result of the CPPA union contract ratification that did not occur until 2016. The decrease in General Government expenditures was due to increased operating efficiencies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets**:** The City's capital assets for its governmental and business-type activities as of December 31, 2015, amounts to $4.254 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 0.42% (a 3.79% increase for governmental activities and a 0.81% decrease for business-type activities). A summary of the City's capital assets at December 31, 2015 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
		(Amounts in 000's)	
Land	$ 66,819	$ 192,216	$ 259,035
Land improvements	53,113	63,792	116,905
Utility plant		1,691,654	1,691,654
Buildings, structures and improvements	378,485	313,252	691,737
Furniture, fixtures, equipment and vehicles	79,681	121,505	201,186
Infrastructure	387,206	419,906	807,112
Construction in progress	213,977	271,994	485,971
Total	$ 1,179,281	$ 3,074,319	$ 4,253,600

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

- The Division of Cleveland Public Power incurred $17.7 million of capital additions relating to the Denison Avenue, Ridge Road Substation, Public Square, and Flats East Bank Phase II projects.

- The Division of Water incurred $41.4 million of capital additions mainly consisting of engineering services related to renewals of various water mains and the Boosted Third High Pump Station.

- The Division of Port Control capital improvements totaled approximately $28.4 million. Major projects were the Airport Signage Program Phase I, CLE Terminal Exterior Façade/Ticketing Lobby Project, Main Substation, CLE Airport Wide In-Line Baggage Project and Recapitalization, CLE Parking Redevelopment Phase II and the BKL Shoreline Restoration.

- The Division of Water Pollution Control had capital improvements of $9.3 million. The largest capital additions were the Ridgeland Circle Sewer Repair, Gooding Avenue Sewer Replacement, St. Clair Avenue Relining, and Wakefield Avenue Sewer.

- Major capital projects for Governmental Activities included land improvements, building improvements, vehicles and equipment, various computer system upgrades and infrastructure improvements.

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 14 – 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 $2.528 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, 2015 is summarized below (excluding unamortized discounts, premiums and accreted interest).

	Balance January 1, 2015	**Debt Issued**	**Debt Refunded or Defeased**	**Debt Retired**	**Balance December 31, 2015**
			(Amounts in 000's)		
Governmental Activities:					
General Obligation Bonds	$ 257,565	$ 60,905	$ (64,910)	$ (24,820)	$ 228,740
Urban Renewal Bonds	3,030			(685)	2,345
Subordinated Income Tax Refunding Bonds	43,650	28,975	(30,310)	(3,430)	38,885
Subordinate Lien Income Tax Bonds	188,335	113,550	(28,745)	(7,145)	265,995
Non-Tax Revenue Bonds	50,203	15,280		(1,654)	63,829
Annual Appropriation Bonds	10,280			(260)	10,020
Certificates of Participation	111,780			(6,185)	105,595
Capital Lease Obligations	15,262			(3,908)	11,354
Note/Loans Payable	2,801			(561)	2,240
Total Governmental Activities	682,906	218,710	(123,965)	(48,648)	729,003
Business –Type Activities:					
Revenue Bonds	1,786,283	222,935	(224,905)	(84,625)	1,699,688
Loans Payable	106,815			(7,595)	99,220
Total Business –Type Activities	1,893,098	222,935	(224,905)	(92,220)	1,798,908
Total	$ 2,576,004	$ 441,645	$ (348,870)	$ (140,868)	$ 2,527,911

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 $17.0 million in 2015 which represents approximately 46% 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 54% 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 facilities 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, 2015:

	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

* Parking Facilities' bonds only carry an insured rating.

** Effective November 11, 2015, Fitch Ratings revised its rating outlook on Cleveland Airport Revenue Bonds to stable from negative.

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, 2015 was:

Net General Bonded Debt:	$225,616,000
Ratio of Net Bonded Debt to Assessed Valuation:	4.56%
Net General Bonded Debt Per Capita:	$568.57

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 $519,551,923 and unvoted debt limit (5.50%) is $272,146,245. At December 31, 2015, the City had capacity under the indirect debt limitation calculation per the Ohio Revised Code to issue less than $60 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. 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 of resource 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, 2015 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

- On February 9, 2016, the City sold $144,355,000 Airport System Revenue Bonds, Series 2016 consisting of $108,120,000 Airport System Revenue Bonds, Series 2016A (Non-AMT) and $36,235,000 Airport System Revenue Bonds, Series 2016B (Non-AMT).

- Effective April 1, 2016, the Airport System Revenue Bonds, Series 2013A, which had been directly purchased by U.S. Bank National Association in 2013 were tendered and then purchased by PNC Bank, National Association.

- Effective April 14, 2016, the City issued $32,390,000 Water Pollution Control Revenue Bonds, Series 2016 (Green Bonds).

- Effective May 18, 2016, the City issued $47,545,000 Various Purpose and Refunding General Obligation Bonds, Series 2016A and $4,260,000 Final Judgment General Obligation Refunding Bonds, Series 2016B.

- In 2016, the City was awarded a $50 million grant for the Republican National Convention by the U.S. Department of Justice.

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.

This Page Intentionally Left Blank.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2015
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 420,048	$ 487,161	$ 907,209
Investments	294	14,011	14,305
Receivables:			
Taxes	140,727		140,727
Accounts	31,720	178,849	210,569
Recoverable costs of purchased power		1,698	1,698
Grants	8,696		8,696
Loans	170,832		170,832
Unbilled revenue		46,106	46,106
Accrued interest	13	2	15
Assessments	4,694		4,694
Less: Allowance for doubtful accounts	(22,148)	(29,025)	(51,173)
Receivables, net	334,534	197,630	532,164
Internal balances	3,948	(3,948)	-
Due from other governments	43,762	3,705	47,467
Inventory of supplies	2,562	20,478	23,040
Prepaid expenses and other assets	11	1,419	1,430
Restricted assets:			
Cash and cash equivalents		383,143	383,143
Accrued interest receivable		19	19
Accrued passenger facility charge		2,141	2,141
Total restricted assets	-	385,303	385,303
Capital assets:			
Land and construction in progress	280,796	464,210	745,006
Other capital assets, net of accumulated depreciation	898,485	2,610,109	3,508,594
Total capital assets	1,179,281	3,074,319	4,253,600
Total assets	1,984,440	4,180,078	6,164,518
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps		17,930	17,930
Loss on refunding	15,004	62,464	77,468
Pension	76,297	17,654	93,951
Total deferred outflows of resources	91,301	98,048	189,349

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2015
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 14,292	$ 30,801	$ 45,093
Accrued wages and benefits	30,768	8,111	38,879
Claims payable	10,707		10,707
Due to other governments	94,173	109,608	203,781
Accrued interest payable	5,129	30,032	35,161
Unearned revenue	9,669	120	9,789
Liabilities payable from restricted assets		13,011	13,011
Long-term obligations:			
Due within one year	92,975	103,723	196,698
Due in more than one year	817,681	1,782,494	2,600,175
Pension	539,489	99,105	638,594
Total liabilities	1,614,883	2,177,005	3,791,888
DEFERRED INFLOWS OF RESOURCES			
Property tax	47,146		47,146
Special assessment - TIF	12,231		12,231
Excess recoverable cost of purchased power		2,679	2,679
Derivative instruments-interest rate swaps	37	17,926	17,963
Pension	2,602	1,814	4,416
Total deferred inflows of resources	62,016	22,419	84,435
NET POSITION			
Net investment in capital assets	653,925	1,354,871	2,008,796
Restricted for:			
Capital	25,993	524	26,517
Debt service	46,761	229,197	275,958
Loans	51,487		51,487
Other purposes	42,801	11,258	54,059
Unrestricted	(422,125)	482,852	60,727
Total net position	$ 398,842	$ 2,078,702	$ 2,477,544

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in 000's)

		Program Revenues	
	Expenses	**Charges for Services**	**Operating Grants and Contributions**
Functions/Programs:			
Governmental activities:			
General Government	$ 140,946	$ 23,007	$ 4,349
Public Works	117,040	17,587	14,753
Public Safety	328,453	13,032	3,806
Community Development	35,026	844	32,729
Building and Housing	13,433	16,408	3,609
Public Health	16,841	2,544	8,974
Economic Development	29,474	103	11,752
Interest on debt	36,489		
Total governmental activities	717,702	73,525	79,972
Business-type activities:			
Water	259,892	301,283	413
Electricity	197,823	192,861	3,225
Airport facilities	162,499	128,033	85
Nonmajor activities:			
Sewer	23,173	26,800	61
Public Auditorium	2,842	1,197	
Westside Market	1,909	1,284	4
Eastside Market	121		
Municipal Parking Lots	6,767	8,576	189
Cemeteries	2,135	1,494	9
Golf Courses	141		36
Total business-type activities	657,302	661,528	4,022
Total	$ 1,375,004	$ 735,053	$ 83,994

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 (as restated)

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
$ 415	$ (113,175)	$	$ (113,175)
45,581	(39,119)		(39,119)
91	(311,524)		(311,524)
	(1,453)		(1,453)
	6,584		6,584
	(5,323)		(5,323)
	(17,619)		(17,619)
	(36,489)		(36,489)
46,087	(518,118)	-	(518,118)
25,158		66,962	66,962
481		(1,256)	(1,256)
20,159		(14,222)	(14,222)
		3,688	3,688
		(1,645)	(1,645)
268		(353)	(353)
		(121)	(121)
256		2,254	2,254
721		89	89
		(105)	(105)
47,043	-	55,291	55,291
$ 93,130	(518,118)	55,291	(462,827)
	346,797		346,797
	55,017		55,017
	38,904		38,904
	34,974		34,974
	26,567		26,567
	1,060	4	1,064
	8,760		8,760
	(1,957)	1,957	-
	510,122	1,961	512,083
	(7,996)	57,252	49,256
	406,838	2,021,450	2,428,288
	$ 398,842	$ 2,078,702	$ 2,477,544

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 79,239	$ 318,050	$ 397,289
Investments		294	294
Receivables:			
Taxes	104,472	36,255	140,727
Accounts	31,687	7	31,694
Grants		8,696	8,696
Loans		170,832	170,832
Accrued interest		13	13
Assessments		4,694	4,694
Less: Allowance for doubtful accounts	(22,148)		(22,148)
Receivables, net	114,011	220,497	334,508
Due from other funds	1,941	7,847	9,788
Due from other governments	22,192	21,570	43,762
Inventory of supplies	740	865	1,605
TOTAL ASSETS	$ 218,123	$ 569,123	$ 787,246
LIABILITIES			
Accounts payable	$ 4,966	$ 8,554	$ 13,520
Accrued wages and benefits	28,517	1,641	30,158
Due to other governments	2,758	90,424	93,182
Unearned revenue	1,390	8,279	9,669
Due to other funds	8,404	9,809	18,213
Total liabilities	46,035	118,707	164,742
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow	90,879	55,267	146,146
Total deferred inflows of resources	90,879	55,267	146,146
FUND BALANCES			
Nonspendable	740	865	1,605
Restricted		312,089	312,089
Committed		82,189	82,189
Assigned	11,979	6	11,985
Unassigned	68,490		68,490
Total fund balances	81,209	395,149	476,358
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 218,123	$ 569,123	

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.	1,174,870
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	86,769
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.	(884,967)
The assets, liabilities and deferred outflows/inflows of resources of most of the internal service funds are included in the governmental activities in the statement of net position.	4,453
The net pension liability is not due and payable in the currrent period; therefore the liability and related deferred inflows/outflows of resources are not reported in governmental funds:	(458,641)
Net position of governmental activities	$ 398,842

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, 2015

(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Income taxes	$ 311,174	$ 39,350	$ 350,524
Property taxes	32,673	17,024	49,697
State local government funds	26,433		26,433
Other taxes	38,904		38,904
Other shared revenues	16,564	32,300	48,864
Licenses and permits	16,741	2,143	18,884
Charges for services	31,740	3,429	35,169
Fines, forfeits and settlements	15,169	3,695	18,864
Investment earnings	498	429	927
Grants	399	101,858	102,257
Contributions		2,803	2,803
Miscellaneous	5,036	8,529	13,565
Total revenues	495,331	211,560	706,891
EXPENDITURES:			
Current:			
General Government	79,272	7,414	86,686
Public Works	66,301	24,660	90,961
Public Safety	306,492	4,685	311,177
Community Development	265	32,811	33,076
Building and Housing	9,135	4,284	13,419
Public Health	6,150	10,312	16,462
Economic Development	1,480	27,913	29,393
Other	8,635		8,635
Capital outlay	3,750	123,251	127,001
Inception of capital lease		571	571
Debt service:			
Principal retirement	250	48,398	48,648
Interest		28,627	28,627
General Government		2,462	2,462
Other		1,071	1,071
Total expenditures	481,730	316,459	798,189
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,601	(104,899)	(91,298)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,693	90,580	92,273
Transfers out	(28,727)	(66,007)	(94,734)
Issuance of debt		101,385	101,385
Premium on bonds		30,085	30,085
Payment to refund bonds		(135,757)	(135,757)
Sale of City assets	315	1,398	1,713
Issuance of refunding bonds		117,325	117,325
Total other financing sources (uses)	(26,719)	139,009	112,290
NET CHANGE IN FUND BALANCES	(13,118)	34,110	20,992
FUND BALANCES AT BEGINNING OF YEAR	94,327	361,039	455,366
FUND BALANCES AT END OF YEAR	$ 81,209	$ 395,149	$ 476,358

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, 2015

(Amounts in 000's)

Amounts reported for governmental activities in the statement of activities (pages 58 and 59) are different because:

Net change in fund balances - total governmental funds (page 61)	$ 20,992
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.	42,651
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,008
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.	(59,961)
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.	(12,983)
Contractually required contributions are reported as expenditures in the governmantal funds; however, the statement of net position reports these amounts as deferred outflows of resources, except for changes in the net pension liability which are reported as pension expense in the statement of activitives.	(3,179)
The net revenue of certain activities of internal service funds is reported with governmental activities.	2,476
Change in net position of governmental activities (pages 58 and 59)	$ (7,996)

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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual*	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 299,732	$ 304,732	$ 308,947	$ 4,215
Property taxes	33,465	33,465	32,684	(781)
State local government funds	25,949	25,949	26,580	631
Other taxes	34,350	34,350	40,051	5,701
Other shared revenues	13,490	13,490	13,525	35
Licenses and permits	14,449	14,449	16,684	2,235
Charges for services	31,617	31,617	31,395	(222)
Fines, forfeits and settlements	15,758	15,758	15,691	(67)
Investment earnings	400	400	445	45
Grants	417	417	385	(32)
Miscellaneous	19,926	19,926	24,635	4,709
Total revenues	489,553	494,553	511,022	16,469
EXPENDITURES:				
Current:				
General Government	92,838	92,533	85,851	6,682
Public Works	67,146	66,641	65,341	1,300
Public Safety	307,234	321,644	309,858	11,786
Community Development	291	291	270	21
Building and Housing	9,937	9,312	8,933	379
Public Health	6,417	6,992	6,350	642
Economic Development	1,693	1,693	1,488	205
Other	22,101	17,051	16,485	566
Capital outlay	250	250	250	-
Principal retirement	250	250	250	-
Total expenditures	508,157	516,657	495,076	21,581
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,604)	(22,104)	15,946	38,050
OTHER FINANCING SOURCES (USES):				
Transfers in	4,993	4,993	5,446	453
Transfers out	(34,174)	(30,674)	(29,862)	812
Sale of City assets			315	315
Total other financing sources (uses)	(29,181)	(25,681)	(24,101)	1,580
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(47,785)	(47,785)	(8,155)	39,630
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			625	625
NET CHANGE IN FUND BALANCE	(47,785)	(47,785)	(7,530)	40,255
FUND BALANCE AT BEGINNING OF YEAR	49,627	49,627	49,627	-
FUND BALANCE AT END OF YEAR	$ 1,842	$ 1,842	$ 42,097	$ 40,255

***** 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, 2015
(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
ASSETS						
Current assets:						
Cash and cash equivalents	$ 286,286	$ 57,358	$ 85,383	$ 56,923	$ 485,950	$ 23,970
Restricted cash and cash equivalents	3,686	2,004	7,321		13,011	
Investments	10,008		4,003		14,011	
Receivables:						
Accounts	68,476	19,345	4,671	86,357	178,849	26
Recoverable costs of purchased power		1,698			1,698	
Unbilled revenue	35,136	2,527	4,700	3,743	46,106	
Accrued interest	1			1	2	
Less: Allowance for doubtful accounts	(14,786)	(10,154)	(1,389)	(2,696)	(29,025)	
Receivables, net	88,827	13,416	7,982	87,405	197,630	26
Due from other funds	4,454	2,850	9	187	7,500	12,603
Due from other governments			3,705		3,705	
Inventory of supplies	9,476	8,408	2,125	469	20,478	957
Prepaid expenses and other assets	731	167	510	5	1,413	17
Total current assets	403,468	84,203	111,038	144,989	743,698	37,573
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	113,646	21,574	220,470	14,442	370,132	
Accrued interest receivable	9		9	1	19	
Accrued passenger facility charges			2,141		2,141	
Total restricted assets	113,655	21,574	222,620	14,443	372,292	-
Capital assets:						
Land	5,463	5,568	167,457	13,728	192,216	663
Land improvements	17,427	305	84,172	11,465	113,369	146
Utility plant	1,798,784	518,471		144,630	2,461,885	
Buildings, structures and improvements	264,109	22,110	341,832	108,769	736,820	4,127
Furniture, fixtures, equipment and vehicles	604,903	83,420	49,986	21,121	759,430	17,281
Infrastructure			1,000,603		1,000,603	
Construction in progress	86,647	82,694	75,032	27,621	271,994	
Less: Accumulated depreciation	(1,045,479)	(358,844)	(873,327)	(184,470)	(2,462,120)	(17,684)
Total capital assets, net	1,731,854	353,724	845,755	142,864	3,074,197	4,533
Total noncurrent assets	1,845,509	375,298	1,068,375	157,307	3,446,489	4,533
TOTAL ASSETS	2,248,977	459,501	1,179,413	302,296	4,190,187	42,106
DEFERRED OUTFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	17,926			4	17,930	
Loss on refunding	26,232	15,844	19,167	1,221	62,464	
Pension	8,715	3,012	3,398	1,570	16,695	2,644
Total deferred outflows of resources	52,873	18,856	22,565	2,795	97,089	2,644
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,301,850	$ 478,357	$ 1,201,978	$ 305,091	$ 4,287,276	$ 44,750

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2015
(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	$ 7,178	$ 14,446	$ 7,922	$ 1,872	$ 31,418	$ 1,638
Accrued wages and benefits	7,543	2,410	3,348	1,594	14,895	16,183
Claims payable					-	10,707
Due to other funds	3,170	1,099	2,413	4,688	11,370	308
Due to other governments			5,257	104,351	109,608	991
Accrued interest payable	12,182	1,232	16,255	363	30,032	
Current payable from restricted assets	3,686	2,004	7,321		13,011	
Current portion of long-term obligations	49,532	8,055	34,415	3,362	95,364	
Unearned revenue				120	120	
Total current liabilities	83,291	29,246	76,931	116,350	305,818	29,827
Noncurrent liabilities:						
Accrued wages and benefits	1,403	437	618	203	2,661	571
Construction loans payable	91,045			271	91,316	
Accreted interest payable		13,836			13,836	
Revenue bonds payable	660,376	215,039	774,428	21,490	1,671,333	
Pension	49,432	16,397	19,049	9,404	94,282	13,503
Other		3,146			3,146	
Total noncurrent liabilities	802,256	248,855	794,095	31,368	1,876,574	14,074
Total liabilities	885,547	278,101	871,026	147,718	2,182,392	43,901
DEFERRED INFLOWS OF RESOURCES						
Excess recoverable costs of purchased power		2,679			2,679	
Derivative instruments-interest rate swaps	17,926				17,926	
Pension	906	300	349	171	1,726	247
Total deferred inflows of resources	18,832	2,979	349	171	22,331	247
NET POSITION						
Net investment in capital assets	979,643	165,505	87,932	121,669	1,354,749	4,533
Restricted for capital projects	51	473			524	
Restricted for debt service	92,506	3,031	128,103	5,557	229,197	
Restricted for passenger facility charges			11,258		11,258	
Unrestricted	325,271	28,268	103,310	29,976	486,825	(3,931)
Total net position	1,397,471	197,277	330,603	157,202	2,082,553	602
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,301,850	$ 478,357	$ 1,201,978	$ 305,091		$ 44,750
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(3,851)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 2,078,702	

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, 2015
(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	$ 301,276	$ 192,861	$ 128,033	$ 39,351	$ 661,521	$ 124,649
Total operating revenue	301,276	192,861	128,033	39,351	661,521	124,649
OPERATING EXPENSES:						
Operations	104,991	24,638	71,448	18,816	219,893	119,179
Maintenance	60,990	17,713	3,393	8,326	90,422	3,273
Purchased power		123,799			123,799	
Depreciation	70,359	18,511	52,320	8,484	149,674	572
Total operating expenses	236,340	184,661	127,161	35,626	583,788	123,024
OPERATING INCOME (LOSS)	64,936	8,200	872	3,725	77,733	1,625
NON-OPERATING REVENUES (EXPENSES):						
Investment income (loss)	439	73	165	256	933	30
Interest expense	(23,616)	(10,462)	(30,842)	(1,478)	(66,398)	
Passenger facility charges			16,198		16,198	
Sound insulation program			(329)		(329)	
Loss on disposal of capital assets	(19)	(2,551)	(34)	(4)	(2,608)	(62)
Other revenues (expenses)	5,133	3,633	(4,204)	45	4,607	
Total non-operating revenues (expenses)	(18,063)	(9,307)	(19,046)	(1,181)	(47,597)	(32)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	46,873	(1,107)	(18,174)	2,544	30,136	1,593
Capital contributions and other contributions	19,999		3,881	1,243	25,123	415
Transfers in				1,957	1,957	504
Change in net position	66,872	(1,107)	(14,293)	5,744	57,216	2,512
NET POSITION AT BEGINNING OF YEAR (as restated)	1,330,599	198,384	344,896	151,458		(1,910)
NET POSITION AT END OF YEAR	$ 1,397,471	$ 197,277	$ 330,603	$ 157,202		$ 602
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					36	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 57,252	

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, 2015
(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
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 300,120	$ 195,533	$ 132,902	$ 37,541	$ 666,096	$ 124,480
Cash payments to suppliers for goods or services	(85,021)	(19,287)	(45,539)	(15,123)	(164,970)	(103,029)
Cash payments to employees for services	(72,584)	(20,495)	(28,669)	(12,921)	(134,669)	(22,534)
Cash payments for purchased power		(117,233)			(117,233)	
Agency activity on behalf of other sewer authorities				4,003	4,003	
Other	(503)	(5,408)		(9)	(5,920)	
Net cash provided by (used for) operating activities	142,012	33,110	58,694	13,491	247,307	(1,083)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Disbursement of non-capital grant proceeds			(323)		(323)	
Cash received through transfers from other funds				1,957	1,957	504
Cash received for royalties				36	36	
Grants	25				25	
Cash received from settlements			278		278	
Cash received from electric excise tax		3,068			3,068	
Net cash provided by (used for) noncapital financing activities	25	3,068	(45)	1,993	5,041	504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			15,990		15,990	
Proceeds from sale of revenue bonds, loans and notes	234,518				234,518	
Acquisition and construction of capital assets	(37,057)	(17,296)	(31,542)	(10,887)	(96,782)	(444)
Principal paid on long-term debt	(138,996)	(7,500)	(33,155)	(3,285)	(182,936)	
Interest paid on long-term debt	(29,520)	(10,410)	(33,969)	(1,370)	(75,269)	
Cash paid to escrow agent for refunding	(144,782)				(144,782)	
Capital grant proceeds			2,729		2,729	
Net cash provided by (used for) capital and related financing activities	(115,837)	(35,206)	(79,947)	(15,542)	(246,532)	(444)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(5)		(2)		(7)	
Interest received on investments	503	75	171	67	816	30
Net cash provided by (used for) investing activities	498	75	169	67	809	30
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,698	1,047	(21,129)	9	6,625	(993)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	376,920	79,889	334,303	71,356	862,468	24,963
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 403,618	$ 80,936	$ 313,174	$ 71,365	$ 869,093	$ 23,970

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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)	$ 64,936	$ 8,200	$ 872	$ 3,725	$ 77,733	$ 1,625
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	70,359	18,511	52,320	8,484	149,674	572
(Increase) Decrease in Assets:						
Receivables, net	(5,593)	(3,129)	929	2,476	(5,317)	(11)
Prepaid expenses and other assets	527	7,936	5	(5)	8,463	(9)
Due from other funds	12,941	203	(3)	153	13,294	596
Inventory of supplies	(1,400)	408	111	(28)	(909)	3
(Increase) Decrease in Deferred Outflows of Resources:						
Pension	(2,540)	(964)	(1,019)	(395)	(4,918)	(957)
Increase (Decrease) in Liabilities:						
Accounts payable	1,088	353	4,389	18	5,848	(63)
Accrued wages and benefits	(71)	(161)	134	54	(44)	135
Pension	1,035	343	399	196	1,973	282
Claims payable					-	(3,269)
Due to other funds	(572)	(4,115)	603	(9,854)	(13,938)	(26)
Due to other governments			(395)	8,376	7,981	(208)
Unearned revenue				120	120	
Accrued expenses and other liabilities	396	2,546			2,942	
Increase (Decrease) in Deferred Inflows of Resources:						
Excess purchased power costs		2,679			2,679	
Pension	906	300	349	171	1,726	247
Total adjustments	77,076	24,910	57,822	9,766	169,574	(2,708)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 142,012	$ 33,110	$ 58,694	$ 13,491	$ 247,307	$ (1,083)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:						
Contributions of capital assets	$ 19,974	$	$	$ 1,243	$ 21,217	$ 415

(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, 2015
(Amounts in 000's)

		Agency Funds
ASSETS		
Cash and cash equivalents	$	27,926
Taxes receivable		16,991
Due from other governments		1,491
Total assets	$	46,408
LIABILITIES		
Due to other governments	$	22,923
Due to others		23,485
Total liabilities	$	46,408

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

This Page Intentionally Left Blank.

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, 2015 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.

5. The Required Supplementary Information is essential to a user’s understanding of the City pension liability and contributions made to fund it.

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 Cleveland Stadium Debt Service, 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 two appropriation amendments during 2015 which reallocated appropriations and increased the budget by 4.1% 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 2015 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)	$	(8,155)
Adjustments:		
Revenue Accruals		(19,444)
Expenditure and other financing sources (uses) Accruals		4,722
Encumbrances and Pre-Encumbrances		9,759
Net Change in Fund Balance	$	(13,118)

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, 2015, one for its Subordinated Income Tax Variable Rate Refunding Bonds, one on the Parking Facilities Refunding Revenue Bonds and two associated with the 2015 Water Revenue Bonds Series AA 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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

F. *Accounting Pronouncements*

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the City has implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the City has implemented GASB Statement No. 71 as of December 31, 2015.

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 $885.0 million difference are as follows:

	(Amounts in 000's)
Bonds and notes payable	$ (717,649)
Other payable	(26,000)
Interest rate swap	(37)
Unamortized bond premium/discount	(48,278)
Accrued interest payable	(5,129)
Capital leases payable	(11,354)
Claims and adjustments	(13,759)
Loss on refunding	15,004
Compensated absences	(77,765)
Net adjustments to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (884,967)

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 $42.7 million difference are as follows:

	(Amounts in 000's)
Capital outlay	$ 101,395
Contributed Capital	92
Depreciation expense	(57,888)
Capital asset disposal	(948)
Net adjustment to increase *net changes in fund balances* - *total governmental funds to arrive at changes in net position of governmental activities*	$ 42,651

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	$	(84,761)
Current year deferred inflows of resources		86,769
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	2,008

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 $60.0 million which is detailed as follows:

		(Amounts in 000's)
Debt issued or incurred:		
Issuance of general obligation bonds and other obligations	$	(218,710)
Accrued interest		2,321
Interest rate swap		108
Premium on debt		(30,085)
Principal repayments:		
General obligation debt and other obligations		46,740
Payment on capital lease		3,908
Payment on loan		
Refunding of general obligation bonds and other obligations		135,757
Net adjustment to decrease *net changes in fund balances - total* governmental funds to arrive at *changes in net position of governmental activities*	$	(59,961)

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 $13.0 million difference are as follows:

		(Amounts in 000's)
Compensated absences	$	(3,041)
Claims judgements		(9,942)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(12,983)

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 $112,366,000 and the actual bank balance totaled $121,774,000. 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*, $121,774,000 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, 2015 include U.S. Agency Obligations, U.S. Treasury Notes, U.S. Treasury Bills, STAROhio, commercial paper, money market 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. The U.S. Treasury Notes and U.S. Treasury Bills carry a Moody's rating of Aaa. Investments in the Dreyfus Government Cash Management Fund, First American Government Obligations Fund, Federated Government Obligations Fund, PNC Treasury Money Market Fund, Morgan Stanley Government Institutional Mutual Funds 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 (Amounts in 000's) Less than One Year	1 - 5 Years	5 Years or More
U.S. Agency Obligations	$ 19,995	$ 19,995	$	$ 19,995	$
U.S. Treasury Notes	29,982	29,963		29,982	
U.S. Treasury Bills	294	294	294		
STAROhio	549,670	549,670	549,670		
Commercial Paper	207,068	207,068	207,068		
Mutual Funds	399,865	399,865	399,865		
Manuscript Debt	5,889	5,889			5,889
Other	7,454	7,454	7,454		
Total Investments	1,220,217	1,220,198	1,164,351	49,977	5,889
Total Deposits	112,366	112,366	112,366		
Total Deposits and Investments	$ 1,332,583	$ 1,332,564	$ 1,276,717	$ 49,977	$ 5,889

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, 2015, 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 1.6%, 2.5%, less than 1%, 45.0%, 17.0%, 32.8%, 0.5% 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	$ 907,209
Investments	14,305
Restricted:	
Cash and cash equivalents	383,143
Total	$ 1,304,657

Fund Financial Statements

		(Amounts in 000's)
Balance Sheet – Governmental Funds:		
Unrestricted:		
Cash and cash equivalents	$	397,289
Investments		294
		397,583
Statement of Net Position – Proprietary Funds:		
Enterprise Funds:		
Unrestricted:		
Cash and cash equivalents		485,950
Investments		14,011
Restricted:		
Cash and cash equivalents		383,143
Internal Service Funds:		
Unrestricted:		
Cash and cash equivalents		23,970
Subtotal		907,074
Statement of Fiduciary Assets and Liabilities:		
Unrestricted:		
Cash and cash equivalents		27,926
Total	$	1,332,583

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, 2015, are as follows:

	Balance January 1, 2015	Additions	(Reductions)	Balance December 31, 2015	Due Within One Year
		(Amounts in 000's)			
Governmental Long-Term Obligations and Notes					
General Obligation Bonds due through 2033	$ 257,565	$ 60,905	$ (89,730)	$ 228,740	$ 22,635
Other Obligations:					
Urban Renewal Bonds due through 2018, 6.75%	3,030		(685)	2,345	730
Subordinated Income Tax Refunding Bonds due through 2024, 5.00%	43,650	28,975	(33,740)	38,885	3,610
Subordinate Lien Income Tax Bonds due through 2042, 1.00% to 6.34%	188,335	113,550	(35,890)	265,995	7,835
Non-Tax Revenue Bonds:					
Stadium due through 2020, 2.00% to 5.00%	7,745		(610)	7,135	1,325
Taxable Economic and Community Dev. (Core City Bonds) due through 2033, 0.60% to 3.75%	36,400	15,280	(875)	50,805	1,985
Lower Euclid Ave. TIF 2003A due through 2032, 2.00% to 4.00%	6,058		(169)	5,889	191
Annual Appropriation Bonds - Flats East Bank due through 2035, 5.75% to 6.00%	10,280		(260)	10,020	275
Certificates of Participation-Stadium due through 2028, 0.86% to 5.00%	111,780		(6,185)	105,595	6,495
State Infrastructure Bank Loan	1,318		(248)	1,070	255
West 150th Street Improvement Loan	983		(63)	920	64
Capital Lease Obligations, due through 2020, 1.39% to 3.22%	15,262		(3,908)	11,354	4,010
Gateway Note Payable, due through 2016	500		(250)	250	250
Cleveland Browns Stadium	28,000		(2,000)	26,000	2,000
Accrued wages and benefits	47,259	10,966	(10,073)	48,152	29,296
Net pension liability:					
Ohio Public Employees Retirement System	139,053	2,974		142,027	
Ohio Police and Fire Pension Fund	373,669	23,793		397,462	
Police and fire overtime	40,198	4,999	(2,974)	42,223	610
Fire deferred vacation	2,357	524	(468)	2,413	314
Estimated claims payable	7,389	11,272	(4,074)	14,587	11,095
	1,320,831	273,238	(192,202)	1,401,867	92,975
Unamortized (discount)/premium - net	25,184	30,085	(6,991)	48,278	
Total Governmental Activities, Net	$ 1,346,015	$ 303,323	$ (199,193)	$ 1,450,145	$ 92,975

	Balance January 1, 2015	Additions	(Reductions)	Balance December 31, 2015	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%	$ 143,800	$	$ (5,400)	$ 138,400	$ 5,700
Series 2006A-B due through 2024, 5.00% to 5.25%	106,555		(7,625)	98,930	8,020
Series 2007B due through 2027, 5.00%	8,525		(600)	7,925	630
Series 2008D due through 2024, Variable Rate	5,975			5,975	
Series 2009C-D due through 2027, 0.02% to 5.00%	160,010		(11,165)	148,845	11,340
Series 2011A due through 2024, 3.00% to 5.00%	64,185		(6,995)	57,190	7,260
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		(1,370)	31,955	1,465
	815,525	-	(33,155)	782,370	34,415
Public Power System Revenue Bonds:					
Series 2006 due through 2024, 5.00%	51,300		(1,580)	49,720	4,435
Series 2008 due through 2038, 4.00% to 5.40%	86,678			86,678	
Series 2008 Accreted Interest Payable	11,707	2,129		13,836	
Series 2010 due through 2017, 5.00%	14,910		(5,920)	8,990	3,620
Series 2014 due through 2038, 5.50%	76,885			76,885	
	241,480	2,129	(7,500)	236,109	8,055
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	66,220		(345)	65,875	9,575
Series N 2005 due through 2016, 4.00% to 5.00%	21,865		(17,060)	4,805	4,805
Series O 2007 due through 2017, 5.00%	127,660		(121,030)	6,630	3,235
Series P 2007 due through 2028, 4.50% to 5.00%	103,990		(9,755)	94,235	5,515
Series Q 2008 due through 2033, Variable Rate	90,800		(90,800)	-	
Series T 2009 due through 2021, 4.00% to 5.00%	57,020		(8,335)	48,685	595
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%	44,420		(18,780)	25,640	17,560
Series X 2012 due through 2042, 3.63% to 5.00%	44,410			44,410	
Series Y 2015 due through 2037, 4.00% to 5.00%		116,205		116,205	
Series Z 2015 due through 2019, 2.00% to 5.00%		15,930		15,930	825
Series AA 2015 due through 2033, Variable Rate		90,800		90,800	
Series A Second Lien 2012 due through 2027, 4.00% to 5.00%	76,710			76,710	
	714,525	222,935	(266,105)	671,355	42,110
Ohio Water Development Authority and Public Works					
Commission Loans due through 2033, 0.00% to 4.18%	106,815		(7,595)	99,220	7,904
Parking Facilities Refunding Revenue Bonds:					
Series 2006 due through 2022, 4.00% to 5.25%	26,460		(2,770)	23,690	2,880
Public Power System Other (See Note 7)	3,704		(308)	3,396	249
Accrued wages and benefits	10,145	1,661	(1,240)	10,566	7,704
Net pension liability:					
Ohio Public Employees Retirement System	97,031	2,074		99,105	
Estimated claims payable	847	193	(634)	406	406
	2,016,532	228,992	(319,307)	1,926,217	103,723
Unamortized (discount)/premium - net	59,457	11,583	(11,935)	59,105	
Total Business-Type Activities, Net	$ 2,075,989	$ 240,575	$ (331,242)	$ 1,985,322	$ 103,723
Total Debt and Other Long-Term Obligations	$ 3,422,004	$ 543,898	$ (530,435)	$ 3,435,467	$ 196,698

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, 2015, $1,264,309 and $8,680,000 of the Internal Service Funds, except for Utilities Administration Fund, compensated absences and pension liability, respectively, were included in the governmental activities. 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, 2015, $752,632 and $4,823,000 of the Utilities Administration Fund compensated absences and pension liability, respectively, were included in business-type activities.

The Subordinated Income Tax Refunding Bonds were issued initially 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 2015:

	Original Issue Amount	Balance January 1, 2015	Additions	(Reductions)	Balance December 31, 2015
			(Amounts in 000's)		
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	$ 68,130	$ 43,710	$	$ (18,250)	$ 25,460
Convention Center	1,010	850		(740)	110
Residential Redevelopment	13,985	7,775		(7,075)	700
Bridges and Roadways	97,795	59,320		(26,630)	32,690
Parks & Recreation	38,820	23,975		(15,235)	8,740
Refunding Bonds	261,950	106,665	60,905	(13,970)	153,600
Revitalization	6,020	4,940		(2,955)	1,985
Judgments/Settlements	12,140	10,330		(4,875)	5,455
Total Governmental Activities	$ 499,850	$ 257,565	$ 60,905	$ (89,730)	$ 228,740
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	$ 907,475	$ 815,525	$	$ (33,155)	$ 782,370
Public Power	302,073	229,773		(7,500)	222,273
Waterworks	1,254,630	714,525	222,935	(266,105)	671,355
Parking Facilities	57,520	26,460		(2,770)	23,690
Loans					
Waterworks	152,767	105,547		(7,080)	98,467
Water Pollution Control	8,378	1,268		(515)	753
Total Business-Type Activities	$ 2,682,843	$ 1,893,098	$ 222,935	$ (317,125)	$ 1,798,908

The following is a summary of the City's future debt service requirements as of December 31, 2015:

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
2016	$ 22,635	$ 11,181	$ 730	$ 134	$ 11,445	$ 14,065
2017	22,350	10,071	780	83	11,950	13,650
2018	23,085	9,033	835	28	14,165	13,203
2019	21,750	7,922			14,760	12,643
2020	20,020	6,812			15,035	12,057
2021-2025	72,285	21,439			72,580	50,216
2026-2030	42,690	6,542			86,295	32,512
2031-2035	3,925	336			48,215	13,771
2036-2040					26,110	3,745
2041-2045					4,325	277
	$ 228,740	$ 73,336	$ 2,345	$ 245	$ 304,880	$ 166,139

(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
2016	$ 3,501	$ 2,215	$ 275	$ 597	$ 6,495	$ 3,793
2017	3,623	2,127	290	582	6,800	3,487
2018	3,734	2,036	310	565	7,140	3,147
2019	3,893	1,914	325	547	7,445	2,841
2020	4,056	1,765	345	528	7,815	2,468
2021-2025	25,051	6,383	2,055	2,310	42,650	8,002
2026-2030	11,559	2,751	2,745	1,616	27,250	1,606
2031-2035	8,412	667	3,675	688		
2036-2040						
2041-2045						
	$ 63,829	$ 19,858	$ 10,020	$ 7,433	$ 105,595	$ 25,344

(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
2016	$ 4,010	$ 162	$ 569	$ 38	$ 49,660	$ 32,185
2017	2,981	93	327	30	49,101	30,123
2018	2,489	44	335	22	52,093	28,078
2019	1,386	16	343	14	49,902	25,897
2020	488	2	64		47,823	23,632
2021-2025			317		214,938	88,350
2026-2030			285		170,824	45,027
2031-2035					64,227	15,462
2036-2040					26,110	3,745
2041-2045					4,325	277
	$ 11,354	$ 317	$ 2,240	$ 104	$ 729,003	$ 292,776

	Business-Type Activities			
	Revenue Bonds		Construction Loans	
Year Ending December 31	Principal	Interest	Principal	Interest
		(Amounts in 000's)		
2016	$ 87,460	$ 77,897	$ 7,904	$ 2,426
2017	95,980	73,594	7,838	2,406
2018	89,705	69,213	7,933	2,190
2019	93,740	64,797	8,190	1,969
2020	98,655	60,056	8,455	1,741
2021-2025	495,847	231,817	42,473	5,184
2026-2030	458,412	138,007	15,282	827
2031-2035	208,463	58,257	1,145	24
2036-2040	65,161	23,590		
2041-2045	6,265	317		
	$ 1,699,688	$ 797,545	$ 99,220	$ 16,767

	Business-Type Activities Total	
Year Ending December 31	Principal	Interest
		(Amounts in 000's)
2016	$ 95,364	$ 80,323
2017	103,818	76,000
2018	97,638	71,403
2019	101,930	66,766
2020	107,110	61,797
2021-2025	538,320	237,001
2026-2030	473,694	138,834
2031-2035	209,608	58,281
2036-2040	65,161	23,590
2041-2045	6,265	317
	$ 1,798,908	$ 814,312

The schedule of minimum principal and interest payments for construction loans includes the amortization on fifteen 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. At December 31, 2015, the amount financed on these OWDA loan projects, which is reflected in the amortization schedule, less the principal payments made to date, equaled the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations.

OWDA completed an interest rate buy-down which will result in interest rate savings on the current loans. Market rate loans with interest rates higher than 4.0% will see a reduction in rates to 4.0% while rates over 3.0% on OWDA loans will be reduced to 3.0%. The buy-down commenced retroactively to the January 1, 2016 payment.

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.

Effective August 6, 2015, the City issued $60,905,000 Various Purpose General Obligation Refunding Bonds, Series 2015. The proceeds of these bonds were used to refund $64,910,000 of the outstanding Series 2005A, 2007A, 2007B, 2008A and 2009A General Obligation Bonds. Net proceeds of the Series 2015 Bonds in the amount of $70,208,484 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds until the respective call date. As a result, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of $4,221,000 and an economic gain (the difference between the present values of the old and new debt service) of $4,107,000 or 6.33%.

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue $272,146,245 of additional unvoted debt at December 31, 2015.

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.

On November 18, 2015, the City issued $28,975,000 Subordinate Lien Unrestricted Income Tax Refunding Bonds, Series 2015 (Police & Fire Pension Payment). The City issued these bonds in order to refund $30,310,000 of the outstanding Series 2008 Subordinate Lien Unrestricted Income Tax Bonds (Police & Fire Pension). Proceeds of the Series 2015 Bonds in the amount of $33,492,387 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on the call date. As a result, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of $1,867,000 and an economic gain (the difference between the present values of the old and new debt service) of $1,809,000 or 5.97%.

The Series 2008 and Series 2015 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:

Terms: 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 portions of the Series 2008 and Series 2015 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 $39,000,000 at December 31, 2015, 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 Series 2015, 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 12 basis points less than the fixed rate being paid on the Series 2008 Bonds and the Series 2015 Bonds. This transaction would leave the City paying the weekly SIFMA rate plus 12 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, 2015 as reported by JPM was $37,000 which would be payable by the City.

Subordinate Lien Income Tax Bonds**:** Effective April 9, 2015, the City issued $86,105,000 Subordinate Lien Income Tax Bonds, Series 2015A. The proceeds of these bonds will be used to pay the costs of various public improvements including public facility improvements, bridge and roadway improvements, parks and recreation facility improvements and housing and neighborhood development along with the costs of issuing the bonds.

On September 16, 2015, the City issued $27,445,000 Subordinate Lien Income Tax Refunding Bonds, Series 2015B. These bonds refunded $28,745,000 of the outstanding Series 2008 Subordinate Lien Income Tax Bonds. Proceeds of the Series 2015B Bonds in the amount of $32,057,114 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds until the call date. As a result, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of $1,712,000 and an economic gain (the difference between the present values of the old and new debt service) of $1,045,000 or 3.63%.

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, if any, 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): Effective April 9, 2015, the City issued $15,280,000 Taxable Economic and Community Development Revenue Bonds, Series 2015 (Core City Fund). The proceeds of these bonds will be used to provide funds for eligible projects, including, but not limited to, the acquisition, construction, equipping or improvement of multi-unit housing and commercial development and the preparation or remediation of sites for these purposes. These bonds are to be paid from non-tax revenues of the City and net project revenues.

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. 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, 2015:

	Governmental Activities (Amounts in 000's)	
Furniture, fixtures and equipment	$	45,368
Less – accumulated depreciation		(24,336)
Net book value	$	21,032

***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, 2015, follow:

	Overtime			Deferred Vacation		
Division	**Hours**		**Dollars**	**Hours**		**Dollars**
			(Amounts in 000's)			
Police	1,135	$	37,271		$	
Fire	148		4,952	74		2,413
Total	1,283	$	42,223	74	$	2,413

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 was 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.

***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 the 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.

Effective May 27, 2015, the City issued Water Revenue Bonds, Series Y, 2015 in the amount of $116,205,000. The bonds were issued to refund $117,950,000 of outstanding Series O Water Revenue Bonds, 2007 maturing on and after January 1, 2018. Bond proceeds in the amount of $94,602,752 along with $1,465,833 from the Series O Debt Service fund were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. Certain of the Series O Bonds in the amount of $30,000,000 were tendered by the bondholder for purchase by the City and cancelled in lieu of being refunded. As a result of the refunding, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $13,252,000 and realized an economic gain (the difference between the present values of the old and new debt service) of $12,176,000 or 10.3%.

At the same time the City sold the Series Y Bonds, the City also sold $15,930,000 Water Revenue Bonds, Series Z, 2015 on a forward delivery basis. The Series Z Bonds were issued effective October 5, 2015 to refund $16,155,000 of outstanding Water Revenue Bonds, Series N, 2005. Bond proceeds in the amount of $16,350,095 along with $195,096 from the Series N Debt Service fund were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on January 1, 2016. As a result, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed this refunding in order to achieve debt service savings of approximately $1,039,000 and realized an economic gain (the difference between the present values of the old and new debt service) of $663,000 or 4.1%.

Also on May 27, 2015, the City issued $90,800,000 Water Revenue Bonds, Series AA, 2015. These bonds were issued to refund the outstanding $90,800,000 Water Revenue Bonds, Series Q, 2008 upon the expiration of the existing letter of credit. The Bonds were directly purchased by Bank of America Merrill Lynch as variable rate bonds with the City paying 65.1% of the one month LIBOR rate plus a spread.

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 AA, 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. The Series Q Bonds were refunded in 2015 and the swap associated with those bonds was transferred to the new Series AA 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. 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 (now the Series AA 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 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 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, 2015 as reported by JPM and Morgan Stanley totaled $17,926,000 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.

***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 a 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. Since 2013 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, 2015 as reported by PNC totaled $3,600, which would be payable to 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, 2015 is as follows:

Bond Issue		(Amounts in 000's)	Bond Issue		(Amounts in 000's)
			Unvoted Tax Supported General Obligation:		
Parking Facilities Bonds:			Series 2007A	$	25,410
Series 2006	$	11,230	Series 2007B		715
			Series 2008A		3,810
Public Power System Revenue Bonds:			Series 2009A		29,775
Series 2006A-1, A-2	$	56,260			
Series 2008A		2,065	Water Revenue Bonds:		
Series 2008B-1		1,130	Series N, 2005	$	16,155
			Series O, 2007		87,950
Subordinate Lien Unrestricted Income Tax Bonds:					
Series 2008	$	30,310	Subordinate Lien Income Tax Bonds:		
			Series 2008	$	28,745

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 $782,370,000 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 76% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $1,118,619,000. Principal and interest paid for the current year and total net revenues (including other available funds) were $67,773,000 and $89,505,000 respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay $222,273,000 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 67% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $411,958,000. Principal and interest paid for the current year and total net revenues were $17,910,000 and $26,784,000, respectively.

The City has pledged future water system revenues, net of specified operating expenses, to repay $671,355,000 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 48% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $937,735,000. Principal and interest paid for the current year on the Senior Lien Bonds and total net revenues were $65,025,000 and $135,734,000, respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $23,690,000 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 $28,921,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,105,000 and $4,836,000 respectively.

In 2015, 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, 2015, 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, 2015, classified by type, and the changes in fair value of these derivatives during fiscal year 2015 as reported in the 2015 financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2015 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, 2015		
	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	$ 108	Investment	$ (37)	$ 39,000
Business-Type Activities:					
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	188	Investment	4	23,690
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2015 AA Water Swap	Deferred inflow	997	Debt	(4,419)	52,530
2010 U Water Swap	Deferred inflow	360	Debt	(9,026)	54,735
2010 V Water Swap	Deferred inflow	172	Debt	(4,481)	26,295

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2015, 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	$ 39,000,000	2/7/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa2/A+/A+
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 34,290,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa2/A+/A+
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 18,240,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/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	Aa2/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	A3/BBB+/A
2006 Parking Bonds	Basis Swap - Pay Floating/Receive Floating	Exchange floating rate payments on Series 2006 Parking System Bonds	$ 23,690,000	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, 2015. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2015 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)		
2016	$	$ 1,080	$ 4,019	$ 5,099
2017		1,079	3,982	5,061
2018		1,080	3,671	4,751
2019		1,080	3,277	4,357
2020		1,080	2,863	3,943
2021-2025	66,105	4,352	7,534	77,991
2026-2030	70,055	1,892	725	72,672
2031-2033	36,070	238	58	36,366
Total	$ 172,230	$ 11,881	$ 26,129	$ 210,240

NOTE 6 – 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, 2015 and 2014 were as follows:

	2015	2014
	(Amounts in 000's)	
Estimated claims payable, January 1	$ 8,236	$ 5,459
Current year claims (including IBNRs) and changes in estimates	11,465	7,023
Claim payments	(4,708)	(4,246)
Estimated claims payable, December 31	$ 14,993	$ 8,236

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 2015. There was no significant decrease in any insurance coverage in 2015. 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 and the Government-Wide Statements as claims payable.

Changes in the estimated claims payable for the Health and Prescription Self Insurance Funds during the year ended December 31, 2015 and 2014 is as follows:

	2015	2014
	(Amounts in 000's)	
Estimated claims payable, January 1	$ 13,976	$
Current year claims (including IBNRs) and changes in estimates	70,300	66,816
Claim payments	(73,569)	(52,840)
Estimated claims payable, December 31	$ 10,707	$ 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, 2015 was $19,969,115. Of this amount, $6,211,456 was recorded as a fund liability within each respective fund. The remaining $13,757,659 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 7 – 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 6 – Risk Management), while those claims that are considered "reasonably possible" are disclosed but not accrued.

As of December 31, 2015, the City had $12,850,000 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% 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. Since March 31, 2014, the City has made payments of $511,070 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is $106,370 and interest expense incurred on AMP's line-of-credit of $52,712, resulting in a net impaired cost estimate at December 31, 2015 of $3,395,993.

The City intends to recover these costs and repay AMP over the next 14 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 8 – 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.

For the year ended December 31, 2015, transfers consisted of the following:

Transfers Out	Transfers In					
	Total	General Fund	Other Govern-mental Funds	Total Govern-mental Funds	Enterprise Funds	Internal Service Funds
	(Amounts in 000's)					
Governmental Funds:						
General	$ 28,727	$	$ 26,266	$ 26,266	$ 1,957	$ 504
Other Governmental	66,007	1,693	64,314	66,007		
Total Governmental Funds	94,734	1,693	90,580	92,273	1,957	504
Total	$ 94,734	$ 1,693	$ 90,580	$ 92,273	$ 1,957	$ 504

Interfund Balances: Interfund balances at December 31, 2015 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, 2015 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	$ 8,404	$	$ 1	$ 1	$	$ 1,492	$ 9	$ 21	$ 1,522	$ 6,881
Other Governmental	9,809	1,514	7,846	9,360		13		18	31	418
Total Governmental	$ 18,213									
Enterprise Funds:										
Division of Water	$ 3,170	14		14		1,224		28	1,252	1,904
Cleveland Public Power	1,099	5		5	169			5	174	920
Department of Port Control	2,413	250		250	305	19		107	431	1,732
Other Enterprise	4,688	154		154	3,979	94		3	4,076	458
Total Enterprise	$ 11,370									
Internal Service Funds	308	4		4	1	8		5	14	290
Total Due To/Due From	$ 29,891	$ 1,941	$ 7,847	$ 9,788	$ 4,454	$ 2,850	$ 9	$ 187	$ 7,500	$ 12,603

NOTE 9 – INCOME TAXES

During 2015, 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 10 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. The 2015 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 2015. Assessed values are established by the Cuyahoga County (County) Fiscal Officer. 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 21 and July 7 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 21 and July 7 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

NOTE 11 – 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.

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	$ 12,727	$ 1,603	$ 14,330
Property taxes receivable	58,579	30,517	89,096
Special assessments receivable	3,925	12,329	16,254
Local government receivable	8,787		8,787
Estate tax receivable	4		4
Homestead rollback	3,048	1,588	4,636
Emergency medical service receivable	508		508
Motor vehicle taxes receivable		1,389	1,389
Municipal gas tax receivable		1,063	1,063
State gasoline tax receivable		2,006	2,006
Grant receivable		4,369	4,369
Due from other governments	3,301	403	3,704
Total deferred inflows of resources	$ 90,879	$ 55,267	$ 146,146

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability: The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS): City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $30,471,000 for 2015. All required payments have been made.

Ohio Police & Fire Pension Fund (OP&F): City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $33,420,000 for 2015. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014 to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
		(Amounts in 000's)	
Proportionate Share of the Net Pension Liability	$ 241,132	$ 397,462	$ 638,594
Proportion of the Net Pension Liability	2.005665%	7.6723876%	
Pension Expense	$ 26,655	$ 38,771	$ 65,426

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
		(Amounts in 000's)	
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 12,930	$ 17,130	$ 30,060
City contributions subsequent to the measurement date	30,471	33,420	63,891
Total Deferred Outflows of Resources	$ 43,401	$ 50,550	$ 93,951
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 4,416	$ -	$ 4,416

The $63,891,000 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
		(Amounts in 000's)	
Year Ending December 31:			
2016	$ 1,245	$ 4,282	$ 5,527
2017	1,245	4,282	5,527
2018	2,850	4,282	7,132
2019	3,174	4,284	7,458
Total	$ 8,514	$ 17,130	$ 25,644

Actuarial Assumptions – OPERS: Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25%-10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
		(Amounts in 000's)	
City's proportionate share of the net pension liability	$ 445,137	$ 241,132	$ 69,356

Actuarial Assumptions – OP&F: OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25%-11%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.6% and 3%

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	%	(0.25) %
Domestic Equity	16	4.47 %
Non-US Equity	16	4.47 %
Core Fixed Income *	20	1.62 %
Global Inflation Protected *	20	1.33 %
High Yield	15	3.39 %
Real Estate	12	3.93 %
Private Markets	8	6.98 %
Timber	5	4.92 %
Master Limited Partnerships	8	7.03 %
Total	120 %	

* levered 2x

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate: The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate 8.25%	1% Increase 9.25%
		(Amounts in 000's)	
City's proportionate share of the net pension liability	$ 549,750	$ 397,462	$ 268,520

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy - Ohio Public Employees Retirement System*:** 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's actual contributions to OPERS to fund postemployment benefits were $5,191,682 in 2015, $5,142,705 in 2014 and $2,517,622 in 2013. The required payments due in 2015, 2014 and 2013 have been made.

***Plan Description - Ohio Police and Fire Pension Fund*:** The City contributes to the Ohio Police and Fire Pension Fund (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 statutory survivor benefit 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 Post Employment Benefit (OPEB) as described in GASB Statement 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 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.

***Funding Policy - Ohio Police and Fire Pension Fund*:** The Ohio Revised Code provides for contribution requirements of the participating employers and of 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, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. 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 0.5% of covered payroll from January 1, 2015 thru December 31, 2015. 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 the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also 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 OP&F that were allocated to the healthcare plan for the years ending December 31, 2015, 2014 and 2013 were $844,530, $820,533 and $5,390,151, respectively. The required payments due in 2015, 2014 and 2013 have been made.

NOTE 14 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
		(Amounts in 000's)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 66,721	$ 113	$ (15)	$ 66,819
Construction in progress	181,989	76,687	(44,699)	213,977
Total capital assets, not being depreciated	248,710	76,800	(44,714)	280,796
Capital assets, being depreciated:				
Land improvements	171,914	855		172,769
Buildings, structures and improvements	715,256	2,804		718,060
Furniture, fixtures, equipment and vehicles	206,159	51,538	(10,204)	247,493
Infrastructure	677,538	21,042	(1,368)	697,212
Total capital assets, being depreciated	1,770,867	76,239	(11,572)	1,835,534
Less accumulated depreciation for:				
Land improvements	(113,237)	(6,419)		(119,656)
Buildings, structures and improvements	(321,719)	(17,856)		(339,575)
Furniture, fixtures, equipment and vehicles	(161,926)	(14,889)	9,003	(167,812)
Infrastructure	(286,369)	(25,003)	1,366	(310,006)
Total accumulated depreciation	(883,251)	(64,167)	10,369	(937,049)
Total capital assets being depreciated, net	887,616	12,072	(1,203)	898,485
Governmental activities capital assets, net	$ 1,136,326	$ 88,872	$ (45,917)	$ 1,179,281

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
		(Amounts in 000's)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 191,677	$ 539	$	$ 192,216
Construction in progress	338,932	99,364	(166,302)	271,994
Total capital assets, not being depreciated	530,609	99,903	(166,302)	464,210
Capital assets, being depreciated:				
Land improvements	109,773	3,596		113,369
Utility plant	2,307,735	163,538	(9,388)	2,461,885
Buildings, structures and improvements	732,506	4,314		736,820
Furniture, fixtures, equipment and vehicles	731,849	35,524	(6,673)	760,700
Infrastructure	1,000,398	205		1,000,603
Total capital assets, being depreciated	4,882,261	207,177	(16,061)	5,073,377
Less accumulated depreciation for:				
Land improvements	(46,761)	(2,816)		(49,577)
Utility plant	(704,685)	(72,501)	6,955	(770,231)
Buildings, structures and improvements	(407,887)	(15,681)		(423,568)
Furniture, fixtures, equipment and vehicles	(615,177)	(30,634)	6,616	(639,195)
Infrastructure	(539,008)	(41,689)		(580,697)
Total accumulated depreciation	(2,313,518)	(163,321)	13,571	(2,463,268)
Total capital assets being depreciated, net	2,568,743	43,856	(2,490)	2,610,109
Business-Type activities capital assets, net	$ 3,099,352	$ 143,759	$ (168,792)	$ 3,074,319

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	$	28,215
Public Works		20,022
Public Safety		7,479
Building and Housing		138
Community Development		1,515
Public Health		375
Economic Development		144
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		491
Total depreciation expense charged to governmental activities	$	58,379
Business-Type Activities:		
Water	$	70,359
Electricity		18,511
Airport Facilities		52,320
Nonmajor activities		8,484
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		81
Total depreciation expense charged to business-type activities	$	149,755

Capital Commitments: Significant commitments of the City as of December 31, 2015 are composed of the following:

Project Description	**Spent-to-Date**	**Remaining Commitment**
	(Amounts in 000's)	
Governmental Activities:		
East 105 SR 10 Quebec to Chester	$ 2,948	$ 22,904
Brown's Stadium SW Escalator	830	11,170
Pedestrian Bridge		10,000
Pearl Brookpark to I-71	649	9,754
Vehicles	12,643	7,357
Scranton/Carter Fairfield to Columbus	498	6,448
East Side Maintenance Facility	2,392	6,073
East 79 Bridge Replacement	2,149	6,051
Ken Johnson Recreation Center	26	5,724
Ward 1 Recreation Center		5,500
New Building-Kennels	94	5,276
Fleet Avenue	4,683	5,028

Project Description	**Spent-to-Date**	**Remaining Commitment**
	(Amounts in 000's)	
Business-Type Activities:		
In Line Baggage Construction	$ 22,304	$ 26,830
Post PEP Plant		11,000
Southern Transmission Line	9,904	9,904
Trunk Main Renewal 2016		9,000
Red & Orange Lot Canopies		7,885
Terminal Exterior Facade		7,484
North Airfield Improvements	2,332	7,451
BKL Shoreline Restoration	6,128	6,581
Aurora Road Pump Station		6,000
Watermain Renewal		5,500
Suburban Water Main Renewal Program	1,207	5,391
Sound Insulation of Homes	5,309	5,309
Secondary Site Improvements	5,000	5,000

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, 2015, the State funded $197,434,000 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 2015, interest expense incurred for the Enterprise Funds was $78,970,000 of which $12,537,000 was capitalized net of $35,000 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 15 – 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 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. 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 $3,216,000 at year end.

NOTE 16 – 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	$	4,906
Restricted assets		8,328
Capital assets, net		34,902
Total assets		48,136
Deferred outflows of resources:		1,355
Total assets and deferred outflows of resources	$	49,491
Liabilities:		
Current liabilities	$	4,194
Long-term liabilities		22,232
Total liabilities		26,426
Deferred inflows of resources		13
Net position:		
Net investment in capital assets		14,460
Restricted for debt service		5,557
Unrestricted		3,035
Total net position		23,052
Total liabilities, deferred inflows of resources and net position	$	49,491

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

		Municipal Parking Lots (Amounts in 000's)
Charges for services	$	8,576
Depreciation (expense)		(1,370)
Other operating (expenses)		(3,962)
Operating income (loss)		3,244
Non-operating revenues (expenses):		
Investment income		191
Interest expense		(1,443)
Capital Contibutions		254
Change in net position		2,246
Net position at beginning of year, as restated		20,806
Net position at end of year	$	23,052

Condensed Statement of Cash Flows Information	Municipal Parking Lots (Amounts in 000's)
Net cash provided by (used for):	
Operating activities	$ 4,794
Capital and related financing activities	(5,407)
Investing activities	3
Net increase (decrease) in cash and cash equivalents	(610)
Beginning cash and cash equivalents	13,742
Ending cash and cash equivalents	$ 13,132

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	$ 24,826	$ 20,547	$ 34,615	$ 2,771	$	$ 617
Debt retirement	92,506	3,031	128,103	5,557		
Accrued passenger facility charges			11,258			
Other	9		55,965		5,498	
Total	$ 117,341	$ 23,578	$ 229,941	$ 8,328	$ 5,498	$ 617

NOTE 17 – 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, 2015:

	General Fund	Other Governmental	Total Governmental
		(Amounts in 000's)	
Fund Balances			
Nonspendable			
Inventory	$ 740	$ 865	$ 1,605
Nonspendable Total	740	865	1,605
Restricted			
Debt Service		59,742	59,742
Recreation capital expenditures		29,101	29,101
Public Facilities capital expenditures		48,302	48,302
Road & Bridges capital expenditures		60,384	60,384
Cemetery capital expenditures		4,405	4,405
Stadium capital expenditures		14,877	14,877
Other capital expenditures		588	588
Repair & building of streets		2,038	2,038
Health & wellness		153	153
Protection & enforcement		5,987	5,987
Housing, community & economic development		71,948	71,948
Parks, properties & recreational services		639	639
Municipal Court		7,671	7,671
Casino		4,204	4,204
Neighborhood & sidewalk maintenance		1,953	1,953
General governance		97	97
Restricted Total	-	312,089	312,089
Committed			
Health & wellness		71	71
Protection & enforcement		124	124
Parks, properties & recreational services		534	534
Housing, community & economic development		73,828	73,828
Municipal Court		1,685	1,685
Neighborhood & sidewalk maintenance		4,063	4,063
Lakefront management		992	992
Utilities programs		355	355
General governance		537	537
Committed Total	-	82,189	82,189
Assigned			
Debt Service		6	6
General governance	6,286		6,286
Health & wellness	166		166
Protection & enforcement	1,551		1,551
Parks, properties & recreational services	2,818		2,818
Housing, community & economic development	231		231
Other purpose	927		927
Assigned Total	11,979	6	11,985
Unassigned	68,490		68,490
Total Fund Balances	$ 81,209	$ 395,149	$ 476,358

Net Position: Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 18 – 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 2015, net revenues generated by the one remaining Gateway garage were less than the debt service payments attributed to that garage by $1,526,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $49,924,000 at December 31, 2015. 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, 2015, the City pledged $4,699,721.

NOTE 19 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2015 the following funds had a net position deficiency. These deficiencies will be eliminated by increasing the rates charged to user departments during 2016.

	Amount (Amounts in 000's)
Utilities Administration	$ 3,851
Sinking Fund Administration	201
Municipal Income Tax Administration	2,971
Telephone Exchange	288

NOTE 20 – RESTATEMENT

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and 71 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of GASB Statement No. 68 had the following effect on net position as reported December 31, 2014:

	Net Position December 31, 2014	Restatement	Restated Net Position December 31, 2014
		(Amounts in 000's)	
Government-wide Governmental	$ 869,712	$ (462,874)	$ 406,838
Government-wide Business-type	2,106,102	(84,652)	2,021,450
Water Enterprise Fund	1,372,821	(42,222)	1,330,599
Cleveland Public Power Enterprise Fund	212,390	(14,006)	198,384
Port Control Enterprise Fund	361,167	(16,271)	344,896
Nonmajor Enterprise Funds	159,491	(8,033)	151,458
Internal Service Funds	9,624	(11,534)	(1,910)

NOTE 21 – SUBSEQUENT EVENTS

On February 9, 2016, the City sold $144,355,000 Airport System Revenue Bonds, Series 2016 consisting of $108,120,000 Airport System Revenue Bonds, Series 2016A (Non-AMT), and $36,235,000 Airport System Revenue Bonds, Series 2016B (Non-AMT). These bonds were issued to refund certain outstanding Series 2000C Airport System Revenue Bonds and Series 2006A Airport System Revenue Bonds for debt service savings. The Series 2016A Bonds were issued effective February 23, 2016. The Series 2016B Bonds were sold on a forward delivery basis and are expected to close on or about October 4, 2016. As a result of this refunding, the Divisions will achieve net present value debt service savings of $15.7 million or 12.41% on the Series 2016A Bonds and savings of $5.1 million or 12.49% on the Series 2016B Bonds.

In conjunction with the issuance of the Series 2016 Airport System Revenue Bonds, Standard & Poor's Ratings Services revised its outlook on all the Airport System Revenue Bonds to stable from negative.

Effective April 1, 2016, the Airport System Revenue Bonds, Series 2013A, which had been directly purchased by U.S. Bank National Association in 2013 were tendered and then purchased by PNC Bank, National Association. The bonds remain in a variable rate mode with the City again paying on a monthly basis an amount equal to one month LIBOR plus a spread.

Effective April 14, 2016, the City issued $32,390,000 Water Pollution Control Revenue Bonds, Series 2016 (Green Bonds). The proceeds will be used to provide funds for improvements to the system, to fund the required deposit to the debt service reserve fund and to pay the costs of issuing the bonds. The 2016 Bonds are the first series of bonds issued by the Division and are special obligations of the City issued and secured under a new Master Trust Agreement. The bonds are payable solely from the net revenues of the Division and from money in the Special Funds established in the Trust Agreement.

Effective May 18, 2016, the City issued $47,545,000 Various Purpose and Refunding General Obligation Bonds, Series 2016A and $4,260,000 Final Judgment General Obligation Refunding Bonds, Series 2016B. The proceeds of the Series 2016A Bonds will be used 1) to provide funds for public facility improvements, parks and recreation improvements and roads and bridge improvements; 2) to refund $19,610,000 of outstanding Series 2007A and Series 2011 General Obligation Bonds and 3) to pay costs of issuing the Series 2016A Bonds. The Series 2016B Bonds are being issued to refund $4,690,000 of outstanding Series 2007B and Series 2008A Final Judgment General Obligation Bonds and to pay the costs of issuing the bonds. As a result of the refundings, the City will realize approximately $2,172,000 of debt service savings.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Two Measurement Years (1), (2)

	2014	2013
	(Amounts in 000's)	
City's Proportion of the Net Pension Liability	2.005665%	2.005665%
City's Proportionate Share of the Net Pension Liability	$ 241,132	$ 236,084
City's Covered-Employee Payroll	$ 250,992	$ 227,331
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	96.07%	103.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

CITY OF CLEVELAND, OHIO

Required Supplementary Information
Schedule of Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2015	2014	2013
		(Amounts in 000's)	
Contractually Required Contributions	$ 30,471	$ 30,119	$ 29,553
Contributions in Relation to the Contractually Required Contributions	$ (30,471)	$ (30,119)	$ (29,553)
Contribution Deficiency (Excess)	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 253,925	$ 250,992	$ 227,331
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police & Fire Pension Fund
Last Two Measurement Years (1), (2)

	2014	2013
	(Amounts in 000's)	
City's Proportion of the Net Pension Liability	7.6723876%	7.6723876%
City's Proportionate Share of the Net Pension Liability	$ 397,462	$ 373,669
City's Covered-Employee Payroll	$ 157,701	$ 187,096
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	252.04%	199.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

CITY OF CLEVELAND, OHIO

Required Supplementary Information
Schedule of Contributions
Ohio Police & Fire Pension Fund
Last Three Years (1)

	2015	2014	2013
		(Amounts in 000's)	
Contractually Required Contributions	$ 33,420	$ 32,108	$ 31,956
Contributions in Relation to the Contractually Required Contributions	$ (33,420)	$ (32,108)	$ (31,956)
Contribution Deficiency (Excess)	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 166,351	$ 157,701	$ 187,096
Contributions as a Percentage of Covered-Employee Payroll	20.09%	20.36%	17.08%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The City will continue to present information for years available until a full ten-year trend is compiled.

This Page Intentionally Left Blank.

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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Income taxes	$ 299,732	$ 304,732	$ 308,947	$ 4,215
Property taxes	33,465	33,465	32,684	(781)
State local government funds	25,949	25,949	26,580	631
Other taxes	34,350	34,350	40,051	5,701
Other shared revenues	13,490	13,490	13,525	35
Licenses and permits	14,449	14,449	16,684	2,235
Charges for services	31,617	31,617	31,395	(222)
Fines, forfeits and settlements	15,758	15,758	15,691	(67)
Investment earnings	400	400	445	45
Grants	417	417	385	(32)
Miscellaneous	19,926	19,926	24,635	4,709
TOTAL REVENUES	489,553	494,553	511,022	16,469
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	5,236	5,236	5,108	128
Other	2,030	2,030	1,467	563
Total council and clerk of council	7,266	7,266	6,575	691
Municipal court-judicial division:				
Personnel	20,119	20,119	18,845	1,274
Other	2,700	2,700	2,664	36
Total municipal court-judicial division	22,819	22,819	21,509	1,310
Municipal court-clerks division:				
Personnel	9,590	9,590	9,410	180
Other	2,048	2,048	1,648	400
Total municipal court-clerks division	11,638	11,638	11,058	580
Municipal court-housing division:				
Personnel	3,714	3,714	3,495	219
Other	138	138	138	-
Total municipal court-housing division	3,852	3,852	3,633	219
Office of the mayor:				
Personnel	2,605	2,255	2,114	141
Other	119	119	85	34
Total office of the mayor	2,724	2,374	2,199	175
Office of capital projects:				
Personnel	4,877	4,527	4,445	82
Other	521	521	393	128
Total office of capital projects	5,398	5,048	4,838	210

(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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Landmarks commission:				
Personnel	$ 193	$ 193	$ 100	$ 93
Other	12	12	5	7
Total landmarks commission	205	205	105	100
Board of building standards and appeals:				
Personnel	127	127	120	7
Other	10	10	8	2
Total board of building standards and appeals	137	137	128	9
Board of zoning appeals:				
Personnel	213	213	213	-
Other	16	16	16	-
Total board of zoning appeals	229	229	229	-
Civil service commission:				
Personnel	635	635	585	50
Other	391	391	92	299
Total civil service commission	1,026	1,026	677	349
Community relations board:				
Personnel	1,358	1,308	1,191	117
Other	112	162	115	47
Total community relations board	1,470	1,470	1,306	164
City planning commission:				
Personnel	1,547	1,547	1,448	99
Other	111	111	85	26
Total city planning commission	1,658	1,658	1,533	125
Boxing and wrestling commission:				
Personnel	6	6	5	1
Total boxing and wrestling commission	6	6	5	1
Office of equal opportunity:				
Personnel	796	796	615	181
Other	19	19	16	3
Total office of equal opportunity	815	815	631	184
Office of budget and management:				
Personnel	865	790	725	65
Other	35	160	90	70
Total office of budget and management	900	950	815	135

(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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Department of aging:				
Personnel	$ 847	$ 847	$ 776	$ 71
Other	265	265	263	2
Total department of aging	1,112	1,112	1,039	73
Office of personnel:				
Personnel	1,417	1,292	1,224	68
Other	746	871	819	52
Total office of personnel	2,163	2,163	2,043	120
Department of law:				
Personnel	6,785	6,510	6,262	248
Other	6,043	7,843	7,035	808
Total department of law	12,828	14,353	13,297	1,056
Finance administration:				
Personnel	1,066	791	728	63
Other	355	375	354	21
Total finance administration	1,421	1,166	1,082	84
Division of accounts:				
Personnel	1,376	1,276	1,190	86
Other	689	864	848	16
Total division of accounts	2,065	2,140	2,038	102
Division of assessments and licenses:				
Personnel	2,250	2,125	2,092	33
Other	1,425	1,375	1,194	181
Total division of assessments and licenses	3,675	3,500	3,286	214
Division of treasury:				
Personnel	653	653	573	80
Other	103	103	85	18
Total division of treasury	756	756	658	98
Division of purchases and supplies:				
Personnel	654	679	663	16
Other	40	40	33	7
Total division of purchases and supplies	694	719	696	23
Bureau of internal audit:				
Personnel	639	639	568	71
Other	634	634	254	380
Total bureau of internal audit	1,273	1,273	822	451

(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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Division of financial reporting and control:				
Personnel	$ 1,383	$ 1,208	$ 1,101	$ 107
Other	25	25	19	6
Total division of financial reporting and control	1,408	1,233	1,120	113
Division of information system services:				
Personnel	2,754	1,979	1,894	85
Other	2,546	2,646	2,635	11
Total division of information system services	5,300	4,625	4,529	96
TOTAL GENERAL GOVERNMENT	92,838	92,533	85,851	6,682
Public Health:				
Public health administration:				
Personnel	829	829	745	84
Other	361	361	359	2
Total public health administration	1,190	1,190	1,104	86
Division of health:				
Personnel	2,034	2,034	1,899	135
Other	1,705	1,705	1,478	227
Total division of health	3,739	3,739	3,377	362
Division of environment:				
Personnel	851	1,426	1,241	185
Other	231	231	229	2
Total division of environment	1,082	1,657	1,470	187
Division of air quality:				
Personnel	128	128	123	5
Other	278	278	276	2
Total division of air quality	406	406	399	7
TOTAL PUBLIC HEALTH	6,417	6,992	6,350	642

(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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Safety:				
Public safety administration:				
Personnel	$ 4,250	$ 3,850	$ 3,697	$ 153
Other	1,453	1,663	1,639	24
Total public safety administration	5,703	5,513	5,336	177
Division of police:				
Personnel	167,935	179,235	170,403	8,832
Other	9,495	9,795	8,971	824
Total division of police	177,430	189,030	179,374	9,656
Division of fire:				
Personnel	80,623	85,723	85,272	451
Other	3,975	3,975	3,651	324
Total division of fire	84,598	89,698	88,923	775
Division of emergency medical services:				
Personnel	21,933	20,533	20,274	259
Other	2,719	2,719	2,706	13
Total division of emergency medical services	24,652	23,252	22,980	272
Division of animal control services:				
Personnel	1,145	1,220	1,174	46
Other	362	362	354	8
Total division of animal control services	1,507	1,582	1,528	54
Division of correction:				
Personnel	9,817	9,142	8,781	361
Other	3,527	3,427	2,936	491
Total division of correction	13,344	12,569	11,717	852
TOTAL PUBLIC SAFETY	307,234	321,644	309,858	11,786

(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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Works:				
Division of public works administration:				
Personnel	$ 2,945	$ 2,945	$ 2,917	$ 28
Other	264	264	261	3
Total division of public works administration	3,209	3,209	3,178	31
Division of recreation:				
Personnel	8,081	8,081	8,045	36
Other	4,090	4,090	3,723	367
Total division of recreation	12,171	12,171	11,768	403
Division of parking facilities:				
Personnel	1,210	1,210	1,135	75
Other	66	66	51	15
Total division of parking facilities	1,276	1,276	1,186	90
Division of property management:				
Personnel	5,640	5,460	5,459	1
Other	2,124	2,209	2,140	69
Total division of property management	7,764	7,669	7,599	70
Division of park maintenance and properties:				
Personnel	8,958	8,708	8,707	1
Other	5,423	5,273	4,905	368
Total division of park maintenance and properties	14,381	13,981	13,612	369
Division of waste collection and disposal:				
Personnel	14,014	14,014	14,006	8
Other	10,788	11,013	10,726	287
Total division of waste collection and disposal	24,802	25,027	24,732	295
Division of traffic engineering:				
Personnel	2,724	2,489	2,487	2
Other	819	819	779	40
Total division of traffic engineering	3,543	3,308	3,266	42
TOTAL PUBLIC WORKS	67,146	66,641	65,341	1,300

(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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Community Development:				
Director's office:				
Personnel	$ 276	$ 276	$ 263	$ 13
Other	15	15	7	8
Total director's office	291	291	270	21
TOTAL COMMUNITY DEVELOPMENT	291	291	270	21
Building and Housing:				
Director's office:				
Personnel	1,751	1,526	1,524	2
Other	466	466	459	7
Total director's office	2,217	1,992	1,983	9
Division of code enforcement:				
Personnel	5,960	5,560	5,432	128
Other	193	193	193	-
Total division of code enforcement	6,153	5,753	5,625	128
Division of construction permitting:				
Personnel	1,542	1,542	1,305	237
Other	25	25	20	5
Total division of construction permitting	1,567	1,567	1,325	242
TOTAL BUILDING AND HOUSING	9,937	9,312	8,933	379
Economic Development:				
Economic development administration:				
Personnel	1,672	1,672	1,467	205
Other	21	21	21	-
Total economic development administration	1,693	1,693	1,488	205
TOTAL ECONOMIC DEVELOPMENT	1,693	1,693	1,488	205
Non-Departmental Expenditures:				
Other	22,101	17,051	16,485	566
TOTAL NON-DEPARTMENTAL EXPENDITURES	22,101	17,051	16,485	566
Capital outlay	250	250	250	-
Principal retirement	250	250	250	-
TOTAL EXPENDITURES	508,157	516,657	495,076	21,581

(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, 2015

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (18,604)	$ (22,104)	$ 15,946	$ 38,050
OTHER FINANCING SOURCES (USES):				
Transfers in	4,993	4,993	5,446	453
Transfers out	(34,174)	(30,674)	(29,862)	812
Sale of City assets			315	315
TOTAL OTHER FINANCING SOURCES (USES)	(29,181)	(25,681)	(24,101)	1,580
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			625	625
NET CHANGE IN FUND BALANCE	(47,785)	(47,785)	(7,530)	40,255
FUND BALANCE AT BEGINNING OF YEAR	49,627	49,627	49,627	-
FUND BALANCE AT END OF YEAR	$ 1,842	$ 1,842	$ 42,097	$ 40,255

(Concluded)

This Page Intentionally Left Blank.

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, repayment of debt and elimination of any deficit balance in any fund of the City.
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 citywide 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.
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 nontax revenue bonds pertaining to the Stadium.
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.
Cleveland Stadium Debt Service Fund	To account for the accumulation of resources earmarked for the repayment of debt related to Cleveland Browns Stadium.
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, 2015
(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	$ 1,579	$ 3,961	$ 12,506	$ 18,046
Investments				-
Receivables:				
Taxes		5,737		5,737
Accounts				-
Grants				-
Loans				-
Accrued interest				-
Assessments				-
Receivables, net	-	5,737	-	5,737
Due from other funds		3,837		3,837
Due from other governments	6,513			6,513
Inventory of supplies	865			865
TOTAL ASSETS	$ 8,957	$ 13,535	$ 12,506	$ 34,998
LIABILITIES				
Accounts payable	$ 173	$ 302	$	$ 475
Accrued wages and benefits	1,116			1,116
Due to other governments			339	339
Unearned revenue				-
Due to other funds	307			307
Total liabilities	1,596	302	339	2,237
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	4,458	1,591		6,049
Total deferred inflows of resources	4,458	1,591	-	6,049
FUND BALANCES				
Nonspendable	865			865
Restricted	2,038	11,642	12,167	25,847
Committed				-
Assigned				-
Total fund balances	2,903	11,642	12,167	26,712
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 8,957	$ 13,535	$ 12,506	$ 34,998

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
$	$ 2,999	$	$ 18,635	$ 17,405	$ 36	$	$ 22,740
	1,286	632		1,570		143	143
6,171	7,986		33,013	58,620			
1,514	1,161	1,921					98
7,685	10,433	2,553	33,013	60,190	-	143	241
49		1,881					35
				12,393			882
$ 7,734	$ 13,432	$ 4,434	$ 51,648	$ 89,988	$ 36	$ 143	$ 23,898
$ 27	$	$ 186	$	$ 92	$	$ 13	$ 881
184	16			3		30	31
60	573			50,179			286
4,052	1,535	219		1,217	36		403
2,083	1,390	1,665	1	895		100	268
6,406	3,514	2,070	1	52,386	36	143	1,869
1,328	1,161	1,921		12,231			472
1,328	1,161	1,921	-	12,231	-	-	472
	7,499	146		13,096			13,925
	1,258	297	51,647	12,275			7,632
-	8,757	443	51,647	25,371	-	-	21,557
$ 7,734	$ 13,432	$ 4,434	$ 51,648	$ 89,988	$ 36	$ 143	$ 23,898

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Gateway Shared Income Tax Funds
ASSETS				
Cash and cash equivalents	$ 449	$ 5,712	$ 109	$ 1,950
Investments				
Receivables:				
Taxes				
Accounts		7		
Grants	86	884	549	
Loans				
Accrued interest				
Assessments				
Receivables, net	86	891	549	-
Due from other funds	1,038		112	
Due from other governments				194
Inventory of supplies				
TOTAL ASSETS	$ 1,573	$ 6,603	$ 770	$ 2,144
LIABILITIES				
Accounts payable	$ 55	$ 43	$ 93	$
Accrued wages and benefits		20	241	
Due to other governments	218		3	1,072
Unearned revenue	108	131	145	
Due to other funds	19	298	64	1,072
Total liabilities	400	492	546	2,144
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow				
Total deferred inflows of resources	-	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	639	5,987	153	
Committed	534	124	71	
Assigned				
Total fund balances	1,173	6,111	224	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,573	$ 6,603	$ 770	$ 2,144

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$ 2,561	$ 17,589	$ 2,622	$ 92,807	$ 110,853
			-	-
			-	5,737
			7	7
		1,323	6,616	6,616
5,790	26,398	32,854	170,832	170,832
	1		1	1
			4,694	4,694
5,790	26,399	34,177	182,150	187,887
		895	4,010	7,847
			13,469	19,982
			-	865
$ 8,351	$ 43,988	$ 37,694	$ 292,436	$ 327,434
$	$	$	$ 1,390	$ 1,865
			525	1,641
		37,694	90,085	90,424
			7,846	7,846
			7,855	8,162
-	-	37,694	107,701	109,938
			17,113	23,162
-	-	-	17,113	23,162
			-	865
	43,988		85,433	111,280
8,351			82,189	82,189
			-	-
8,351	43,988	-	167,622	194,334
$ 8,351	$ 43,988	$ 37,694	$ 292,436	$ 327,434

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(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	$ 2,829	$ 6	$ 2,818	$ 1,004
Investments	294			
Receivables:				
Taxes	30,518			
Accounts				
Grants				
Loans				
Accrued interest				
Assessments				
Receivables, net	30,518	-	-	-
Due from other funds				
Due from other governments	1,588			
Inventory of supplies				
TOTAL ASSETS	$ 35,229	$ 6	$ 2,818	$ 1,004
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	32,105			
Total deferred inflows of resources	32,105	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	3,124		2,818	1,004
Committed				
Assigned		6		
Total fund balances	3,124	6	2,818	1,004
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 35,229	$ 6	$ 2,818	$ 1,004

			Debt Service Funds Non-Budgeted				
Core City Bonds	Subordinate Lien Income Tax Fund	Total Budgeted Funds	Cleveland Stadium Debt Service Fund	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
$ 4,714	$ 12,709	$ 24,080	$ 8,420	$ 942	$ 2,202	$ 11,564	$ 35,644
		294				-	294
		30,518				-	30,518
		-				-	-
		-				-	-
		-				-	-
		-				-	-
		-				-	-
-	-	30,518	-	-	-	-	30,518
		-				-	-
		1,588				-	1,588
		-				-	-
$ 4,714	$ 12,709	$ 56,480	$ 8,420	$ 942	$ 2,202	$ 11,564	$ 68,044
$	$	$ -	$	$	$	$ -	$ -
		-				-	-
		-				-	-
		-				-	-
		-				-	-
-	-	-	-	-	-	-	-
		32,105				-	32,105
-	-	32,105	-	-	-	-	32,105
		-				-	-
4,714	12,709	24,369	8,420	942	2,202	11,564	35,933
		-				-	-
		6				-	6
4,714	12,709	24,375	8,420	942	2,202	11,564	35,939
$ 4,714	$ 12,709	$ 56,480	$ 8,420	$ 942	$ 2,202	$ 11,564	$ 68,044

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(Amounts in 000's)

	Capital Projects Funds Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
ASSETS			
Cash and cash equivalents	$ 150,048	$	$ 6,628
Investments			
Receivables:			
Taxes			
Accounts			
Grants		2,080	
Loans			
Accrued interest	12		
Assessments			
Receivables, net	12	2,080	-
Due from other funds			
Due from other governments			
Inventory of supplies			
TOTAL ASSETS	$ 150,060	$ 2,080	$ 6,628
LIABILITIES			
Accounts payable	$ 2,381	$	$ 4,206
Accrued wages and benefits			
Due to other governments			
Unearned revenue		433	
Due to other funds		1,647	
Total liabilities	2,381	2,080	4,206
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow			
Total deferred inflows of resources	-	-	-
FUND BALANCE			
Nonspendable			
Restricted	147,679		2,422
Committed			
Assigned			
Total fund balances	147,679	-	2,422
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 150,060	$ 2,080	$ 6,628

Certificates of Participation/ Capital **Leases**	Cleveland Stadium **Construction**	Total Capital Projects **Funds**	Total Nonmajor Governmental **Funds**
$	$ 14,877	$ 171,553	$ 318,050
		-	294
		-	36,255
		-	7
		2,080	8,696
		-	170,832
		12	13
		-	4,694
-	-	2,092	220,497
		-	7,847
		-	21,570
		-	865
$ -	$ 14,877	$ 173,645	$ 569,123
$	$ 102	$ 6,689	$ 8,554
		-	1,641
		-	90,424
		433	8,279
		1,647	9,809
-	102	8,769	118,707
		-	55,267
-	-	-	55,267
		-	865
	14,775	164,876	312,089
		-	82,189
		-	6
-	14,775	164,876	395,149
$ -	$ 14,877	$ 173,645	$ 569,123

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in 000's)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
REVENUES:				
Income taxes	$	$ 39,350	$	$ 39,350
Property taxes				-
Other shared revenues	13,295			13,295
Licenses and permits	1,318			1,318
Charges for services	41		250	291
Fines, forfeits and settlements	250			250
Investment earnings	2	21	16	39
Grants				-
Contributions				-
Miscellaneous	2			2
Total revenues	14,908	39,371	266	54,545
EXPENDITURES:				
Current:				
General Government				-
Public Works	22,395		785	23,180
Public Safety				-
Community Development				-
Building and Housing				-
Public Health				-
Economic Development				-
Capital outlay		5,231		5,231
Inception of capital lease				-
Debt service:				
Principal retirement		4,114		4,114
Interest		904		904
General Government				-
Other		1,071		1,071
Total expenditures	22,395	11,320	785	34,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,487)	28,051	(519)	20,045
OTHER FINANCING SOURCES (USES):				
Transfers in	7,666		9,600	17,266
Transfers out		(28,482)	(20,391)	(48,873)
Issuance of debt				-
Premium on bonds				-
Payment to refund bonds				-
Sale of City assets				-
Issuance of refunding bonds				-
Total other financing sources (uses)	7,666	(28,482)	(10,791)	(31,607)
NET CHANGE IN FUND BALANCES	179	(431)	(11,310)	(11,562)
FUND BALANCES AT BEGINNING OF YEAR	2,724	12,073	23,477	38,274
FUND BALANCES AT END OF YEAR	$ 2,903	$ 11,642	$ 12,167	$ 26,712

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
$	$	$	$	$	$	$	$
			72	11,441			1,636
687	111	626					1,392
							2,683
20	59			10			34
22,949	6,812	3,643		6,261	2,795	1,553	1,588
420	170		418	4,451	3		528
24,076	7,152	4,269	490	22,163	2,798	1,553	7,861
						1,553	5,861
23,423	6,590				2,798		
		4,284					
			4,820	18,984			
163			145	3			1,380
23,586	6,590	4,284	4,965	18,987	2,798	1,553	7,241
490	562	(15)	(4,475)	3,176	-	-	620
	490	38		1,556			138
(490)			(38)	(461)			
(490)	490	38	(38)	1,095	-	-	138
-	1,052	23	(4,513)	4,271	-	-	758
	7,705	420	56,160	21,100			20,799
$ -	$ 8,757	$ 443	$ 51,647	$ 25,371	$ -	$ -	$ 21,557

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Gateway Shared Income Tax Funds
REVENUES:				
Income taxes	$	$	$	$
Property taxes				
Other shared revenues				
Licenses and permits	1		824	
Charges for services	212		110	
Fines, forfeits and settlements		762		
Investment earnings	2		1	
Grants	1,404	3,025	8,618	
Contributions		2		
Miscellaneous	54	403	356	
Total revenues	1,673	4,192	9,909	-
EXPENDITURES:				
Current:				
General Government				
Public Works	1,480			
Public Safety		4,685		
Community Development				
Building and Housing				
Public Health			10,312	
Economic Development				
Capital outlay	151	397	19	
Inception of capital lease				
Debt service:				
Principal retirement				
Interest				
General Government				
Other				
Total expenditures	1,631	5,082	10,331	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	42	(890)	(422)	-
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Issuance of debt				
Issuance of refunding bonds				
Premium on bonds				
Payment to refund bonds				
Sale of City assets				
Issuance of refunding bonds				
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	42	(890)	(422)	-
FUND BALANCES AT BEGINNING OF YEAR	1,131	7,001	646	
FUND BALANCES AT END OF YEAR	$ 1,173	$ 6,111	$ 224	$ -

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$	$	$	$ -	$ 39,350
			-	-
	358		13,507	26,802
			825	2,143
			3,138	3,429
			3,445	3,695
	41	2	169	208
		430	59,078	59,078
			2	2
49	71		6,923	6,925
49	470	432	87,087	141,632
			7,414	7,414
			1,480	24,660
			4,685	4,685
			32,811	32,811
			4,284	4,284
			10,312	10,312
3,559	118	432	27,913	27,913
			2,258	7,489
			-	-
			-	4,114
			-	904
			-	-
			-	1,071
3,559	118	432	91,157	125,657
(3,510)	352	-	(4,070)	15,975
			2,222	19,488
(3,249)	(2,386)		(6,624)	(55,497)
	15,280		15,280	15,280
			-	-
			-	-
			-	-
	1,398		1,398	1,398
			-	-
(3,249)	14,292	-	12,276	(19,331)
(6,759)	14,644	-	8,206	(3,356)
15,110	29,344		159,416	197,690
$ 8,351	$ 43,988	$ -	$ 167,622	$ 194,334

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

(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	17,024				
Other shared revenues	5,136				
Licenses and permits					
Charges for services					
Fines, forfeits and settlements					
Investment earnings	5	1	2		1
Grants					
Contributions					
Miscellaneous					
Total revenues	22,165	1	2	-	1
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	24,820	610	3,430	169	875
Interest	11,802	315	2,169	144	945
General Government			287		
Other					
Total expenditures	36,622	925	5,886	313	1,820
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,457)	(924)	(5,884)	(313)	(1,819)
OTHER FINANCING SOURCES (USES):					
Transfers in	14,500	922	5,690	461	2,637
Transfers out					
Issuance of debt					
Premium on bonds			4,863		
Payment to refund bonds and notes			(33,492)		
Sale of City assets					
Issuance of refunding bonds			28,975		
Total other financing sources (uses)	14,500	922	6,036	461	2,637
NET CHANGE IN FUND BALANCES	43	(2)	152	148	818
FUND BALANCES AT BEGINNING OF YEAR	3,081	8	2,666	856	3,896
FUND BALANCES AT END OF YEAR	$ 3,124	$ 6	$ 2,818	$ 1,004	$ 4,714

	Subordinate Lien Income Tax Fund	Total Budgeted Funds	Debt Service Funds Non-Budgeted				
			Cleveland Stadium Debt Service Fund	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
	$	$ -	$	$	$	$ -	$ -
		17,024				-	17,024
		5,136				-	5,136
		-				-	-
		-				-	-
		-				-	-
	13	22	9			9	31
		-				-	-
		-				-	-
	505	505		1,087		1,087	1,592
	518	22,687	9	1,087	-	1,096	23,783
		-				-	-
		-				-	-
		-				-	-
		-				-	-
		-				-	-
		-				-	-
		-				-	-
		-				-	-
		-				-	-
						-	
	7,145	37,049	6,185	685		6,870	43,919
	9,542	24,917	2,625	181		2,806	27,723
		287		616		616	903
		-				-	-
	16,687	62,253	8,810	1,482	-	10,292	72,545
	(16,169)	(39,566)	(8,801)	(395)	-	(9,196)	(48,762)
	24,491	48,701	8,550			8,550	57,251
		-				-	-
		-				-	-
		4,863				-	4,863
	(558)	(34,050)				-	(34,050)
		-				-	-
		28,975				-	28,975
	23,933	48,489	8,550	-	-	8,550	57,039
	7,764	8,923	(251)	(395)	-	(646)	8,277
	4,945	15,452	8,671	1,337	2,202	12,210	27,662
	$ 12,709	$ 24,375	$ 8,420	$ 942	$ 2,202	$ 11,564	$ 35,939

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

(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			362
Licenses and permits			
Charges for services			
Fines, forfeits and settlements			
Investment earnings	152		8
Grants		42,780	
Contributions			2,801
Miscellaneous			
Total revenues	152	42,780	3,171
EXPENDITURES:			
Current:			
General Government			
Public Works			
Public Safety			
Community Development			
Building and Housing			
Public Health			
Economic Development			
Capital outlay	68,104	42,780	2,173
Inception of capital lease			
Debt service:			
Principal retirement			
Interest			
General Government	1,559		
Other			
Total expenditures	69,663	42,780	2,173
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,511)	-	998
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out	(10,510)		
Issuance of debt	86,105		
Premium on bonds	25,222		
Payment to refund bonds	(101,707)		
Sale of City assets			
Issuance of refunding bonds	88,350		
Total other financing sources (uses)	87,460	-	-
NET CHANGE IN FUND BALANCES	17,949	-	998
FUND BALANCES AT BEGINNING OF YEAR	129,730		1,424
FUND BALANCES AT END OF YEAR	$ 147,679	$ -	$ 2,422

Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$	$ -	$ 39,350
		-	17,024
		362	32,300
		-	2,143
		-	3,429
		-	3,695
	30	190	429
		42,780	101,858
		2,801	2,803
	12	12	8,529
-	42	46,145	211,560
		-	7,414
		-	24,660
		-	4,685
		-	32,811
		-	4,284
		-	10,312
		-	27,913
	2,705	115,762	123,251
571		571	571
365		365	48,398
		-	28,627
		1,559	2,462
		-	1,071
936	2,705	118,257	316,459
(936)	(2,663)	(72,112)	(104,899)
	13,841	13,841	90,580
		(10,510)	(66,007)
		86,105	101,385
		25,222	30,085
		-	
		(101,707)	(135,757)
		-	1,398
		88,350	117,325
-	13,841	101,301	139,009
(936)	11,178	29,189	34,110
936	3,597	135,687	361,039
$ -	$ 14,775	$ 164,876	$ 395,149

(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, 2015

(Amounts in 000's)

	Division of Streets			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues	13,348	13,348	13,486	138
Licenses and permits	464	464	1,352	888
Charges for services	5,716	5,716	3,712	(2,004)
Fines, forfeitures and settlements			250	250
Investment earnings	2	2	2	-
Miscellaneous			2	2
Total revenues	19,530	19,530	18,804	(726)
EXPENDITURES:				
Current:				
Public Works:				
Personnel	14,713	16,213	15,610	603
Other	12,442	11,442	10,967	475
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	27,155	27,655	26,577	1,078
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,625)	(8,125)	(7,773)	352
OTHER FINANCING SOURCES (USES):				
Transfers in	7,623	8,123	7,666	(457)
Transfers out				-
Total other financing sources (uses)	7,623	8,123	7,666	(457)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2)	(2)	(107)	(105)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			112	112
FUND BALANCES AT BEGINNING OF YEAR	2	2	2	-
FUND BALANCES AT END OF YEAR	$ -	$ -	$ 7	$ 7

Restricted Income Tax				Rainy Day Reserve Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$ 37,466	$ 38,091	$ 38,618	$ 527	$	$	$	$ -
			-				-
			-				-
			-				-
			-				-
30	30	21	(9)	65	65	51	(14)
			-				-
37,496	38,121	38,639	518	65	65	51	(14)
			-				-
			-				-
3,821	3,028	3,029	(1)				-
5,600	5,393	5,151	242				-
697	697	938	(241)				-
10,118	9,118	9,118	-	-	-	-	-
27,378	29,003	29,521	518	65	65	51	(14)
			-				-
(27,482)	(28,482)	(28,482)	-				-
(27,482)	(28,482)	(28,482)	-	-	-	-	-
(104)	521	1,039	518	65	65	51	(14)
		15	15				-
104	104	104	-	18,675	18,675	18,675	-
$ -	$ 625	$ 1,158	$ 533	$ 18,740	$ 18,740	$ 18,726	$ (14)

(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, 2015

(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				-
Fines, forfeitures and settlements				-
Investment earnings				-
Miscellaneous				-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public Works:				
Personnel				-
Other	1,175	1,175	1,175	-
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	1,175	1,175	1,175	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,175)	(1,175)	(1,175)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	1,175	1,175	1,175	-
Transfers out				-
Total other financing sources (uses)	1,175	1,175	1,175	-
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				Totals			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
$	$	$	$ -	$ 37,466	$ 38,091	$ 38,618	$ 527
			-	13,348	13,348	13,486	138
			-	464	464	1,352	888
250	250	250	-	5,966	5,966	3,962	(2,004)
			-	-	-	250	250
		18	18	97	97	92	(5)
			-	-	-	2	2
250	250	268	18	57,341	57,966	57,762	(204)
			-	14,713	16,213	15,610	603
809	809	783	26	14,426	13,426	12,925	501
			-	3,821	3,028	3,029	(1)
			-	5,600	5,393	5,151	242
			-	697	697	938	(241)
809	809	783	26	39,257	38,757	37,653	1,104
(559)	(559)	(515)	44	18,084	19,209	20,109	900
9,465	9,465	9,600	135	18,263	18,763	18,441	(322)
(21,390)	(21,390)	(20,391)	999	(48,872)	(49,872)	(48,873)	999
(11,925)	(11,925)	(10,791)	1,134	(30,609)	(31,109)	(30,432)	677
(12,484)	(12,484)	(11,306)	1,178	(12,525)	(11,900)	(10,323)	1,577
			-	-	-	127	127
23,812	23,812	23,812	-	42,593	42,593	42,593	-
$ 11,328	$ 11,328	$ 12,506	$ 1,178	$ 30,068	$ 30,693	$ 32,397	$ 1,704

(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, 2015

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Property taxes	$ 17,432	$ 17,432	$ 17,027	$ (405)
Other shared revenues	5,147	5,147	5,136	(11)
Investment earnings	7	7	5	(2)
Miscellaneous				-
Total revenues	22,586	22,586	22,168	(418)
EXPENDITURES:				
Principal retirement	24,820	24,820	24,820	-
Interest	12,378	12,378	11,802	576
General Government				-
Total expenditures	37,198	37,198	36,622	576
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,612)	(14,612)	(14,454)	158
OTHER FINANCING SOURCES (USES):				
Transfers in:				
From other subfunds				-
Restricted income tax fund	14,500	14,500	14,500	-
Premium from Bonds and Notes				-
Proceeds from the Sale of Debt				-
Payment to refund Bonds and Notes				-
Total other financing sources (uses)	14,500	14,500	14,500	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(112)	(112)	46	158
FUND BALANCES AT BEGINNING OF YEAR	3,078	3,078	3,078	-
FUND BALANCES AT END OF YEAR	$ 2,966	$ 2,966	$ 3,124	$ 158

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)
610	610	610	-	3,430	3,430	3,430	-
315	315	315	-	2,169	2,169	2,169	-
			-		500	287	213
925	925	925	-	5,599	6,099	5,886	213
(924)	(924)	(924)	-	(5,596)	(6,096)	(5,884)	212
922	922	922	-	5,690	5,690	5,690	-
			-				-
			-		5,762	4,863	(899)
			-		38,785	28,975	(9,810)
			-		(44,500)	(33,492)	11,008
922	922	922	-	5,690	5,737	6,036	299
(2)	(2)	(2)	-	94	(359)	152	511
8	8	8	-	2,666	2,666	2,666	-
$ 6	$ 6	$ 6	$ -	$ 2,760	$ 2,307	$ 2,818	$ 511

(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, 2015

(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	169	169	169	-	875	875	875	-
Interest	144	144	144	-	1,734	1,746	945	801
General Government				-				-
Total expenditures	313	313	313	-	2,609	2,621	1,820	801
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(313)	(313)	(313)	-	(2,608)	(2,620)	(1,819)	801
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	650	650	461	(189)	2,783	2,637	2,637	-
Restricted income tax fund				-				-
Premium from Bonds and Notes				-				-
Proceeds from the Sale of Debt				-				-
Payment to refund Bonds and Notes				-				-
Total other financing sources (uses)	650	650	461	(189)	2,783	2,637	2,637	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	337	337	148	(189)	175	17	818	801
FUND BALANCES AT BEGINNING OF YEAR	856	856	856	-	3,896	3,896	3,896	-
FUND BALANCES AT END OF YEAR	$ 1,193	$ 1,193	$ 1,004	$ (189)	$ 4,071	$ 3,913	$ 4,714	$ 801

	Subordinate Lien Income Tax Bonds				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
	$	$	$	$ -	$ 17,432	$ 17,432	$ 17,027	$ (405)
				-	5,147	5,147	5,136	(11)
	8	8	13	5	20	20	22	2
	506	506	505	(1)	506	506	505	(1)
	514	514	518	4	23,105	23,105	22,690	(415)
	7,145	7,145	7,145	-	37,049	37,049	37,049	-
	12,978	11,526	9,542	1,984	29,718	28,278	24,917	3,361
				-	-	500	287	213
	20,123	18,671	16,687	1,984	66,767	65,827	62,253	3,574
	(19,609)	(18,157)	(16,169)	1,988	(43,662)	(42,722)	(39,563)	3,159
	4,715	4,715	10,509	5,794	14,760	14,614	20,219	5,605
	13,982	13,982	13,982	-	28,482	28,482	28,482	-
				-	-	5,762	4,863	(899)
				-	-	38,785	28,975	(9,810)
		(603)	(558)	45	-	(45,103)	(34,050)	11,053
	18,697	18,094	23,933	5,839	43,242	42,540	48,489	5,949
	(912)	(63)	7,764	7,827	(420)	(182)	8,926	9,108
	4,945	4,945	4,945	-	15,449	15,449	15,449	-
	$ 4,033	$ 4,882	$ 12,709	$ 7,827	$ 15,029	$ 15,267	$ 24,375	$ 9,108

(Concluded)

This Page Intentionally Left Blank.

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, 2015
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
ASSETS			
Current assets:			
Cash and cash equivalents	$ 50,193	$ 58	$ 1,609
Receivables:			
Accounts	86,061	281	
Unbilled revenue	3,743		
Accrued interest	1		
Less: Allowance for doubtful accounts	(2,631)	(65)	
Receivables, net	87,174	216	-
Due from other funds	143	2	
Inventory of supplies	418		
Prepaid expenses and other assets	5		
Total current assets	137,933	276	1,609
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	617		
Accrued interest receivable			
Total restricted assets	617	-	-
Capital assets:			
Land	297	4,261	198
Land improvements			
Utility plant	144,630		
Buildings, structures and improvements	9,019	21,218	13,234
Furniture, fixtures, equipment and vehicles	15,412	1,121	1,722
Construction in progress	17,045	4,506	2,108
Less: Accumulated depreciation	(112,132)	(21,397)	(9,160)
Total capital assets, net	74,271	9,709	8,102
Total noncurrent assets	74,888	9,709	8,102
TOTAL ASSETS	212,821	9,985	9,711
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps			
Loss on refunding			
Pension	1,080	187	43
Total deferred outflows of resources	1,080	187	43
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 213,901	$ 10,172	$ 9,754

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 7	$ 4,805	$ 104	$ 147	$ 56,923
	15			86,357
				3,743
				1
				(2,696)
-	15	-	-	87,405
	42			187
	44	7		469
				5
7	4,906	111	147	144,989
	8,327	5,498		14,442
	1			1
-	8,328	5,498	-	14,443
413	5,478	1,259	1,822	13,728
484	1,256	5,692	4,033	11,465
				144,630
2,400	54,167	6,916	1,815	108,769
450	1,263	674	479	21,121
	2,343	1,469	150	27,621
(2,584)	(29,605)	(4,509)	(5,083)	(184,470)
1,163	34,902	11,501	3,216	142,864
1,163	43,230	16,999	3,216	157,307
1,170	48,136	17,110	3,363	302,296
	4			4
	1,221			1,221
	130	130		1,570
-	1,355	130	-	2,795
$ 1,170	$ 49,491	$ 17,240	$ 3,363	$ 305,091

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2015
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
LIABILITIES			
Current liabilities:			
Accounts payable	$ 1,295	$ 80	$ 118
Accrued wages and benefits	1,256	93	40
Due to other funds	4,399	51	69
Due to other governments	104,112		
Accrued interest payable			
Current portion of long-term obligations	482		
Unearned revenue			
Total current liabilities	111,544	224	227
Long-term liabilities:			
Accrued wages and benefits	135	20	4
Construction loans payable	271		
Revenue bonds payable			
Pension	6,511	1,206	241
Total liabilities	118,461	1,450	472
DEFERRED INFLOWS OF RESOURCES			
Pension	119	22	4
Total deferred inflows of resources	119	22	4
NET POSITION			
Net investment in capital assets	73,518	9,709	8,102
Restricted for debt service			
Unrestricted	21,803	(1,009)	1,176
Total net position	95,321	8,700	9,278
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 213,901	$ 10,172	$ 9,754

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 6	$ 348	$ 25	$	$ 1,872
	99	106		1,594
	145	24		4,688
	239			104,351
	363			363
	2,880			3,362
	120			120
6	4,194	155	-	116,350
	19	25		203
				271
	21,490			21,490
	723	723		9,404
6	26,426	903	-	147,718
	13	13		171
-	13	13	-	171
1,163	14,460	11,501	3,216	121,669
	5,557			5,557
1	3,035	4,823	147	29,976
1,164	23,052	16,324	3,363	157,202
$ 1,170	$ 49,491	$ 17,240	$ 3,363	$ 305,091

(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, 2015

(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
OPERATING REVENUES:			
Charges for services	$ 26,800	$ 1,197	$ 1,284
Total operating revenue	26,800	1,197	1,284
OPERATING EXPENSES:			
Operations	9,236	2,765	1,277
Maintenance	8,241	10	10
Depreciation	5,665	62	624
Total operating expenses	23,142	2,837	1,911
OPERATING INCOME (LOSS)	3,658	(1,640)	(627)
NON-OPERATING REVENUE (EXPENSES):			
Investment income	52		4
Interest expense	(35)		
Gain (Loss) on disposal of capital assets	(4)		
Other revenues (expenses)	9		
Total non-operating revenues (expenses)	22	-	4
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,680	(1,640)	(623)
Capital contributions			268
Transfers in		1,804	
CHANGE IN NET POSITION	3,680	164	(355)
NET POSITION AT BEGINNING OF YEAR (as restated)	91,641	8,536	9,633
NET POSITION AT END OF YEAR	$ 95,321	$ 8,700	$ 9,278

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 8,576	$ 1,494	$	$ 39,351
-	8,576	1,494	-	39,351
61	3,914	1,563		18,816
	48	2	15	8,326
60	1,370	577	126	8,484
121	5,332	2,142	141	35,626
(121)	3,244	(648)	(141)	3,725
	191	9		256
	(1,443)			(1,478)
				(4)
			36	45
-	(1,252)	9	36	(1,181)
(121)	1,992	(639)	(105)	2,544
	254	721		1,243
40		113		1,957
(81)	2,246	195	(105)	5,744
1,245	20,806	16,129	3,468	151,458
$ 1,164	$ 23,052	$ 16,324	$ 3,363	$ 157,202

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 24,421	$ 1,081	$ 1,284
Cash payments to suppliers for goods or services	(8,897)	(1,489)	(941)
Cash payments to employees for services	(8,893)	(1,379)	(341)
Agency activity on behalf of other sewer authorities	4,003		
Other	(9)		
Net cash provided by (used for) operating activities	10,625	(1,787)	2
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds		1,804	
Cash received for royalties			
Net cash provided by (used for) noncapital financing activities	-	1,804	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(9,562)		
Principal paid on long-term debt	(515)		
Interest paid on long-term debt	(35)		
Net cash provided by (used for) capital and related financing activities	(10,112)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturity of investment securities			
Interest received on investments	51		4
Net cash provided by (used for) investing activities	51	-	4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	564	17	6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	50,246	41	1,603
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 50,810	$ 58	$ 1,609

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 9,261	$ 1,494	$	$ 37,541
(61)	(3,340)	(377)	(18)	(15,123)
	(1,127)	(1,176)	(5)	(12,921)
				4,003
				(9)
(61)	4,794	(59)	(23)	13,491
40		113		1,957
			36	36
40	-	113	36	1,993
	(1,302)	(23)		(10,887)
	(2,770)			(3,285)
	(1,335)			(1,370)
-	(5,407)	(23)	-	(15,542)
	3	9		67
-	3	9	-	67
(21)	(610)	40	13	9
28	13,742	5,562	134	71,356
$ 7	$ 13,132	$ 5,602	$ 147	$ 71,365

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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)	$ 3,658	$ (1,640)	$ (627)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	5,665	62	624
(Increase) Decrease in Assets:			
Receivables, net	2,588	(118)	
Prepaid expenses and other assets	(5)		
Due from other funds	145	4	3
Inventory of supplies	(6)		
(Increase) Decrease in Deferred Outflows of Resources:			
Pension	(266)	(36)	(13)
Increase (Decrease) in Liabilities:			
Accounts payable	14	(93)	(12)
Accrued wages and benefits	47	(4)	3
Pension	136	25	5
Due to other funds	(9,838)	(9)	15
Due to other governments	8,368		
Unearned revenue			
Increase (Decrease) in Deferred Inflows of Resources:			
Pension	119	22	4
Total adjustments	6,967	(147)	629
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 10,625	$ (1,787)	$ 2
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of capital assets			$ 268

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ (121)	$ 3,244	$ (648)	$ (141)	$ 3,725
60	1,370	577	126	8,484
	6			2,476
				(5)
	1			153
	(22)			(28)
	(40)	(40)		(395)
	88	21		18
	15	(2)	(5)	54
	15	15		196
	(24)	5	(3)	(9,854)
	8			8,376
	120			120
	13	13		171
60	1,550	589	118	9,766
$ (61)	$ 4,794	$ (59)	$ (23)	$ 13,491
	$ 254	$ 721		$ 1,243

(Concluded)

This Page Intentionally Left Blank.

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 the City 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, 2015
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,611	$ 573	$ 93	$ 1,211
Receivables:				
Accounts				
Due from other funds	1,239	177	49	14
Inventory of supplies	838	119		
Prepaid expenses and other assets		11		6
Total current assets	4,688	880	142	1,231
Noncurrent assets:				
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	3,131	884		
Furniture, fixtures, equipment and vehicles	13,909	1,456		1,270
Less: Accumulated depreciation	(14,883)	(1,345)		(1,148)
Total capital assets, net	2,966	995	-	122
Total noncurrent assets	2,966	995	-	122
TOTAL ASSETS	7,654	1,875	142	1,353
DEFERRED OUTFLOWS OF RESOURCES				
Pension	608	87		959
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,262	$ 1,962	$ 142	$ 2,312

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 34	$ 1,879	$ 139	$ 1,956	$ 8,805	$ 5,360	$ 1,309	$ 23,970
			12		12	2	26
		965	285	4,953	4,921		12,603
							957
							17
34	1,879	1,104	2,253	13,758	10,293	1,311	37,573
							663
							146
			112				4,127
	276	153	217				17,281
	(115)	(130)	(63)				(17,684)
-	161	23	266	-	-	-	4,533
-	161	23	266	-	-	-	4,533
34	2,040	1,127	2,519	13,758	10,293	1,311	42,106
43	712	161	74				2,644
$ 77	$ 2,752	$ 1,288	$ 2,593	$ 13,758	$ 10,293	$ 1,311	44,750

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2015
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities:				
Accounts payable	$ 641	$ 84	$	$ 39
Accrued wages and benefits	572	83	12	921
Claims payable				
Due to other funds	72	9	2	92
Due to other governments				
Total current liabilities	1,285	176	14	1,052
Long-term liabilities:				
Accrued wages and benefits	172	23	1	200
Pension	3,376	482		4,823
Total liabilities	4,833	681	15	6,075
DEFERRED INFLOWS OF RESOURCES				
Pension	62	9		88
NET POSITION				
Net investment in capital assets	2,966	995		122
Unrestricted	401	277	127	(3,973)
Total net position	3,367	1,272	127	(3,851)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 8,262	$ 1,962	$ 142	$ 2,312

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 6	$ 193	$ 655	$ 20	$	$	$	$ 1,638
19	636	135	47	13,758			16,183
					10,211	496	10,707
1	111	12	9				308
	989		2				991
26	1,929	802	78	13,758	10,211	496	29,827
7	111	37	20				571
241	3,617	723	241				13,503
274	5,657	1,562	339	13,758	10,211	496	43,901
4	66	14	4				247
	161	23	266				4,533
(201)	(3,132)	(311)	1,984		82	815	(3,931)
(201)	(2,971)	(288)	2,250	-	82	815	602
$ 77	$ 2,752	$ 1,288	$ 2,593	$ 13,758	$ 10,293	$ 1,311	$ 44,750

(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, 2015

(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
OPERATING REVENUES:				
Charges for services	$ 16,203	$ 2,135	$ 481	$ 9,749
Total operating revenue	16,203	2,135	481	9,749
OPERATING EXPENSES:				
Operations	15,274	1,868	454	9,585
Maintenance	1,041	68		51
Depreciation	341	74		81
Total operating expenses	16,656	2,010	454	9,717
OPERATING INCOME (LOSS)	(453)	125	27	32
NON-OPERATING REVENUES (EXPENSES):				
Investment income	7	2		4
Loss on disposal of capital assets	(62)			
Total non-operating revenues (expenses)	(55)	2	-	4
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(508)	127	27	36
Capital contributions	415			
Transfers in				
CHANGE IN NET POSITION	(93)	127	27	36
NET POSITION AT BEGINNING OF YEAR (as restated)	3,460	1,145	100	(3,887)
NET POSITION AT END OF YEAR	$ 3,367	$ 1,272	$ 127	$ (3,851)

	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
	$ 109	$ 9,532	$ 6,970	$ 2,133	$ 163	$ 63,086	$ 14,088	$ 124,649
	109	9,532	6,970	2,133	163	63,086	14,088	124,649
	677	9,226	7,433	930	163	60,965	12,604	119,179
		153	204	1,756				3,273
		45	7	24				572
	677	9,424	7,644	2,710	163	60,965	12,604	123,024
	(568)	108	(674)	(577)	-	2,121	1,484	1,625
		10		7				30
								(62)
	-	10	-	7	-	-	-	(32)
	(568)	118	(674)	(570)	-	2,121	1,484	1,593
								415
	504							504
	(64)	118	(674)	(570)	-	2,121	1,484	2,512
	(137)	(3,089)	386	2,820		(2,039)	(669)	(1,910)
	$ (201)	$ (2,971)	$ (288)	$ 2,250	$ -	$ 82	$ 815	$ 602

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 16,353	$ 2,127	$ 468
Cash payments to suppliers for goods or services	(11,180)	(1,218)	(374)
Cash payments to employees for services	(5,244)	(795)	(74)
Net cash provided by (used for) operating activities	(71)	114	20
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		(289)	
Net cash provided by (used for) capital and related financing activities	-	(289)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	7	2	
Net cash provided by investing activities	7	2	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(64)	(173)	20
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,675	746	73
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,611	$ 573	$ 93

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
$ 9,735	$ 137	$ 9,328	$ 7,210	$ 1,831	$ 133	$ 62,129	$ 15,029	$ 124,480
(1,127)	(487)	(3,582)	(6,059)	(2,165)		(62,867)	(13,970)	(103,029)
(8,386)	(190)	(5,950)	(1,324)	(571)				(22,534)
222	(540)	(204)	(173)	(905)	133	(738)	1,059	(1,083)
	504							504
-	504	-	-	-	-	-	-	504
		(56)		(99)				(444)
-	-	(56)	-	(99)	-	-	-	(444)
4		10		7				30
4	-	10	-	7	-	-	-	30
226	(36)	(250)	(173)	(997)	133	(738)	1,059	(993)
985	70	2,129	312	2,953	8,672	6,098	250	24,963
$ 1,211	$ 34	$ 1,879	$ 139	$ 1,956	$ 8,805	$ 5,360	$ 1,309	$ 23,970

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (453)	$ 125	$ 27
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	341	74	
(Increase) Decrease in Assets:			
Receivables, net			
Prepaid expenses and other assets		(11)	
Due from other funds	151	(8)	(12)
Inventory of supplies	5	(2)	
(Increase) Decrease in Deferred Outflows of Resources:			
Pension	(186)	(27)	
Increase (Decrease) in Liabilities:			
Accounts payable	(47)	(2)	(2)
Accrued wages and benefits	8	(26)	5
Pension	71	9	
Claims Payable			
Due to other funds	(23)	(27)	2
Due to other governments			
Increase (Decrease) in Deferred Inflows of Resources:			
Pension	62	9	
Total adjustments	382	(11)	(7)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (71)	$ 114	$ 20
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of capital assets	$ 415		

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
$ 32	$ (568)	$ 108	$ (674)	$ (577)	$	$ 2,121	$ 1,484	$ 1,625
81		45	7	24				572
			3			(12)	(2)	(11)
2								(9)
(14)	28		236	(79)	295	(945)	944	596
								3
(357)	(13)	(260)	(70)	(44)				(957)
	3	(75)	292	(232)				(63)
269	1	38	4	(2)	(162)			135
101	5	76	15	5				282
						(1,902)	(1,367)	(3,269)
20		2						(26)
		(204)		(4)				(208)
88	4	66	14	4				247
190	28	(312)	501	(328)	133	(2,859)	(425)	(2,708)
$ 222	$ (540)	$ (204)	$ (173)	$ (905)	$ 133	$ (738)	$ 1,059	$ (1,083)

(Concluded)

								$ 415

This Page Intentionally Left Blank.

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, 2015
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	$ 4,758	$ 12,699	$ 15,354	$ 2,103
Total assets	$ 4,758	$ 12,699	$ 15,354	$ 2,103
LIABILITIES				
Due to others	$ 4,758	$ 12,699	$ 15,354	$ 2,103
Total liabilities	$ 4,758	$ 12,699	$ 15,354	$ 2,103
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	$ 3,662	$ 4,441	$ 3,662	$ 4,441
Taxes receivable	21,587	16,991	21,587	16,991
Due from other governments	1,653	1,491	1,653	1,491
Total assets	$ 26,902	$ 22,923	$ 26,902	$ 22,923
LIABILITIES				
Due to other governments	$ 26,902	$ 22,923	$ 26,902	$ 22,923
Total liabilities	$ 26,902	$ 22,923	$ 26,902	$ 22,923

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	$ 20,342	$ 259,373	$ 258,333	$ 21,382
Total assets	$ 20,342	$ 259,373	$ 258,333	$ 21,382
LIABILITIES				
Due to others	$ 20,342	$ 259,373	$ 258,333	$ 21,382
Total liabilities	$ 20,342	$ 259,373	$ 258,333	$ 21,382
TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 28,762	$ 276,513	$ 277,349	$ 27,926
Taxes receivable	21,587	16,991	21,587	16,991
Due from other governments	1,653	1,491	1,653	1,491
Total assets	$ 52,002	$ 294,995	$ 300,589	$ 46,408
LIABILITIES				
Due to other governments	$ 26,902	$ 22,923	$ 26,902	$ 22,923
Due to others	25,100	272,072	273,687	23,485
Total liabilities	$ 52,002	$ 294,995	$ 300,589	$ 46,408

(Concluded)

This Page Intentionally Left Blank.

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, 2015
(Amounts in 000's)

Governmental Funds Capital Assets:	
Land	$ 66,156
Land improvements	172,623
Buildings, structures and improvements	713,933
Furniture, fixtures, equipment and vehicles	231,482
Infrastructure	697,212
Construction in progress	213,977
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,095,383

* 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, 2015
(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	$ 348,102	$ 208	$ 1,484	$ 305,601	$ 25,554	$ 6,663	$ 8,592
City Hall	28,451	877		25,959		1,347	268
Engineering and construction	539,363		28,525		1,826	482,639	26,373
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	995,374	1,988	69,810	365,448	28,287	493,646	36,195
Public Works:							
Waste collection	41,874	499		9,761	30,066	1,460	88
Streets	337,955	1,540	11,602	14,393	25,762	173,324	111,334
Traffic engineering	5,281			813	2,251	2,200	17
Park maintenance and properties	117,532	37,490	24,727	18,796	15,971	316	20,232
Recreation	138,191	976	58,012	73,542	2,396		3,265
Other	125,591	2,669		109,587	1,056	19	12,260
Total public works	766,424	43,174	94,341	226,892	77,502	177,319	147,196
Public Safety:							
Police	164,070	4,805	613	60,716	76,591	162	21,183
Fire	70,238	1,663		30,901	34,041		3,633
Emergency medical service	17,486			1,168	10,627	5,614	77
Correction	7,530	257		6,570	680	23	
Dog pound	1,519			1,048	328		143
Total public safety	260,843	6,725	613	100,403	122,267	5,799	25,036
Public Health:							
Health and environment	13,817	1,112	208	10,746	1,649	56	46
Total public health	13,817	1,112	208	10,746	1,649	56	46
Community Development:							
Community development	46,473	7,130	7,376	9,384	1,363	15,807	5,413
Total community development	46,473	7,130	7,376	9,384	1,363	15,807	5,413
Economic Development:							
Economic development	8,087	6,027	275	740		1,004	41
Total economic development	8,087	6,027	275	740	-	1,004	41
Building and Housing:							
Building and housing	4,365			320	414	3,581	50
Total building and housing	4,365	-	-	320	414	3,581	50
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,095,383	$ 66,156	$ 172,623	$ 713,933	$ 231,482	$ 697,212	$ 213,977

* 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, 2015
(Amounts in 000's)

	Balance January 1, 2015	Additions	Deductions	Transfers	Balance December 31, 2015
General Government:					
General government	$ 344,110	$ 4,030	$ (38)	$	$ 348,102
City Hall	28,408	43			28,451
Engineering and construction	532,141	7,269	(24)	(23)	539,363
Justice Center	29,776				29,776
Research, planning and development	49,035				49,035
Charles V. Carr Municipal Center	647				647
Total general government	984,117	11,342	(62)	(23)	995,374
Public Works:					
Waste collection	35,187	8,448	(244)	(1,517)	41,874
Streets	273,828	66,032	(1,967)	62	337,955
Traffic engineering	5,327	20		(66)	5,281
Park maintenance and properties	116,927	1,181	(315)	(261)	117,532
Recreation	134,840	3,475	(93)	(31)	138,191
Other	124,870	738	(26)	9	125,591
Total public works	690,979	79,894	(2,645)	(1,804)	766,424
Public Safety:					
Police	158,081	7,476	(831)	(656)	164,070
Fire	66,550	5,327	(1,234)	(405)	70,238
Emergency medical service	17,417	1,587	(984)	(534)	17,486
Correction	7,603		(73)		7,530
Dog pound	1,400	166		(47)	1,519
Total public safety	251,051	14,556	(3,122)	(1,642)	260,843
Public Health:					
Health and environment	13,793	94	(47)	(23)	13,817
Total public health	13,793	94	(47)	(23)	13,817
Community Development:					
Community development	45,876	616	(19)		46,473
Total community development	45,876	616	(19)	-	46,473
Economic Development:					
Economic development	13,049		(4,962)		8,087
Total economic development	13,049	-	(4,962)	-	8,087
Building and Housing:					
Building and housing	4,389		(12)	(12)	4,365
Total building and housing	4,389	-	(12)	(12)	4,365
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,003,254	$ 106,502	$ (10,869)	$ (3,504)	$ 2,095,383

* 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

This Page Intentionally Left Blank.

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.

<u>Contents</u>	**<u>Page</u>**

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)

	2015	2014	2013	2012
Governmental Activities				
Net investment in capital assets	$ 653,925	$ 828,002	$ 686,794	$ 572,213
Restricted	167,042	152,360	145,729	122,488
Unrestricted	(422,125)	(110,650)	(53,448)	(12,383)
Total Governmental Activities Net Position	$ 398,842	$ 869,712	$ 779,075	$ 682,318
Business-Type Activities				
Net investment in capital assets	$ 1,354,871	$ 1,335,195	$ 1,307,661	$ 1,303,584
Restricted	240,979	244,937	244,196	227,826
Unrestricted	482,852	525,970	474,185	492,956
Total Business-Type Activities Net Position	$ 2,078,702	$ 2,106,102	$ 2,026,042	$ 2,024,366
Primary Government				
Net investment in capital assets	$ 2,008,796	$ 2,163,197	$ 1,994,455	$ 1,875,797
Restricted	408,021	397,297	389,925	350,314
Unrestricted	60,727	415,320	420,737	480,573
Total Primary Government Net Position	$ 2,477,544	$ 2,975,814	$ 2,805,117	$ 2,706,684

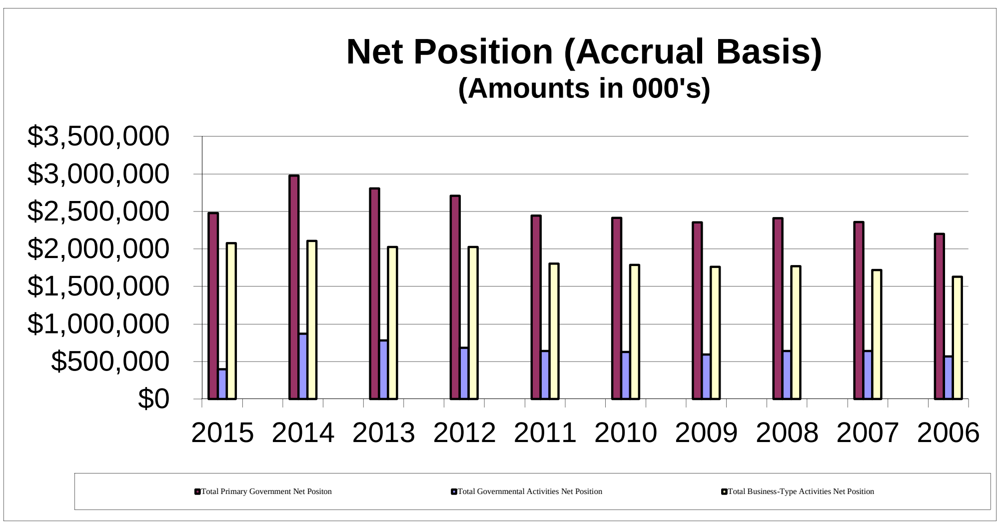
Note:

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.

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 and 71 effective for periods beginning after June 15, 2014. This statement established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. The City did not restate prior years in this statistical table.

2011	2010	2009	2008	2007	2006
$ 543,460	$ 557,804	$ 561,586	$ 555,076	$ 484,758	$ 412,430
117,765	159,942	166,280	179,318	214,811	211,361
(19,771)	(90,565)	(134,033)	(95,968)	(59,630)	(56,318)
$ 641,454	$ 627,181	$ 593,833	$ 638,426	$ 639,939	$ 567,473
$ 1,130,178	$ 1,080,332	$ 1,016,182	$ 985,556	$ 957,587	$ 886,978
234,050	243,511	275,907	272,613	252,514	247,802
438,767	462,397	469,010	512,876	506,745	496,624
$ 1,802,995	$ 1,786,240	$ 1,761,099	$ 1,771,045	$ 1,716,846	$ 1,631,404
$ 1,673,638	$ 1,638,136	$ 1,577,768	$ 1,540,632	$ 1,442,345	$ 1,299,408
351,815	403,453	442,187	451,931	467,325	459,163
418,996	371,832	334,977	416,908	447,115	440,306
$ 2,444,449	$ 2,413,421	$ 2,354,932	$ 2,409,471	$ 2,356,785	$ 2,198,877



City of Cleveland, Ohio
Changes in Net Position
Last Ten Years
(Accrual Basis of Accounting)
(Amounts in 000's)

	2015	2014	2013	2012 (2)
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government (1)	$ 23,007	$ 31,589	$ 29,983	$ 30,696
Public Works (1)	17,587	17,706	17,561	18,369
Public Service (1)				
Public Safety	13,032	15,318	17,078	15,049
Community Development (1)	844	1,483		
Building and Housing	16,408	11,984	11,734	5,757
Public Health	2,544	2,754	2,917	2,967
Parks, Recreation and Properties (1)				
Economic Development	103	101	377	100
Subtotal - Charges for Services	73,525	80,935	79,650	72,938
Operating Grants and Contributions:				
General Government (1)	4,349	4,351	5,601	4,345
Public Works (1)	14,753	20,373	29,770	28,342
Public Service (1)				
Public Safety	3,806	7,315	9,180	13,805
Community Development	32,729	35,673	42,608	69,004
Building and Housing	3,609	2,804	9,133	6,679
Public Health	8,974	11,040	9,249	10,321
Parks, Recreation and Properties (1)				
Economic Development	11,752	18,234	14,046	11,387
Subtotal - Operating Grants and Contributions	79,972	99,790	119,587	143,883
Capital Grants and Contributions:				
General Government	415	2,862	56,610	1,330
Public Works (1)	45,581	85,253	38,348	24,515
Public Service (1)				
Public Safety	91	173		
Community Development				
Parks, Recreation and Properties (1)				
Subtotal - Capital Grants and Contributions	46,087	88,288	94,958	25,845
Total Governmental Activities Program Revenues	199,584	269,013	294,195	242,666
Business-Type Activities:				
Charges for Services:				
Water	301,283	303,412	272,674	280,323
Electricity	192,861	181,843	170,342	165,227
Airport facilities	128,033	131,724	113,244	116,694
Nonmajor activities	39,351	34,276	34,135	35,188
Subtotal - Charges for Services	661,528	651,255	590,395	597,432
Operating Grants and Contributions:				
Water	413	301	5,984	4,567
Electricity	3,225	4,030	656	97
Airport facilities	85	73	132	177
Nonmajor activities	299	161	86	478
Subtotal - Operating Grants and Contributions	4,022	4,565	6,858	5,319
Capital Grants and Contributions:				
Water	25,158	34,699	12,446	21,800
Electricity	481	2	393	964
Airport facilities	20,159	19,775	35,089	25,025
Nonmajor activities	1,245	3,280	808	5,773
Subtotal - Capital Grants and Contributions	47,043	57,756	48,736	53,562
Total Business-Type Activities Program Revenues	712,593	713,576	645,989	656,313
Total Primary Government Program Revenues	$ 912,177	$ 982,589	$ 940,184	$ 898,979

2011	2010	2009	2008	2007	2006
$ 32,336	$ 31,570	$ 34,937	$ 36,824	$ 30,470	$ 32,311
16,271					
	12,024	5,517	5,517	4,490	5,158
15,034	13,839	18,296	21,709	21,087	12,773
			5,440	1,203	2
18,072	7,327	13,402	12,323	10,528	10,701
2,931	3,033	3,187	2,893	2,979	2,898
	8,047	1,129	1,351	1,160	746
37	1,469	759	1,057	471	4,496
84,681	77,309	77,227	87,114	72,388	69,085
3,673	1,348	1,121	1,789	1,994	1,508
27,364					
	13,821	13,469	14,317	14,459	14,230
12,497	8,647	13,192	7,448	5,789	9,364
68,887	73,563	41,490	42,129	50,344	56,882
5,698	9,064	11,857	1,106	3,353	3,407
13,228	12,693	15,048	12,786	14,079	13,838
	13,830	14,404	16,417	16,123	16,232
4,008	8,156	23,984	33,121	21,077	40,397
135,355	141,122	134,565	129,113	127,218	155,858
23	41		3,057	5,380	23,839
13,982					
	11,179	11,680	13,094	75,871	
				1,315	
14,005	11,220	11,680	16,151	82,566	23,839
234,041	229,651	223,472	232,378	282,172	248,782
236,626	237,270	228,235	242,872	242,014	209,694
168,448	166,665	155,865	158,237	155,559	146,293
114,967	106,696	98,143	111,402	105,887	105,711
34,600	39,358	43,110	41,950	40,614	33,821
554,641	549,989	525,353	554,461	544,074	495,519
3,305	3,553	4,917	8,384	11,033	8,242
883	566	169	2,118	2,589	1,796
	619	1,232	3,809	3,718	2,944
278	4,051	3,857	5,557	6,399	1,616
4,466	8,789	10,175	19,868	23,739	14,598
2,284	7,645	1,677	3,460	7,906	6,817
206	1,035		2,803	1,485	1,135
56,385	57,089	44,219	54,646	73,358	53,280
5,716	19,765	5,429	3,155	2,591	6,201
64,591	85,534	51,325	64,064	85,340	67,433
623,698	644,312	586,853	638,393	653,153	577,550
$ 857,739	$ 873,963	$ 810,325	$ 870,771	$ 935,325	$826,332

(Continued)

City of Cleveland, Ohio

Changes in Net Position

Last Ten Years

(Amounts in 000's)

	2015	2014	2013	2012 (2)
Expenses				
Governmental Activities:				
General Government (1)	$ 140,946	$ 121,050	$ 115,793	$ 106,141
Public Works (1)	117,040	129,551	130,108	128,276
Public Service (1)				
Public Safety	328,453	298,768	310,246	310,745
Community Development (1)	35,026	39,099	44,337	70,705
Building and Housing	13,433	11,059	17,694	14,729
Public Health	16,841	18,236	15,405	17,385
Parks, Recreation and Properties (1)				
Economic Development	29,474	32,508	18,142	13,845
Interest on debt	36,489	26,333	24,913	26,153
Total Governmental Activities Expenses	717,702	676,604	676,638	687,979
Business-Type Activities				
Water	259,892	253,822	258,014	244,647
Electricity	197,823	181,862	171,669	163,547
Airport facilities	162,499	161,021	155,343	153,627
Nonmajor activities	37,088	38,430	35,235	39,671
Total Business-Type Activities Expenses	657,302	635,135	620,261	601,492
Total Primary Government Program Expenses	1,375,004	1,311,739	1,296,899	1,289,471
Net (Expense)/Revenue				
Governmental Activities	(518,118)	(407,591)	(382,443)	(445,313)
Business-Type Activities	55,291	78,441	25,728	54,821
Total Primary Government Net Expense	(462,827)	(329,150)	(356,715)	(390,492)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Income taxes	346,797	337,933	332,719	330,863
Property taxes	55,017	52,327	45,055	56,086
Other taxes	38,904	35,851	37,765	28,680
Shared revenues	34,974	37,240	34,434	27,338
State and local government funds	26,567	23,846	30,081	25,966
Unrestricted investment earnings	1,060	1,193	683	692
Other	8,760	11,454	21,194	18,141
Transfers	(1,957)	(1,616)	(1,527)	(1,589)
Total Governmental Activities	510,122	498,228	500,404	486,177
Business-Type Activities				
Unrestricted investment earnings	4	3	3	
Special items - gain on sale of capital assets				
Transfers	1,957	1,616	1,527	1,589
Total Business-Type Activities Expenses	1,961	1,619	1,530	1,589
Total Primary Government General Revenues and Other Changes in Net Position	512,083	499,847	501,934	487,766
Change in Net Position				
Governmental Activities	(7,996)	90,637	117,961	40,864
Business-Type Activities	57,252	80,060	27,258	56,410
Total Primary Government Change in Net Position	$ 49,256	$ 170,697	$ 145,219	$ 97,274

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.

2011	2010	2009	2008	2007	2006
$ 95,833	$ 81,898	$ 90,311	$ 101,878	$ 99,311	$ 99,187
139,577					
	93,425	85,947	87,154	86,435	81,248
308,051	315,900	329,765	329,922	322,840	301,208
75,778	70,589	59,204	44,550	54,425	62,701
14,098	17,445	20,925	15,831	13,999	13,832
19,596	19,740	22,999	20,351	21,412	27,674
	46,963	58,799	61,628	54,332	45,546
22,323	24,729	38,083	53,944	39,168	44,739
27,686	47,531	30,448	32,896	27,763	32,162
702,942	718,220	736,481	748,154	719,685	708,297
232,497	232,862	224,269	213,335	205,470	204,994
167,799	165,330	158,100	154,426	148,832	141,546
167,531	158,262	168,734	172,274	167,967	157,976
46,302	43,443	46,546	44,507	45,762	42,112
614,129	599,897	597,649	584,542	568,031	546,628
1,317,071	1,318,117	1,334,130	1,332,696	1,287,716	1,254,925
(468,901)	(488,569)	(513,009)	(515,776)	(437,513)	(459,515)
9,569	44,415	(10,796)	53,851	85,122	30,922
(459,332)	(444,154)	(523,805)	(461,925)	(352,391)	(428,593)
311,492	298,209	296,507	329,316	317,268	302,084
63,839	88,087	63,573	65,398	69,313	66,762
27,312	28,450	25,053	25,918	28,567	26,492
19,558	23,869	28,741	28,587	23,805	16,949
43,821	49,266	43,420	52,450	51,164	55,905
97	654	1,740	3,344	5,670	4,273
19,086	14,104	10,207	9,556	14,482	18,460
(2,031)	19,278	(825)	(306)	(290)	(390)
483,174	521,917	468,416	514,263	509,979	490,535
30	4	25	42	30	14
5,125					
2,031	(19,278)	825	306	290	390
7,186	(19,274)	850	348	320	404
490,360	502,643	469,266	514,611	510,299	490,939
14,273	33,348	(44,593)	(1,513)	72,466	31,020
16,755	25,141	(9,946)	54,199	85,442	31,326
$ 31,028	$ 58,489	$ (54,539)	$ 52,686	$ 157,908	$ 62,346

(Concluded)

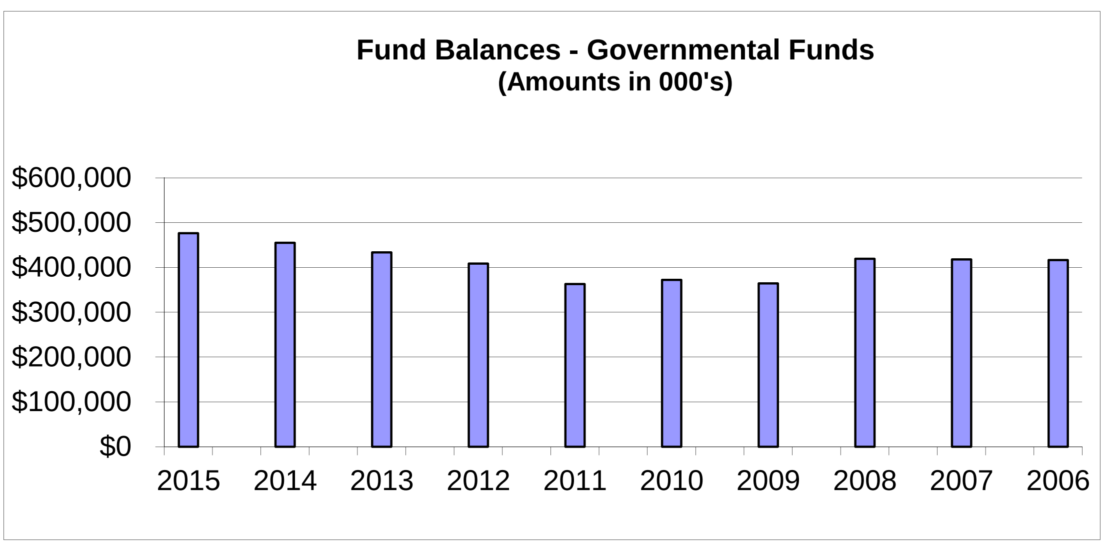
City of Cleveland, Ohio

Fund Balances, Governmental Funds
Last Ten Years (1)
(Modified Accrual Basis of Accounting)
(Amounts in 000's)

	2015	2014	2013	2012
General Fund				
Reserved	$	$	$	$
Unreserved				
Nonspendable	740	885	648	632
Assigned	11,979	15,041	13,209	9,239
Unassigned	68,490	78,401	75,891	61,879
Total General Fund	81,209	94,327	89,748	71,750
All Other Governmental Funds				
Reserved				
Unreserved reported in:				
Special Revenue funds				
Capital Projects funds				
Nonspendable	865	1,387	355	495
Restricted	312,089	268,905	245,015	233,832
Committed	82,189	90,739	98,806	102,901
Assigned	6	8	3	2
Unassigned				
Total All Other Governmental Funds	395,149	361,039	344,179	337,230
Total Governmental Funds	$ 476,358	$ 455,366	$ 433,927	$ 408,980

(1) Fund balance classifications changed in 2011 with the implementation of GASB Statement No.54.

2011	2010	2009	2008	2007	2006
$	$ 15,070	$ 15,513	$ 14,689	$ 14,455	$ 13,029
	(2,529)	(9,648)	16,856	17,399	22,502
576					
12,027					
38,991					
51,594	12,541	5,865	31,545	31,854	35,531
	257,696	263,059	272,039	277,669	278,984
	64,432	45,781	72,421	77,223	77,287
	37,753	49,556	43,438	31,136	24,458
1,172					
204,590					
105,624					
1					
(96)					
311,291	359,881	358,396	387,898	386,028	380,729
$ 362,885	$ 372,422	$ 364,261	$ 419,443	$ 417,882	$ 416,260



City of Cleveland, Ohio

Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

(Amounts in 000's)

	2015	2014	2013	2012
Revenues				
Income taxes	$ 350,524	$ 336,743	$ 333,359	$ 331,118
Property taxes	49,697	49,198	49,740	55,312
State and local government funds	26,433	25,077	28,439	31,821
Other taxes and shared revenues (2)				86,084
Other taxes (2)	38,904	35,851	37,764	
Other shared revenues (2)	48,864	54,329	59,907	
Licenses and permits	18,884	15,404	16,034	15,070
Charges for services	35,169	36,120	39,297	41,436
Fines, forfeits and settlements	18,864	28,928	27,020	26,830
Investment earnings	927	858	865	468
Grants	102,257	111,935	115,851	129,724
Contributions	2,803	2,571	15,948	1,364
Miscellaneous	13,565	18,534	27,770	18,770
Total Revenues	706,891	715,548	751,994	737,997
Expenditures				
Current:				
General Government (1)	86,686	91,199	85,638	85,125
Public Works (1)	90,961	89,042	86,576	85,753
Public Service (1)				
Public Safety	311,177	294,605	303,234	303,767
Community Development (1)	33,076	37,191	42,677	69,238
Building and Housing	13,419	10,885	17,444	14,542
Public Health	16,462	17,722	14,983	16,986
Parks, Recreation and Properties (1)				
Economic Development	29,393	32,360	18,030	12,794
Other	8,635	10,580	11,877	10,992
Capital outlay	127,001	100,868	115,170	69,945
Inception of capital lease	571	6,044	5,046	5,648
Debt service:				
Principal retirement	48,648	47,752	46,252	48,115
Interest	28,627	27,935	30,380	33,741
General Government	2,462	1,114	615	1,264
Other	1,071	1,077	1,176	1,168
Total Expenditures	798,189	768,374	779,098	759,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,298)	(52,826)	(27,104)	(21,081)
Other Financing Sources (Uses)				
Transfers in	92,273	77,659	56,516	59,830
Transfers out	(94,734)	(79,766)	(58,466)	(62,145)
Issuance of debt	101,385	69,200	35,840	82,945
Issuance of refunding bonds	117,325	20,110	25,360	
Proceeds from sale of debt				
Premium on bonds and notes	30,085	6,666	4,415	8,770
Discount on bonds and notes		(13)		(145)
Payment to refund bonds and notes	(135,757)	(20,635)	(25,360)	(28,910)
Proceeds from sale of general obligation bonds and notes				
Loan proceeds			2,786	
Sale of City assets	1,713	1,044	4,425	324
Capital leases			6,535	6,507
Total Other Financing Sources (Uses)	112,290	74,265	52,051	67,176
Net Change in Fund Balances	$ 20,992	$ 21,439	$ 24,947	$ 46,095
Debt Service as a Percentage of Noncapital Expenditures	11.1%	11.7%	11.5%	11.8%

(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.

2011	2010	2009	2008	2007	2006
$ 312,508	$ 300,427	$ 298,546	$ 326,464	$ 311,784	$ 303,446
55,949	58,660	63,754	65,258	69,254	66,787
45,640	47,972	45,590	52,269	53,506	55,908
77,636	79,620	81,440	81,200	80,789	73,810
16,877	13,529	17,061	15,047	13,802	14,520
39,433	33,779	22,136	26,000	24,388	20,973
28,376	28,643	32,321	34,763	31,246	27,877
518	621	2,691	8,871	16,875	13,809
120,119	116,920	112,024	94,769	167,125	137,278
52	72	659	549	549	3,113
15,356	16,490	25,811	27,649	18,581	18,683
712,464	696,733	702,033	732,839	787,899	736,204
77,792	80,865	90,074	91,664	84,578	74,905
91,926					
	53,567	58,229	60,105	60,700	58,739
302,009	308,321	319,334	318,339	311,606	293,093
73,682	70,437	58,101	43,677	53,668	62,031
14,031	17,401	20,841	15,691	13,892	13,668
19,160	19,229	22,460	19,724	21,014	26,903
	37,822	39,598	42,593	40,494	37,817
19,348	24,635	36,849	51,921	33,787	44,632
11,171	11,490	10,446	10,627	9,206	9,256
66,575	56,227	66,720	60,513	120,680	65,216
4,566	3,201			3,933	3,302
47,481	48,223	53,048	51,566	44,258	37,648
30,628	28,682	32,942	34,318	30,075	31,462
438	18,722	477	5,394		
315	795	475	1,868	2,438	662
759,122	779,617	809,594	808,000	830,329	759,334
(46,658)	(82,884)	(107,561)	(75,161)	(42,430)	(23,130)
68,643	106,617	53,414	57,550	61,064	41,853
(71,514)	(88,152)	(54,525)	(58,243)	(61,894)	(42,665)
31,260	171,505	44,580			
		13,820			
			266,160		
1,105	1,885	2,289	4,042	3,730	
(217)	(237)		(386)	(18)	
	(108,390)	(13,767)	(192,675)	(140,457)	
				181,420	
1,229	1,127	6,568	274	207	8,411
6,615	6,690				
37,121	91,045	52,379	76,722	44,052	7,599
$ (9,537)	$ 8,161	$ (55,182)	$ 1,561	$ 1,622	$ (15,531)
11.1%	10.4%	11.5%	11.3%	10.3%	9.8%

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
2015	$ 2,035,581	$ 2,593,704	$ 13,226,529	$ 318,829	$ 362,306
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

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.

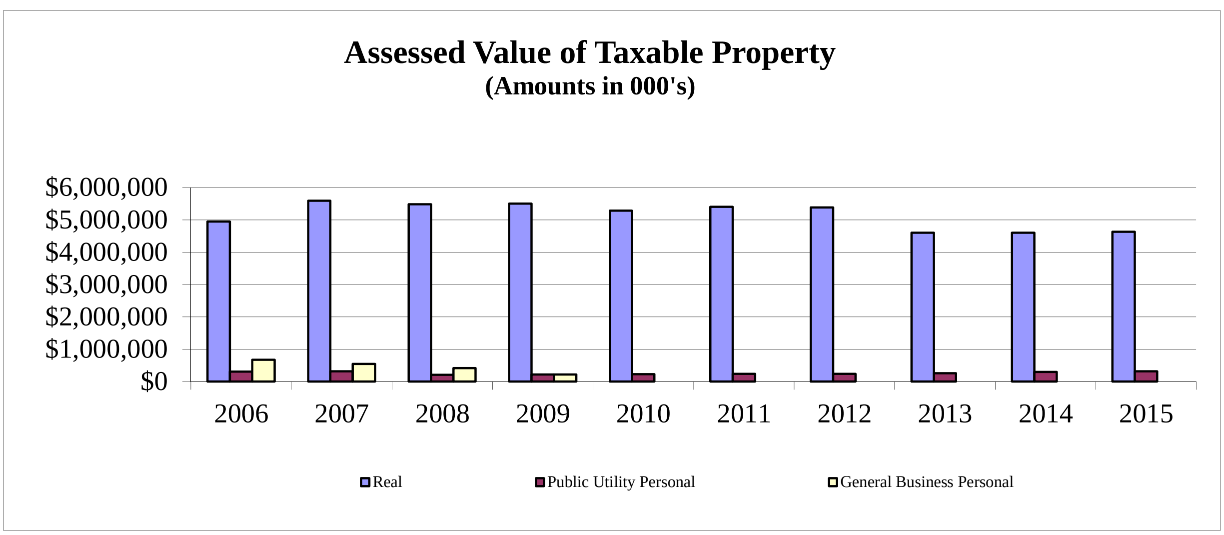
The assessed valuation of personal property constituting "inventory" was 23% of true value, in 2006 it was reduced to 18.75%, in 2007 to 12.50%, and in 2008 to 6.25%. The percentage decreased to 0% in 2009 and remains at 0% in 2015.

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 Fiscal Officer.

Tangible Personal Property						
General Business		Total				
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Ratio
$	$	$ 4,948,114	$ 13,588,835	12.70	36.4 %
		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



City of Cleveland, Ohio

Property Tax Rates - Direct and Overlapping Governments

(Per $1,000 of Assessed Valuation)

Last Ten Years

	2015	2014	2013	2012
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	52.479460	52.699898	52.427248	52.116544
Commercial/Industrial and Public Utility Real	61.740058	61.107741	60.124573	60.128798
General Business and Public Utility Personal	79.300000	79.900000	79.800000	79.800000
County				
Residential/Agricultural Real	13.869781	14.050000	14.050000	13.220000
Commercial/Industrial and Public Utility Real	14.050000	14.019470	13.949465	12.996761
General Business and Public Utility Personal	14.050000	14.050000	14.050000	13.220000
Special Taxing Districts (1)				
Residential/Agricultural Real	13.112910	13.202292	12.298441	11.391842
Commercial/Industrial and Public Utility Real	13.363153	13.312617	12.339767	11.418198
General Business and Public Utility Personal	13.680000	13.680000	12.780000	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 Fiscal Officer.

2011	2010	2009	2008	2007	2006
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
31.674164	31.506887	31.460074	29.076676	29.050497	29.002818
44.235815	44.362102	44.661412	44.661009	44.592555	44.858685
64.800000	64.800000	64.800000	64.800000	64.800000	64.800000
13.118223	13.186617	13.178886	12.660733	11.868868	11.865485
12.784540	12.841251	12.845700	12.815297	12.453559	12.494099
13.220000	13.320000	13.320000	13.320000	13.420000	13.420000
11.225159	11.207637	10.723710	10.330071	9.059500	9.045800
11.232744	11.236434	10.859248	10.838537	10.191700	10.252900
11.880000	11.880000	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
2015	$ 75,115,511	$ 62,192,254	82.80 %	$ 4,537,073	$ 66,729,327
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

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 Fiscal Officer.

Total Tax Levy	Percent of Total Tax Collections To Total Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
$ 110,147,288	60.58 %	$ 47,220,991	42.87 %
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

City of Cleveland, Ohio

Principal Taxpayers - Real Estate Tax

2015 and 2006

	2015	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Electric Illuminating Co.	$ 204,079,950	4.41 %
Cuyahoga County, Ohio	84,938,640	1.83
East Ohio Gas Co.	81,294,510	1.76
Key Center Properties LLC	80,915,000	1.75
City of Cleveland, Ohio	74,169,060	1.60
Cleveland Clinic Foundation	50,592,610	1.09
Rock Ohio Ceasars Cleveland LLC	49,792,550	1.08
Cleveland Financial Associates, LLC	43,903,130	0.95
American Transmission System	43,142,090	0.93
National City Bank	33,508,720	0.72
Total	$ 746,336,260	16.12 %
Total Real Property Assessed Valuation	$ 4,629,285,000	

	2006	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	$ 133,384,540	2.70 %
Cleveland Financial Associates	49,232,020	0.99
Cleveland Clinic Foundation	35,386,420	0.72
NPW LTD Partnership	35,062,590	0.71
ISG Cleveland Inc	27,201,480	0.55
National City Center, LLC	27,949,990	0.56
TIC OCC Ainley	22,177,160	0.45
Bishop James Hickey	19,752,400	0.40
Behringer Harvard	19,376,700	0.39
Chester Union Associates	18,352,960	0.37
Total	$ 387,876,260	7.84 %
Total Real Property Assessed Valuation	$ 4,947,986,000	

(1) The amounts presented represent the assessed values upon which 2015 and 2006 collections were based.

Source: Cuyahoga County Fiscal Officer.

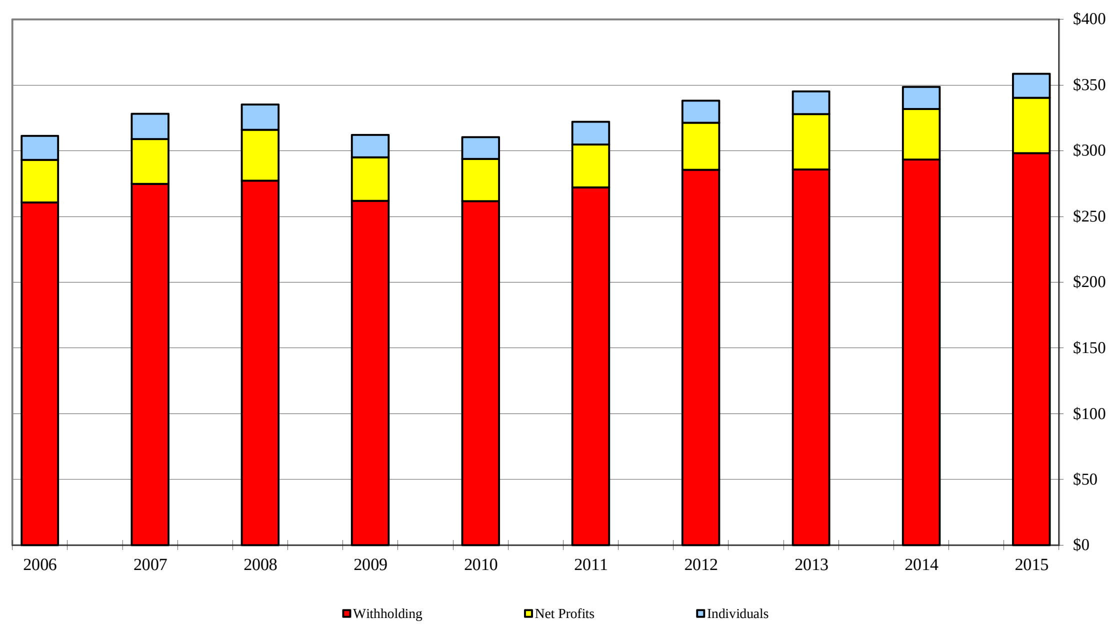
City of Cleveland, Ohio

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
2015	2.00%	$ 358,677,459	$ 298,318,465	83.17%	$41,948,933	11.70%	$ 18,410,061	5.13%
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

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

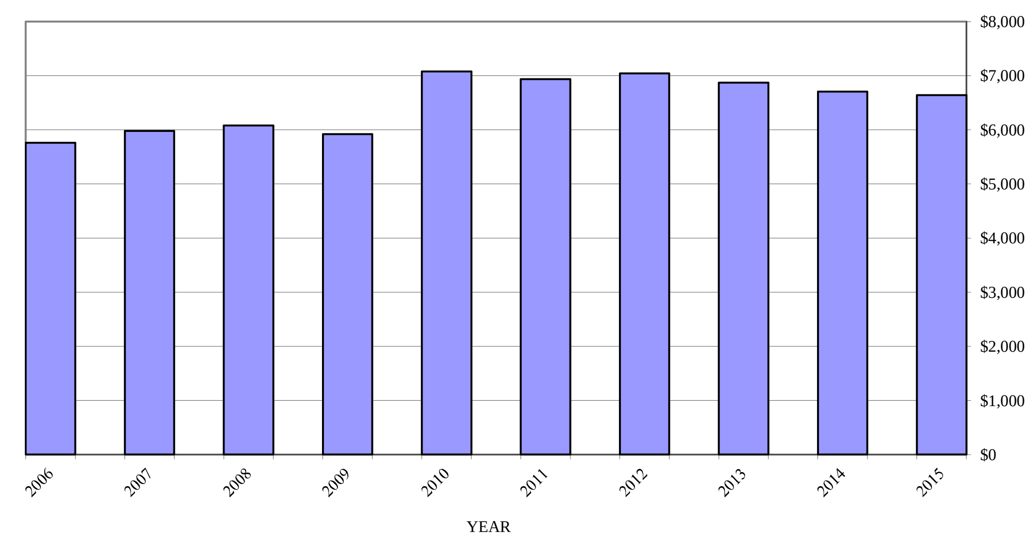
	Governmental Activities						
Year	General Obligation Bonds	Urban Renewal Bonds	Non-Tax Revenue Bonds	Capital Lease Obligations	Subordinated Income Tax Refunding Bonds	Certificates of Participation	Subordinate Lien Income Tax Bonds
2015	$ 228,740,000	$ 2,345,000	$ 63,829,000	$ 11,354,000	$ 38,885,000	$ 105,595,000	$ 265,995,000
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	

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	OWDA / OPWC Loans	Total Net Premium/ (Discount)	Total Debt	Percentage of Personal Income	Per Capita
$ 10,020,000	$ 2,240,000	$ 1,699,688,000	$ 99,220,000	$ 107,383,000	$ 2,635,294,000	38.09%	$ 6,641
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

Total Debt Per Capita
Last 10 Years



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)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value of Taxable Property	Net Bonded Debt Per Capita
			(Amounts in 000's)			
2015	396,815	(a)	$ 4,948,114	$ 225,616	4.56 %	$ 568.57
2014	396,815	(a)	4,899,952	254,484	5.19	641.32
2013	396,815	(a)	4,868,768	279,124	5.73	703.41
2012	396,815	(a)	5,631,261	302,484	5.37	762.28
2011	396,815	(a)	5,640,270	297,172	5.27	748.89
2010	396,815	(a)	5,513,219	294,923	5.35	743.23
2009	478,403	(b)	5,937,459	323,631	5.45	676.48
2008	478,403	(b)	6,114,332	311,134	5.09	650.36
2007	478,403	(b)	6,457,248	333,823	5.17	697.79
2006	478,403	(b)	5,939,704	320,265	5.39	669.45

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, 2015

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	$ 228,740,000	100.00 %	$ 228,740,000
Capital Lease Obligations	11,354,000	100.00	11,354,000
Urban Renewal Bonds	2,345,000	100.00	2,345,000
Subordinated Income Tax Refunding Bonds	38,885,000	100.00	38,885,000
Subordinate Lien Income Tax Bonds	265,995,000	100.00	265,995,000
Non-Tax Revenue Bonds	63,829,000	100.00	63,829,000
Annual Appropriation Bonds	10,020,000	100.00	10,020,000
Total Direct Debt	621,168,000		621,168,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds (1)	126,135,928	96.87	122,187,873
Cuyahoga County			
General Obligation Bonds (1)	243,900,000	17.84	43,511,760
Regional			
Transit Authority (1)	88,715,000	17.84	15,826,756
Total Overlapping Debt	458,750,928		181,526,389
Total	$ 1,079,918,928		$ 802,694,389

(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

	2015	2014	2013	2012
Total Assessed Property Value	$ 4,948,113,550	$ 4,899,952,220	$ 4,868,767,980	$ 5,631,261,380
Overall Legal Debt Limit				
(10½% of Assessed Valuation)	519,551,923	514,494,983	511,220,638	591,282,445
Debt Outstanding:				
General Obligation Bonds	228,740,000	257,565,000	282,550,000	308,700,000
Revenue Bonds	1,699,688,000	1,786,283,000	1,863,588,000	1,926,203,000
Urban Renewal Bonds	2,345,000	3,030,000	3,670,000	4,270,000
Subordinated Income Tax Refunding Bonds	38,885,000	43,650,000	46,915,000	50,020,000
Subordinate Lien Income Tax Bonds	265,995,000	188,335,000	124,490,000	92,380,000
OWDA/OPWC Loans	99,220,000	106,815,000	114,372,000	109,742,000
Non-tax Revenue Bonds	63,829,000	50,203,000	53,108,000	55,894,000
Annual Appropriation Bonds	10,020,000	10,280,000	10,525,000	10,765,000
Total Gross Indebtedness	2,408,722,000	2,446,161,000	2,499,218,000	2,557,974,000
Less:				
General Obligation Bonds	228,740,000	257,565,000	282,550,000	308,700,000
Revenue Bonds	1,699,688,000	1,786,283,000	1,863,588,000	1,926,203,000
Urban Renewal Bonds	2,345,000	3,030,000	3,670,000	4,270,000
Subordinated Income Tax Refunding Bonds	38,885,000	43,650,000	46,915,000	50,020,000
Subordinate Lien Income Tax Bonds	265,995,000	188,335,000	124,490,000	92,380,000
OWDA/OPWC Loans	99,220,000	106,815,000	114,372,000	109,742,000
Non-tax Revenue Bonds	63,829,000	50,203,000	53,108,000	55,894,000
Annual Appropriation Bonds	10,020,000	10,280,000	10,525,000	10,765,000
General Obligation Bond Retirement Fund Balance	3,124,000	3,081,000	3,426,000	6,216,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	$ 519,551,923	$ 514,494,983	$ 511,220,638	$ 591,282,445
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation	$ 272,146,245	$ 269,497,372	$ 267,782,239	$ 309,719,376
(5½% of Assessed Valuation)				
Total Gross Indebtedness	2,408,722,000	2,446,161,000	2,499,218,000	2,557,974,000
Less:				
General Obligation Bonds	228,740,000	257,565,000	282,550,000	308,700,000
Revenue Bonds	1,699,688,000	1,786,283,000	1,863,588,000	1,926,203,000
Urban Renewal Bonds	2,345,000	3,030,000	3,670,000	4,270,000
Subordinated Income Tax Refunding Bonds	38,885,000	43,650,000	46,915,000	50,020,000
Subordinate Lien Income Tax Bonds	265,995,000	188,335,000	124,490,000	92,380,000
OWDA/OPWC Loans	99,220,000	106,815,000	114,372,000	109,742,000
Non-tax Revenue Bonds	63,829,000	50,203,000	53,108,000	55,894,000
Annual Appropriation Bonds	10,020,000	10,280,000	10,525,000	10,765,000
General Obligation Bond Retirement Fund Balance	3,124,000	3,081,000	3,426,000	6,216,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	$ 272,146,245	$ 269,497,372	$ 267,782,239	$ 309,719,376
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.

2011	2010	2009	2008	2007	2006
$ 5,640,270,380	$ 5,513,219,400	$ 5,937,458,591	$ 6,114,332,281	$ 6,457,247,750	$ 5,939,704,867
592,228,390	578,888,037	623,433,152	642,004,890	678,011,014	623,669,011
298,660,000	297,115,000	326,230,000	313,630,000	336,990,000	323,795,000
1,930,163,000	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000
4,835,000	5,365,000	5,860,000	6,325,000	6,760,000	7,170,000
52,975,000	55,785,000	58,460,000	59,960,000	58,900,000	60,700,000
80,505,000	83,025,000	57,630,000	59,560,000		
115,523,000	121,335,000	107,654,000	112,275,000	110,070,000	103,415,000
58,591,000	61,795,000	64,956,000	67,617,000	68,091,000	69,353,000
11,000,000	11,000,000				
2,552,252,000	2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000	2,559,478,000
298,660,000	297,115,000	326,230,000	313,630,000	336,990,000	323,795,000
1,930,163,000	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000
4,835,000	5,365,000	5,860,000	6,325,000	6,760,000	7,170,000
52,975,000	55,785,000	58,460,000	59,960,000	58,900,000	60,700,000
80,505,000	83,025,000	57,630,000	59,560,000		
115,523,000	121,335,000	107,654,000	112,275,000	110,070,000	103,415,000
58,591,000	61,795,000	64,950,000	67,617,000	68,091,000	69,353,000
11,000,000	11,000,000				
1,488,000	2,192,000	2,599,000	2,496,000	3,167,000	3,530,000
-	-	-	-	-	-
$ 592,228,390	$ 578,888,037	$ 623,433,152	$ 642,004,890	$ 678,011,014	$ 623,669,011
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
$ 310,214,871	$ 303,227,067	$ 326,560,223	$ 336,288,275	$ 355,148,626	$ 326,683,768
2,552,252,000	2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000	2,559,478,000
298,660,000	297,115,000	326,230,000	313,630,000	336,990,000	323,795,000
1,930,163,000	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000
4,835,000	5,365,000	5,860,000	6,325,000	6,760,000	7,170,000
52,975,000	55,785,000	58,460,000	59,960,000	58,900,000	60,700,000
80,505,000	83,025,000	57,630,000	59,560,000		
115,523,000	121,335,000	107,654,000	112,275,000	110,070,000	103,415,000
58,591,000	61,795,000	64,950,000	67,617,000	68,091,000	69,353,000
11,000,000	11,000,000				
1,488,000	2,192,000	2,599,000	2,496,000	3,167,000	3,530,000
-	-	-	-	-	-
$ 310,214,871	$ 303,227,067	$ 326,560,223	$ 336,288,275	$ 355,148,626	$ 326,683,768
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
2015	$ 164,346,000	$ 74,841,000	$ 89,505,000	$ 34,415,000	$ 33,357,922	1.32
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

(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
2015	$ 192,934,000	$ 166,150,000	$ 26,784,000	$ 7,500,000	$ 10,410,464		1.50
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

(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		Coverage
				Principal	Interest (3)	
2015	$ 301,715,000	$ 165,981,000	$ 135,734,000	$ 42,110,000	$ 21,034,935	2.15
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

(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

2015 and 2006

2015

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	32,269	21.36%
University Hospitals	15,447	10.22
U.S. Office of Personnel Management	11,536	7.63
Cuyahoga County	7,772	5.14
Cleveland Metropolitan School District	7,203	4.77
City of Cleveland	6,666	4.41
MetroHealth System	5,839	3.86
KeyCorp	4,708	3.12
Case Western Reserve University	4,443	2.94
U.S. Postal Services	3,941	2.61
Total	99,824	66.06%
Total Employment within the City	151,100	

2006

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	27,755	16.02%
University Hospitals Health System	16,611	9.59
U.S. Office of Personnel Management	9,916	5.73
Cuyahoga County	9,142	5.28
City of Cleveland	8,136	4.70
Cleveland Municipal School District	7,472	4.31
KeyCorp	6,397	3.69
National City Corp	6,051	3.49
MetroHealth System	5,503	3.18
Case Western Reserve University	5,075	2.93
Total	102,058	58.92%
Total Employment within the City	173,200	

Note:

Largest employers headquartered in the City ranked by FTE employees.

Source:

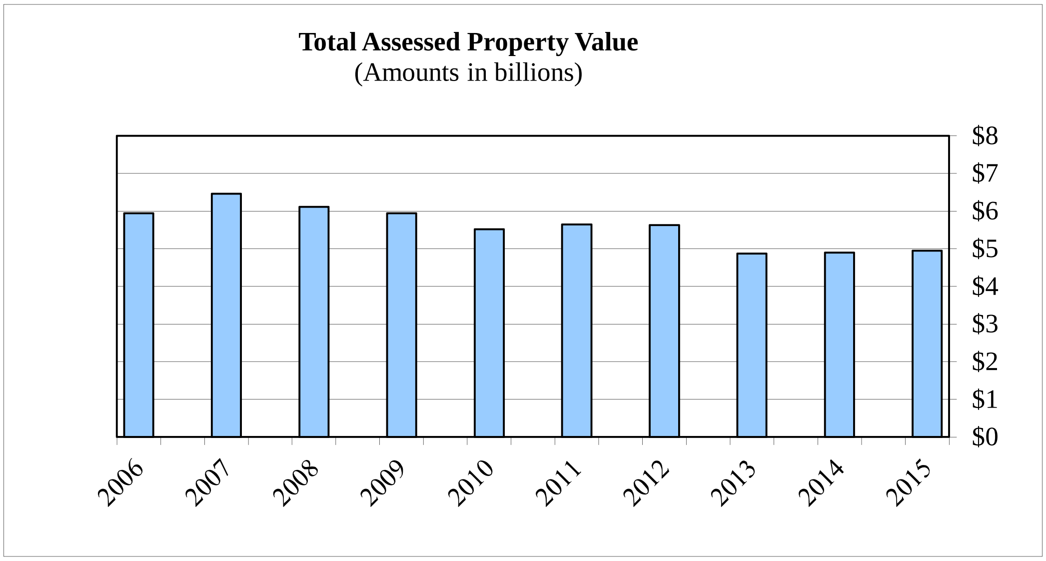
Number of employees from Crain's Cleveland:
Book of Lists 2015, Largest Northeast Ohio Employers; FTEs as of 6/30/2015
Book of Lists 2006, Largest Cuyahoga County Employers; FTEs as of 01/01/2006

City of Cleveland, Ohio

Demographic and Economic Statistics

Last Ten Years

Year	Population		Total Personal Income (6)	Personal Income Per Capita		Median Household Income		Median Age	
2015	396,815	(1)	$ 6,918,866,340	$ 17,436	(9)	$ 26,179	(9)	35.7	(1)
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)



(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.

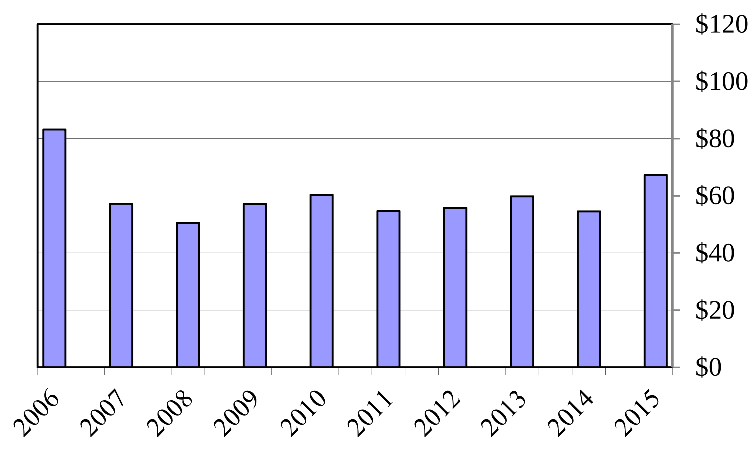
(8) Source: U. S. Census Bureau. 2013 dollars years 2009-2013.

(9) Source: U. S. Census Bureau. 2014 dollars years 2010-2014.

.

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)
15.2%	(9)	38,555	5.2%	$ 67,280	$ 4,948,114
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

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	2015	2014	2013	2012	
General Government					
Council	60.50	61.00	60.00	61.50	
Mayor's Office	23.00	22.50	25.50	25.50	
Office of Capital Projects	55.50	50.50	49.50	46.00	(2)
Landmarks Commission	3.50	4.00	5.00	5.00	
Building Standards and Appeals	5.50	5.50	6.00	6.00	
Board of Zoning Appeals	4.00	4.50	4.50	4.50	
Civil Service Commission	8.50	9.50	10.00	10.00	
Community Relations Board	23.00	24.00	22.00	24.00	
City Planning Commission	21.50	22.50	20.50	20.50	
Equal Employment Opportunity	8.50	10.00	8.50	8.00	
Court	448.00	457.50	465.50	461.00	
Office of Budget Administration	7.00	7.00	8.00	7.00	
Aging	23.50	21.00	22.00	22.00	
Personnel and Human Resources	15.50	17.00	19.00	18.00	
Consumer Affairs					(2)
Law	71.50	76.50	77.00	72.50	
Finance	238.50	226.00	222.50	232.00	
Security of Persons and Property					
Administration	35.00	48.50	42.50	36.50	
Police	1,903.00	1,901.00	1,913.50	1,873.00	
Fire	705.00	707.00	730.00	729.00	
EMS	238.00	224.00	232.00	232.00	
Dog Pound	18.00	17.00	17.00	14.50	
House of Corrections	117.50	127.00	131.50	133.00	
Department of Justice Compliance	8.50				
Public Health Services	139.00	138.00	133.00	125.50	
Leisure Time Activities					
Parks, Recreation and Property Administration					(2)
Research, Planning and Development					(2)
Recreation	202.50	200.50	191.50	190.50	
Public Auditorium, Westside Market and Cleveland Stadium (3)	55.00	54.50	54.00	42.50	
Parking Facilities	42.50	40.00	40.50	39.50	
Property Management	67.50	73.50	72.50	70.50	
Parks Maintenance	128.00	133.00	130.00	119.00	
Community Development	63.00	74.00	76.00	78.50	
Building and Housing	109.00	115.00	117.00	113.00	
Economic Development	26.00	25.00	29.00	26.00	
Public Works					
Public Works Administration	36.00	38.00	37.00	34.00	
Architecture					(2)
Waste Collection and Disposal	171.00	192.50	199.50	206.50	
Engineering and Construction					(2)
Motor Vehicle Maintenance	72.00	66.00	68.00	68.00	
Streets	257.00	249.00	248.00	260.00	
Traffic Engineering	30.00	29.00	29.00	29.00	
Port Control	410.00	383.00	392.00	404.50	
Basic Utility Services					
Water	1,013.00	1,008.00	1,042.50	1,093.00	
Cleveland Public Power	244.00	266.00	316.00	335.00	
Water Pollution Control	121.00	134.50	135.00	136.00	
Totals:	7,229.00	7,263.00	7,402.50	7,412.50	

Method: Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee at year end.

(1) House of Corrections was moved from Public Health to Public Safety in 2007.
(2) 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.
(3) 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.

2011	2010	2009	2008	2007	2006
63.00	62.00	65.50	64.50	62.50	63.50
24.50	25.50	25.50	27.50	26.00	25.00
5.00	5.50	5.50	5.50	5.50	5.00
6.00	5.50	5.50	5.50	5.50	5.00
4.50	4.00	4.50	4.50	4.50	4.50
9.50	11.00	10.50	10.00	11.50	10.00
28.00	30.50	29.00	27.50	27.00	28.50
21.50	24.00	24.00	23.00	26.00	23.00
8.00	10.00	10.00	11.00	13.00	13.00
479.50	531.00	542.50	541.50	551.00	544.00
7.00	7.00	5.50	7.00	8.00	7.00
25.00	24.50	21.50	21.00	22.50	20.50
16.00	16.50	15.00	17.00	20.00	19.00
4.00	3.00	5.00	6.00	5.00	5.00
76.00	87.00	88.50	86.50	89.50	88.50
234.00	241.50	248.50	250.50	255.00	255.00
36.50	40.00	39.00	39.00	42.50	39.50
1,869.50	1,983.50	2,079.00	2,095.50	2,105.00	2,176.50
803.00	875.00	894.00	883.00	902.00	915.00
214.00	218.00	236.00	252.00	288.00	292.00
15.00	16.00	15.00	14.50	14.50	14.50
153.00	170.00	188.00	176.50	183.50 (1)	N/A
140.50	159.50	168.50	169.50	168.50 (1)	260.00
8.00	7.00	7.00	7.00	8.00	8.00
5.00	6.00	8.00	9.00	9.00	9.00
189.00	230.00	238.00	233.50	238.00	165.00
29.50	27.50	31.00	54.50	59.50	49.50
42.50	42.50	41.00	44.50	49.00	46.50
73.50	81.50	84.50	87.50	89.50	93.00
126.00	140.00	141.00	151.00	164.00	161.00
76.50	87.00	86.00	77.50	78.50	81.00
120.00	134.50	142.00	147.00	161.00	165.00
28.00	34.00	68.00	73.00	88.00	94.00
5.50	4.50	4.50	5.00	5.00	5.00
5.00	6.00	6.00	7.00	8.00	9.00
212.50	238.50	253.50	225.50	252.50	244.50
31.50	59.50	61.50	60.50	65.50	65.50
75.00	81.00	85.00	86.00	95.00	102.00
285.00	257.50	271.50	283.50	306.00	288.50
36.00	38.00	39.00	40.00	41.00	44.00
418.00	446.50	447.50	406.50	386.00	369.50
1,157.00	1,164.50	1,179.50	1,215.50	1,194.00	1,207.00
358.00	345.00	343.00	340.00	341.00	337.00
148.50	158.00	157.00	150.00	157.00	144.00
7,673.00	8,139.50	8,420.50	8,442.50	8,632.00	8,502.00

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2015	2014	2013	2012
General Government				
Council and Clerk				
Number of ordinances passed	621	582	642	631
Number of resolutions adopted	564	696	686	739
Number of planning commission docket items (4)	127	232	267	359
Zoning board of appeals docket items	274	256	276	237
Finance Department				
Number of payments issued	37,931	37,689	37,257	38,010
Total amount of payments	$ 1,463,635,524	$ 1,423,313,034	$ 1,454,825,245	$ 1,236,189,641
Interest earnings for fiscal year (cash basis)	$ 1,669,023	$ 2,004,466	$ 2,922,320	$ 3,283,638
Number of receiving warrants (8)	34,912	36,245	33,006	32,087
Number of journal entries issued (8)	260,377	206,253	176,343	190,554
Number of budget adjustments issued	2	4	5	4
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 %	17%	15%	15%	15%
General Fund receipts (cash basis in thousands)	$ 495,331	$ 502,860	$ 511,253	$ 501,018
General Fund expenditures (cash basis in thousands)	$ 481,730	$ 487,584	$ 485,912	$ 468,543
General Fund cash balances (in thousands)	$ 79,239	$ 92,693	$ 89,988	$ 84,869
Income Tax Department				
Number of individual returns	181,382	181,811	188,767	192,362
Number of business returns	28,502	29,866	22,601	25,140
Number of business withholding accounts	13,863	13,857	13,914	14,414
Amount of penalties and interest collected	$ 2,010,333	$ 1,848,347	$ 1,880,485	$ 1,771,088
Annual number of corporate withholding forms processed	153,640	149,291	143,976	147,175
Annual number of balance due statements forms processed	41,837	38,059	39,012	37,642
Annual number of estimated payment forms processed	39,577	42,027	40,932	41,813
Annual number of reconciliations of withholdings processed	12,248	11,851	10,737	11,416
Engineer Contracted Services				
Dollar amount of construction overseen by engineer (2)	$ 104,493,079	$ 52,004,000	$ 30,424,253	$ 25,400,000
Municipal Court				
Number of civil cases (10)	19,411	18,910	7,534	9,451
Number of criminal cases (10)	78,238	103,098	109,740	110,754
Vital Statistics				
Certificates filed (3)				
Number of births	18,524	17,061	16,448	17,264
Number of deaths	14,349	13,509	13,460	13,016
Number of fetal deaths	407	337	380	384
Certificates issued (3)				
Number of births	58,513	55,753	57,935	57,297
Number of deaths	63,930	60,897	61,717	60,173
Civil Service				
Number of police entry tests administered		1	1	
Number of fire entry tests administered		1		
Number of police promotional tests administered		3		
Number of fire promotional tests administered		4	4	
Number of hires of police officers from certified lists	45	103	47	50
Number of hires of fire/medics from certified lists	40	37	33	
Number of promotions from police certified lists	48	4	36	33
Number of promotions from fire certified lists	16	49	29	42

2011	2010	2009	2008	2007	2006
723	621	772	771	784	846
647	747	776	304	363	361
262	298	309	444	441	768
241	274	267	242	263	265
38,501	37,944	44,289	47,670	47,985	49,533
$ 1,311,830,974	$ 1,276,014,604	$ 1,307,460,874	$ 1,251,719,916	$ 1,287,268,015	$ 1,284,108,296
$ 4,061,090	$ 7,507,827	$ 13,219,445	$ 45,366,880	$ 63,335,510	$ 53,988,258
30,433	31,497	16,369	16,141	15,300	14,799
179,546	192,281	41,238	41,217	43,619	43,186
6	2	2	5	2	3
AA	AA	AA	AA	A	A
A1	A1	A2	A2	A2	A2
18%	17%	15%	14%	14%	14%
$ 496,086	$ 480,724	$ 487,678	$ 517,796	$ 509,616	$ 490,927
$ 472,883	$ 482,227	$ 501,758	$ 501,124	$ 485,410	$ 465,162
$ 54,888	$ 16,400	$ 12,327	$ 40,685	$ 41,885	$ 30,957
196,457	202,232	211,241	232,210	238,319	248,108
26,240	26,881	26,326	29,014	28,335	30,567
14,338	13,835	14,542	14,653	14,469	16,200
$ 2,059,203	$ 1,754,501	$ 1,884,453	$ 2,357,490	$ 1,912,554	$ 1,999,859
149,537	149,584	144,493	151,256	152,334	169,933
38,152	36,188	38,610	44,637	39,767	45,909
41,636	42,767	47,841	51,527	57,092	56,163
11,376	11,357	12,213	12,198	12,488	18,929
$ 30,760,000	$ 34,000,000	$ 32,000,000	$ 159,540,000	$ 251,305,000	$ 141,733,000
11,513	19,280	16,375	19,890	18,569	22,909
107,711	167,563	120,131	120,077	113,661	121,676
16,616	15,528	16,403	16,942	17,235	17,645
12,958	12,296	12,101	12,354	12,086	11,992
459	454	401	447	399	312
57,542	62,507	69,785	77,967	102,140	98,545
61,147	59,689	60,465	65,149	64,436	84,615
		1		1	
	1				
1			3		
1					
42		56	106	73	
		22			
		20	40		
			10	49	

(Continued)

City of Cleveland, Ohio
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2015	2014	2013	2012
Building Department Indicators				
Construction permits issued	15,038	14,002	15,760	16,245
Estimated value of construction	$ 1,430,231,410	$ 951,833,168	$ 898,217,589	$ 1,033,330,550
Number of other permits issued	3,274	4,560	4,632	4,854
Amount of revenue generated from permits	$ 11,580,333	$ 8,318,937	$ 8,727,385	$ 7,867,168
Number of contract registrations issued	3,262	2,395	2,357	2,802
Annual apartment/rooming house license fees	$ 1,515,849	$ 1,340,845	$ 1,382,001	$ 1,305,182
Security of Persons and Property				
Police				
Number of traffic citations issued	64,565	89,835	111,271	121,474
Number of parking citations issued	39,862	37,569	36,678	42,404
Number of criminal arrests	24,308	31,633	33,742	35,730
Number of accident reports completed	17,712	15,575	15,806	14,549
Part 1 offenses (major offenses)	29,048	33,975	37,125	39,028
OVI arrests (14)	387	693	779	790
Prisoners	17,284	21,201	23,935	35,251
Motor vehicle accidents	17,712	15,575	15,806	14,549
Fatalities from motor vehicle accidents	48	21	32	31
Community diversion program youths	108	105	98	152
Fire				
Fire calls - incoming for services (6)	68,983	64,357	61,728	65,040
Fires	2,469	2,431	2,478	2,846
Fires with loss	1,591	1,441	1,403	1,372
Fires with losses exceeding $10K	346	310	247	259
Fire losses $	$ 18,625,607	$ 16,936,874	$ 9,634,925	$ 13,128,848
Fire safety inspections	12,963	12,730	10,110	13,380
Number of times mutual aid given to fire		5	2	30
EMS				
EMS calls - incoming for service	115,303	109,045	106,385	96,359
Ambulance billing collections (net)	$ 10,348,422	$ 12,214,724	$ 11,589,324	$ 12,051,964
Public Health and Welfare				
Number of health inspections				
Barber shops	211	360	303	333
Food	7,356	7,187	7,796	7,674
Hotels/motels	36	35	22	38
Marinas				
Mobile home parks				5
Laundries	54	68	81	62
Nuisance	2,450	17,117	22,375	21,118
Pools	165	147	132	161
Schools	285	417	547	419
Day care inspections	187	194	188	161
Maternity inspections		1	2	
Abortion inspections	4	4	5	5
Cemetery burials				
Cemetery cremations	260	249	179	196

2011	2010	2009	2008	2007	2006
15,082	6,829	8,334	10,631	8,397	9,163
$ 1,556,000,000	$ 729,883,689	$ 919,923,776	$ 814,646,916	$ 648,592,297	$ 743,566,106
4,164	8,629	8,290	9,710	8,971	9,157
$ 8,306,423	$ 6,078,922	$ 7,332,522	$ 7,364,794	$ 7,112,426	$ 7,399,513
2,822	2,895	2,847	2,783	2,887	3,077
$ 1,343,457	$ 1,571,317	$ 1,281,530	$ 1,331,940	$ 1,427,208	$ 1,290,830
119,371	75,362	77,037	79,089	62,652	77,003
42,763	48,691	59,598	49,012	49,669	59,311
37,531	39,657	38,613	39,596	39,087	40,678
15,444	14,761	14,804	15,525	16,239	17,374
40,554	38,003	38,586	39,237	41,400	44,018
679	729	738	695	847	577
37,235	39,156	37,864	38,629	38,142	39,851
15,412	14,761	14,804	15,525	16,239	17,374
29	49	38	52	34	39
188	196	139	169	229	177
65,132	60,076	60,306	60,263	63,403	61,702
2,714	2,869	2,794	2,790	3,343	3,296
1,398	1,266	843	1,095	1,807	1,708
256	219	237	362	479	362
$ 14,747,291	$ 12,035,650	$ 12,312,407	$ 11,242,477	$ 19,115,824	$ 21,567,578
10,898	13,631	13,982	8,110	9,764	5,901
21	29	17	11	5	
94,307	92,230	89,632	88,934	88,506	86,010
$ 11,594,178	$ 10,832,204	$ 9,649,887	$ 12,091,087	$ 11,394,837	$ 10,698,730
400	238	219	227	263	251
7,369	7,624	8,684	9,611	7,914	8,143
42	36	34	37	31	31
11	11	11	11	11	11
12	5	5	5	5	5
87	69	58	62	81	68
19,136	24,130	27,544	17,205	23,402	20,057
204	120	142	127	131	129
480	390	349	195	274	235
229	223	209	98	109	104
4	4	4	4	4	3
6	6	6	6	5	5
		3	17	54	27
177	169	155	149	144	83

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2015	2014	2013	2012
Leisure Time Activities				
Recreation men and women leagues receipts	$ 1,425	$ 2,940	$ 3,407	$ 9,862
Economic Development				
Grant amounts received (Amounts in 000's) (13)	$ 8,244	$ 12,856	$ 3,045	$ 5,856
Public Works				
Street improvements - asphalt overlay (square yards) (9)	244,774	244,500	297,183	212,032
Crackseal coating program (linear feet) (9)	320,785	662,225		
Street repair (curbs, aprons, berms, asphalt) (hours)	136,993	152,214	138,034	117,239
Guardrail repair (hours) (11)	765	114	131	100
Paint striping				
Lane line (miles)	485	640	672	661
Crosswalks (each)	3,783	4,476	4,227	4,952
Arrows (each)	3,664	3,684	3,928	4,273
Street sweeper (hours) (11)	744	992	1,132	2,176
Cold patch (hours)	12,960	11,376	9,143	19,271
Snow and ice removal regular hours	88,865	89,234	86,978	87,369
Snow and ice removal overtime hours	14,876	18,791	19,212	18,912
Leaf collection (hours) (12)				
Holiday lights setup (hours) (7)	240	275	300	500
Equipment repair/body shop (hours)	2,110	2,200	2,215	4,196
Tons of snow melting salt purchased November-March	61,447	73,888	57,966	40,236
Cost of salt purchased	$ 3,147,313	$ 2,538,951	$ 1,972,003	$ 1,834,359
Refuse disposal per year (in tons) August through July	206,879	209,410	214,561	212,367
Refuse disposal costs per year August through July	$ 5,729,541	$ 5,466,793	$ 5,258,741	$ 5,723,227
Annual recycling tonnage (excluding leaf, and compost items)	21,809	17,900	15,893	14,146
Percentage of waste recycled	9.54%	11.00%	13.00%	10.06%
Port Control				
Cleveland Hopkins Airport				
Landed weight (in thousands of pounds)	5,118,972	4,773,831	5,732,142	5,732,148
Total operations	117,773	137,363	181,340	180,944
Total passengers	8,100,073	7,609,404	9,072,045	9,010,077
Total enplaned passengers	4,046,634	3,797,261	4,525,612	4,495,353
Burke Lakefront Airport				
Total operations	63,603	66,862	68,665	72,916
Total passengers	161,006	155,583	148,294	184,427
Total enplaned passengers	80,724	77,984	74,385	92,160
Water Department				
Water rates per 1st 600 cubic feet of water used (5)	$ 17.34	$ 17.34	$ 15.51	$ 13.76
Average number of water accounts billed monthly	139,823	139,460	139,201	139,023
Total water collections annually (including P&I)	$ 273,223,067	$ 261,928,659	$ 250,250,867	$ 246,046,531
Payments to Cleveland for bulk water purchases	$ 21,889,987	$ 21,810,862	$ 20,194,830	$ 21,271,504
Wastewater Department				
Sewer and sanitary calls for service	3,919	5,859	4,856	4,035
After hours sewer calls (hours)	438	381	227	167
Electric Power				
KWH Sold	1,616,459,441	1,618,081,248	1,620,996,815	1,617,569,577
Average accounts billed per month	73,661	73,746	74,208	74,238
Receipts	$ 194,358,017	$ 183,571,523	$ 170,397,373	$ 170,009,696

(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.

2011	2010	2009	2008	2007	2006
$ 5,280	$ 5,145	$ 5,070	$ 6,825	$ 6,375	$ 5,730
$ 2,154	$ 4,564	$ 12,958	$ 16,837	$ 16,294	$ 36,005
224,361		101,000	113,772	65,000	40,000
3,263	679,450	200,640	158,400	126,720	79,200
83,212	76,000	80,000	95,000	95,000	95,000
40	2,500	2,500	3,000	1,100	1,600
651	855	936	630	650	650
5,260	5,172	6,950	5,700	6,000	6,000
4,706	4,210	3,716	2,800	3,000	3,000
3,840	46,000	55,000	49,000	36,000	30,000
31,345	22,000	24,000	31,000	31,000	31,000
128,000	128,000	128,000	132,000	132,000	132,000
23,117	21,139	14,400	15,000	18,000	8,000
	18,300	18,000	20,000	17,000	17,000
			4	5	5
5,000	5,076	2,663	1,010	809	1,066
74,679	53,322	67,000	85,000	82,000	64,500
$ 3,348,606	$ 2,321,118	$ 2,700,000	$ 3,330,000	$ 2,640,000	$ 2,128,363
240,603	232,241	236,225	266,035	293,801	303,196
$ 6,556,260	$ 6,079,532	$ 6,928,858	$ 7,790,729	$ 7,944,516	$ 8,662,913
10,938	7,227	6,039	9,000	8,584	16,435
3.68%	3.13%	4.12%	3.39%	2.93%	5.42%
5,912,394	5,907,546	6,265,656	7,256,242	7,380,384	7,467,746
188,286	192,683	200,268	235,975	244,719	249,967
9,203,740	9,492,455	9,715,604	11,106,194	11,458,898	11,321,050
4,597,697	4,745,308	4,855,129	5,545,205	5,722,338	5,646,470
65,664	64,358	68,456	69,231	68,137	77,593
176,096	174,598	166,965	188,171	204,582	214,947
87,695	87,012	83,438	93,772	102,039	107,786
$ 12.58	$ 12.58	$ 11.59	$ 10.63	$ 9.62	$ 8.71
138,002	133,626	135,675	137,528	138,727	139,129
$ 211,302,881	$ 210,264,218	$ 221,967,799	$ 218,285,825	$ 214,378,311	$ 192,386,791
$ 19,101,723	$ 20,660,824	$ 18,093,912	$ 18,399,096	$ 20,353,610	$ 19,632,453
5,489	7,272	8,021	8,275	7,585	6,515
204	185	103	147	384	448
1,650,142,435	1,605,032,939	1,563,577,862	1,611,294,474	1,625,206,179	1,576,673,092
74,092	75,764	76,113	76,533	77,329	79,166
$ 171,895,176	$ 167,323,991	$ 158,871,074	$ 159,399,600	$ 157,570,365	$ 152,244,492

(Concluded)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2015	2014	2013	2012
General Government				
Square footage occupied (4)	3,659,100	3,659,100	3,659,100	3,690,000
Administrative vehicles	35	41	38	37
Police				
Stations	5	5	5	5
Square footage of buildings (1)	614,500	553,100	553,100	553,100
Vehicles	842	867	823	825
Fire				
Stations	26	26	26	26
Square footage of buildings	313,224	313,224	313,224	313,224
Vehicles	92	95	91	104
EMS				
Stations (headquarters)	1	1	1	1
Square footage of buildings	33,000	33,000	33,000	33,000
Vehicles	46	47	47	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	65	96	96
Parking spaces (approximately)				
CLE Smart Park Garage (6)	3,811	3,997	3,959	
Long-term				2,600
Short-term				3,900
Surface	2,055	1,544	1,100	640
Total parking spaces	5,866	5,541	5,059	7,140
Vehicles	313	320	315	335
Other Public Works				
Streets (miles)	1,300	1,300	1,300	1,300
Service vehicles (5)	1,646	1,500	1,539	1,906

2011	2010	2009	2008	2007	2006
3,690,000	3,700,000	3,700,000	3,700,000	3,700,000	2,310,732
36	26	28	27	26	28
5	5	5	6	6	6
553,100	553,100	553,100	769,536	769,536	769,536
796	808	830	764	921	958
26	26	26	26	26	26
313,224	313,224	313,224	313,224	313,224	313,224
104	120	127	132	155	153
1	1	1	1	1	1
33,000	33,000	33,000	33,000	33,000	33,000
45	44	49	46	49	57
3	3	3	3	3	4
935,000	935,000	935,000	935,000	935,000	935,000
96	96	96	96	96	96
2,600	2,576	2,647	2,500	2,500	2,500
3,900	3,895	4,088	4,200	4,200	4,200
640	615	390	500	500	500
7,500	7,086	7,125	7,200	7,200	7,200
353	324	325	325	326	362
1,290	1,319	1,319	1,319	1,319	1,280
868	754	773	741	760	828

(Continued)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2015	2014	2013	2012
Recreation				
Number of parks	168	168	154	154
Number of playgrounds	109	109	110	110
Number of baseball diamonds	133	133	138	138
Number of tennis courts	90	90	119	119
Number of basketball courts				
Full	110	110	103	103
Half	10	10	10	10
Number of soccer fields	4	4	4	3
Number of recreation centers	21	21	21	21
Number of pools				
Indoor	19	19	19	19
Outdoor	22	22	21	20
Number of aquatic playgrounds	25	25	22	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	1,863	1,489	1,489
Vehicles	85	86	91	97
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	110	104	108	116
Electric Power				
Total Distribution lines (miles)	900			
Total Transmission lines (miles)	50			
Vehicles	217	221	216	284
Water Department				
Water lines (miles) (2)	3,300	3,139	3,051	2,839
Vehicles	596	675	658	736

(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 one time, including physical gates and parking positions.

2011	2010	2009	2008	2007	2006
154	154	154	155	154	150
109	109	109	110	110	111
132	133	134	134	138	140
111	111	114	114	120	120
110	108	110	110	111	118
10	10	10	10	10	12
9	7	7	7	7	12
20	19	19	19	19	19
19	18	18	18	18	18
23	23	23	23	23	22
10	9	9	8	8	7
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
1,495	1,492	1,487	1,491	1,490	1,477
99	156	160	157	161	163
170	170	170	156	156	171
199	199	199	164	164	199
1,065	1,065	1,065	920	920	1,065
115	108	111	114	128	83
266	252	272	291	308	306
2,709	2,704	2,493	2,321	2,321	2,172
708	744	745	759	811	832

(Concluded)

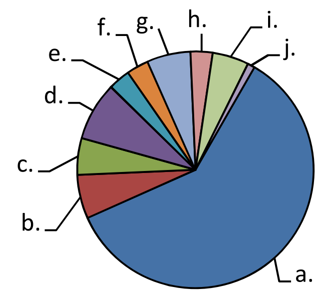
CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

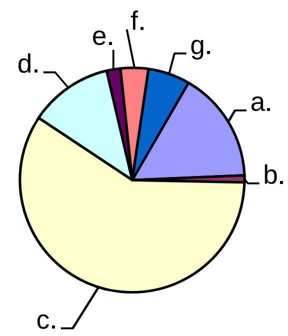
REVENUE DOLLAR BY SOURCE
Where the money came from

a. Income taxes	a.	$0.60
b. Property taxes	b.	0.06
c. State local government funds	c.	0.05
d. Other taxes	d.	0.08
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.	0.03
i. Miscellaneous	i.	0.05
j. Transfers in	j.	0.01
		$1.00



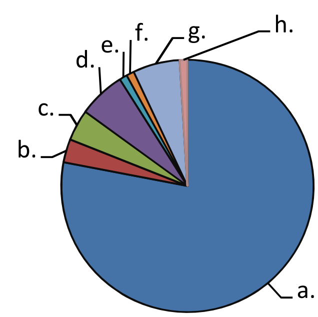
EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. General Government	a.	$0.16
b. Public Health	b.	0.01
c. Public Safety	c.	0.59
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
		$1.00



EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries, wages and related benefits	a.	$0.78
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.06
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:

The Division of Financial Reporting and Control

Accounting and Administrative

Poljona Basho
Barbara Brown
Lesly Camargo
Shelfie Carter
Leigh Ebner
Alfred Godbott
Michael Klein
Daniel Lally
Monete Morris
Lisa Royal
Sharon Teter
Pandora Ward
Kathleen Woidke

Photography

City of Cleveland
Bureau of Photographic Services

Cover color separations and printing

City of Cleveland
Division of Printing and Reproduction

James E. Gentile, CPA
City Controller
Department of Finance
Room 18 – City Hall
Cleveland, Ohio 44114
(216) 664-3881

This page intentionally left blank.

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY

DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2015

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

TABLE OF CONTENTS

This page intentionally left blank.

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 year ended December 31, 2015 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 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 opinion.

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, 2015, and the changes in financial position and cash flows thereof, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Effect of Adopting New Accounting Standards

As discussed in Note L, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in its financial position and cash flows for the year 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 and schedules of net pension liability and pension contributions, as listed in the table of contents, 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 35 through 37 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 28, 2016

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 year ended December 31, 2015. Please read this information in conjunction with the Agency's financial statements and footnotes that begin on page 12.

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 2015 provided a full range of tax collection services for 79 member communities throughout 33 Ohio counties. Six communities joined the Agency as new members in 2015 with collections for some beginning in October, 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 deferred outflows of resources of the Agency are $79,160,828 and $84,609,115 at December 31, 2015 and 2014 respectively; which also equal the liabilities, deferred inflows of resources and net position of the Agency. The Agency's total assets and deferred outflows of resources as well as the liabilities, deferred inflows of resources and net position decreased by $5,448,287 in 2015. The change is primarily due to changes in the membership base and timing differences regarding the receipt and distribution of cash to member communities which directly effects cash balances and accounts receivable.

- The Agency fund total cash receipts were approximately $459 million in 2015 and $444 million in 2014. In 2015, cash receipts consisted of $366 million of employer withholding, $51 million of business profits, $37 million of individual payments and $5 million of other payments.

- The Agency's total operational cost was $9,423,966 in 2015 and $8,666,091 in 2014. In 2015, operational costs consisted of $5,869,986 of employee's wages and benefits, $1,420,199 of allocated charges and $2,133,781 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.

- There were additions to capital assets of $55,513 including computer software upgrades for $30,179, office machinery for $5,195 and a vehicle for $20,139.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 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 12-16 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, required supplementary information and accompanying schedules can be found on pages 17-37 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, 2015 and 2014:

	2015	Restated 2014
Assets:		
Cash and cash equivalents	$ 7,835,889	$ 10,406,246
Capital assets, net of accumulated depreciation	160,344	149,633
Taxes receivable	68,961,521	71,948,823
Due from CCA internal service fund	988,457	1,192,837
Due from member municipalities	502,643	459,796
Total assets	78,448,854	84,157,335
Deferred outflows of resources	711,974	451,780
Total assets and deferred outflows of resources	$ 79,160,828	$ 84,609,115
Liabilities:		
Accounts payable	$ 193,166	$ 267,478
Due to CCA agency fund	988,457	1,192,837
Due to the City of Cleveland	52,546,368	54,575,824
Due to member municipalities	23,974,117	27,411,891
Accrued wages and benefits - current	636,140	610,846
Accrued wages and benefits - long-term	110,606	98,459
Pension liability	3,617,001	3,541,261
Total liabilities	82,065,855	87,698,596
Deferred inflows of resources	66,270	
Total liabilities and deferred inflows of resources	82,132,125	87,698,596
Net Position:		
Net investment in capital assets	160,344	149,633
Unrestricted	(3,131,641)	(3,239,114)
Total net position	(2,971,297)	(3,089,481)
Total liabilities, deferred inflows of resources and net position	$ 79,160,828	$ 84,609,115

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets: The Agency collects and disburses income tax receipts monthly, except for the City of Cleveland and the City of Union that receive advances intermittently during the month; the remaining tax receipts balance is disbursed on the scheduled monthly distribution date. Assets primarily consist of cash on hand and anticipated income tax receivable. Total assets and deferred outflows of resources decreased by $5,448,287 in 2015. The annual changes are primarily due to changes in cash and cash equivalents due to timing differences in the receipt and distribution of cash to member communities, changes in the membership base and changes in taxes receivable.

Capital assets: The Agency's net investment in capital assets as of December 31, 2015 amounted to $160,344. The investment in capital assets include furniture, fixtures, equipment and vehicles. A summary of the Agency's capital assets during the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
Furniture, fixtures, equipment and vehicles	$ 220,295	$ 55,513	$	$ 275,808
Total	220,295	55,513	-	275,808
Less: Accumulated depreciation	(70,662)	(44,802)		(115,464)
Total capital assets, net	$ 149,633	$ 10,711	$ -	$ 160,344

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2015, the net decrease in liabilities resulted from significant decreases in amounts due to other communities, including Cleveland, because of timing difference between the receipt and distribution of cash.

***Pension Liability*:** During 2015, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Agency's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Under the new standards required by GASB Statement No. 68, the net pension liability equals the Agency's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Agency is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave) are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As previously explained, changes in pension benefits, contribution rates and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Agency statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 68, the Agency is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $0 to $(3,089,481).

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, 2015 and 2014.

	Internal Service Fund	
	2015	2014
Operating Revenues		
Charges for services	$ 9,532,518	$ 8,658,645
Total operating revenues	9,532,518	8,658,645
Operating Expenses		
Salaries and wages	4,449,850	4,113,863
Employee benefits	1,420,136	1,328,819
Postage and office supplies	295,335	225,766
Allocation of City of Cleveland costs	1,420,199	1,331,088
Other administrative expenses	1,770,731	1,614,377
Property rental	22,913	21,822
Depreciation	44,802	30,356
Total operating expense	9,423,966	8,666,091
Operating income (loss)	108,552	(7,446)
Non-operating Activity		
Interest income	9,632	7,446
Change in net position	$ 118,184	$ -

Operating Revenues: In 2015, charges for services increased by $873,873 as a result of an increase in the overall expenses of the Agency, which are charged back to the members.

Operating Expenses: Wages and benefits increased by $427,304 as a result of staff development leading to several promotions and filling several vacant positions. In 2015, other administrative expenses increased by $156,354 which is primarily due to major computer programming changes and improvements needed to accommodate major legislative changes in the municipal tax codes throughout Ohio effective after December 31, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

Non-pension expenses: The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 expenses still include pension expense of $451,780 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of $399,831. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	$	9,423,966
Pension expense under GASB 68		(399,831)
2015 contractually required contribution		518,015
Adjusted 2015 program expenses		9,542,150
Total 2014 expenses under GASB 27		(8,666,091)
Increase in expenses not related to pension	$	876,059

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATION

The Agency strives to be cost effective and service oriented in its relationship with the member communities. In an effort to produce these results, the Agency continues to focus on swift and effective methods of collecting income taxes due. The Agency also works to continually increase delinquency collections, develop and maintain open communication with all community members, update the staff's technical and customer service skills and remain diligent in practicing financial efficiency regarding operational expenses necessary to achieve the goals of the Agency.

The operating budget for the Agency, as approved by the Cleveland City Council for 2016, provides for a conservative overall increase in budgeted expenditures of approximately 2.6%.

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.

This page intentionally left blank.

FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF NET POSITION - ALL FUND TYPES
December 31, 2015

	2015	
	Proprietary Fund Type	**Fiduciary Fund Type**
	Internal Service	**Agency**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,879,220	$ 5,956,669
Taxes receivable		68,961,521
Due from CCA internal service fund		988,457
Due from member municipalities		502,643
TOTAL CURRENT ASSETS	1,879,220	76,409,290
CAPITAL ASSETS:		
Furniture, fixtures, equipment and vehicles	275,808	
Less: Accumulated depreciation	(115,464)	
CAPITAL ASSETS, NET	160,344	-
DEFERRED OUTFLOWS OF RESOURCES		
Pension	711,974	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,751,538	$ 76,409,290

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF NET POSITION - ALL FUND TYPES
December 31, 2015

	2015	
	Proprietary Fund Type Internal Service	**Fiduciary Fund Type Agency**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 193,166	$
Due to CCA agency fund	988,457	
Due to the City of Cleveland	111,195	52,435,173
Due to member municipalities		23,974,117
Accrued wages and benefits - current	636,140	
TOTAL CURRENT LIABILITIES	1,928,958	76,409,290
LONG-TERM LIABILITIES		
Pension liability	3,617,001	
Accrued wages and benefits	110,606	
TOTAL LONG-TERM LIABILITIES	3,727,607	-
DEFERRED INFLOWS OF RESOURCES		
Pension	66,270	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,722,835	76,409,290
NET POSITION		
Net investment in capital assets	160,344	
Unrestricted	(3,131,641)	
TOTAL NET POSITION	(2,971,297)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,751,538	$ 76,409,290

See notes to financial statements.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Year Ended December 31, 2015

OPERATING REVENUES	
Charges for services	$ 9,532,518
TOTAL OPERATING REVENUES	9,532,518
OPERATING EXPENSES	
Salaries and wages	4,449,850
Employee benefits	1,420,136
Postage and office supplies	295,335
Allocation of City of Cleveland costs	1,420,199
Other administrative expenses	1,770,731
Property rental	22,913
Depreciation	44,802
TOTAL OPERATING EXPENSES	9,423,966
OPERATING INCOME	108,552
NON-OPERATING ACTIVITY	
Interest Income	9,632
CHANGE IN NET POSITION	118,184
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	(3,089,481)
NET POSITION AT END OF YEAR	$ (2,971,297)

See notes to financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
For the Year Ended December 31, 2015

		2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member municipalities	$	9,328,140
Cash payments to suppliers of goods and services		(3,582,638)
Cash payments for employee services and benefits		(5,949,688)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		(204,186)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets		(55,513)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES		(55,513)
CASH FLOWS FROM INTESTING ACTIVITIES		
Interest earned on investments		9,632
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		9,632
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(250,067)
Cash and cash equivalents at beginning of year		2,129,287
Cash and cash equivalents at end of year	$	1,879,220
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATIONS		
Operating income (loss)	$	108,552
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		44,802
Changes in deferred outflows of resources:		
Pension		(260,194)
Changes in liabilities:		
Accounts payable		(74,312)
Due to CCA agency fund		(204,380)
Due to City of Cleveland		1,895
Accrued wages and benefits		37,441
Pension liability		75,740
Changes in deferred inflows of resources:		
Pension		66,270
Total adjustments		(312,738)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	(204,186)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the Agency has implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the Agency has implemented GASB Statement No. 71 as of December 31, 2015.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency's net position is accounted for in the accompanying Statement of Net Position and is divided into amounts in net investment in capital assets and unrestricted. The negative unrestricted amount is primarily the unfunded pension liability and will not be 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 and 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.

Allocation of Expenses: The Agency allocates all operating expenses, net of interest income and changes to unfunded pension liability, 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.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency has invested funds in STAROhio during 2015. 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, 2015.

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

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 a deferred 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 a deferred inflow of resources (revenue) until that time.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 Year Ended December 31, 2015

NOTE C -- LONG-TERM LIABILITIES

Summary: Changes in long-term obligations for the year ended December 31, 2015 are as follows:

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Due Within One Year
Accrued wages and benefits	$ 709,305	$ 648,287	$ (610,846)	$ 746,746	$ 636,140
Pension	3,541,261	75,740		3,617,001	
Total	$ 4,250,566	$ 724,027	$ (610,846)	$ 4,363,747	$ 636,140

NOTE D -- DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2015 totaled $2,649,477 and the Agency's bank balances were $2,609,268. 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*, $2,609,268 of the bank balances at December 31, 2015 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.

NOTE D -- DEPOSITS AND INVESTMENTS (Continued)

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.

Credit Risk: The Agency's investments as of December 31, 2015, 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, 2015, 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	2015 Fair Value	2015 Cost	Investment Maturities Less Than One Year
STAROhio	$ 64,701	$ 64,701	$ 64,701
Mutual Funds	5,121,711	5,121,711	5,121,711
Total Investments	5,186,412	5,186,412	5,186,412
Total Deposits	2,649,477	2,649,477	2,649,477
Total Deposits and Investments	$ 7,835,889	$ 7,835,889	$ 7,835,889

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, 2015, the investments in STAROhio and mutual funds are approximately 1% and 99%, of the Agency's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

NOTE E -- CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 220,295	$ 55,513	$	$ 275,808
Total capital assets, being depreciated	220,295	55,513	-	275,808
Less: Total accumulated depreciation	(70,662)	(44,802)		(115,464)
Total capital assets, being depreciated, net	149,633	10,711	-	160,344
Capital assets, net	$ 149,633	$ 10,711	$ -	$ 160,344

NOTE F -- 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 due to and due from and certain payable balances as of December 31, 2015 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 988,457	$ 988,457
Due from member municipalities		502,643	502,643
Total Due From	$ -	$ 1,491,100	$ 1,491,100
Due to the CCA agency fund	$ 988,457	$	$ 988,457
Due to the City of Cleveland	111,195	52,435,173	52,546,368
Due to member municipalities		23,974,117	23,974,117
Total Due To	$ 1,099,652	$ 76,409,290	$ 77,508,942

NOTE G -- DEFINED BENEFIT PENSION PLAN

Net Pension Liability: The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Agency's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Agency's obligation for this liability to annually required payments. The Agency cannot control benefit terms or the manner in which pensions are financed; however, the Agency does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS): The Agency's employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Agency's employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Agency's contractually required contribution was $518,015 for 2015. All required payments have been made.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$ 3,617,001
Proportion of Net Pension Liability	0.030085%
Pension Expense	$ 399,831

At December 31, 2015, the Agency's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 193,959
Agency contributions subsequent to the measurement date	518,015
Total Deferred Outflows of Resources	$ 711,974
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 66,270

The $518,015 reported as deferred outflows of resources related to pension resulting from the Agency's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2016	$ 18,668
2017	18,668
2018	42,750
2019	47,603
Total	$ 127,689

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – OPERS: Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25 to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010. The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Agency's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 %) or one-percentage-point higher (9 %) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Agency's proportionate share of the net pension liability	$ 6,677,060	$ 3,617,001	$ 1,040,339

NOTE H -- 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy - Ohio Public Employees Retirement System*:** 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

NOTE H -- OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The Agency's actual contributions to OPERS to fund postemployment benefits were $87,000 in 2015, $77,000 in 2014 and $39,000 in 2013. The required payments due in 2015, 2014 and 2013 have been made.

NOTE I -- 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, 2015 were as follows:

City administration	$ 447,025
Office rent	425,000
Telephone	157,887
Utilities	143,480
Parking Facilities	2,859
Printing services	235,857
Motor Vehicle Maintenance	8,091
Total	$ 1,420,199

NOTE J -- DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $502,643 at December 31, 2015 as accrued wages and benefits. These amounts are recorded as due from member municipalities in the agency fund.

NOTE K -- 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.

NOTE K -- CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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 2015.

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.

NOTE L -- CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Agency implemented the GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	December 31, 2014	Restatement	Restated December 31, 2014
Net position	$ -	$ (3,089,481)	$ (3,089,481)

Other than employer contributions subsequent to the measurement date, the Agency made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Year Ended December 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
ASSETS				
Cash and cash equivalents	$ 8,276,959	$ 458,875,286	$ (461,195,576)	$ 5,956,669
Taxes receivable	71,948,823	68,961,521	(71,948,823)	68,961,521
Due from the CCA internal service fund	1,192,837	988,457	(1,192,837)	988,457
Due from member municipalities	459,796	502,643	(459,796)	502,643
TOTAL ASSETS	$ 81,878,415	$ 529,327,907	$ (534,797,032)	$ 76,409,290
LIABILITIES				
Due to the City of Cleveland	$ 54,466,524	$ 417,422,843	$ (419,454,194)	$ 52,435,173
Due to member municipalities	27,411,891	111,905,064	(115,342,838)	23,974,117
TOTAL LIABILITIES	$ 81,878,415	$ 529,327,907	$ (534,797,032)	$ 76,409,290

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO MEASUREMENT YEARS (1), (2)

	2014	2013
Agency's Proportion of the Net Pension Liability	0.030085%	0.030085%
Agency's Proprotionate Share of the Net Pension Liability (Asset)	$ 3,617,001	$ 3,541,261
Agency's Covered - Employee Payroll	$ 3,764,833	$ 3,409,992
Agency's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	96.07%	103.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE YEARS (1)

	2015	2014	2013
Contractually Required Contributions	$ 518,015	$ 451,780	$ 443,299
Contributions in Relation to the Contractually Required Contributions	$ (518,015)	$ (451,780)	$ (443,299)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Agency Covered-employee Payroll	$ 4,316,792	$ 3,764,833	$ 3,409,992
Contribution as a Percentage of Covered - Employee Payroll	12.00%	12.00%	13.00%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The Agency will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Members	Balance Collected and Due Members January 1,2015	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members Dec. 31,2015
Ada	$ 140,198.69	$ 1,806,343.92	$ 1,946,542.61	$ 1,720,375.21	$ 52,147.39	$ 1,772,522.60	$ 174,020.01
Alliance	(231.71)	81,000.25	80,768.54	74,588.39	7,330.50	81,918.89	(1,150.35)
Alger	(1,993.15)	57,612.23	55,619.08	50,391.78	6,454.39	56,846.17	(1,227.09)
Akron	(250.85)	23,010.72	22,759.87	20,879.87	2,165.76	23,045.63	(285.76)
Athens	2,179.87	19,488.67	21,668.54	20,116.69	723.85	20,840.54	828.00
Barberton	992,750.18	12,851,024.61	13,843,774.79	12,602,103.10	306,489.36	12,908,592.46	935,182.33
Barnesville	128.89	371.92	500.81	532.88	14.00	546.88	(46.07)
Bedford	348.41	1,771.00	2,119.41	2,102.35	416.49	2,518.84	(399.43)
Bradner	659.19	122,150.60	122,809.79	109,857.19	10,245.49	120,102.68	2,707.11
Bratenahl	194,272.87	1,897,438.55	2,091,711.42	1,866,714.87	41,524.27	1,908,239.14	183,472.28
Burton	43,020.87	515,830.71	558,851.58	466,371.12	28,694.92	495,066.04	63,785.54
Centerville	854.70	7,057.80	7,912.50	7,195.92	217.78	7,413.70	498.80
Chillocothe		70,281.88	70,281.88	64,514.25	5,701.62	70,215.87	66.01
Clayton		2,005.23	2,005.23		55.25	55.25	1,949.98
Cleveland	4,104,991.22	352,102,458.13	356,207,449.35	349,354,813.43	6,570,514.50	355,925,327.93	282,121.42
Cuyahoga Falls	(723.79)	1.00	(722.79)	1.00		1.00	(723.79)
Dayton	56,693.40	78,095.16	134,788.56	125,500.78	5,258.24	130,759.02	4,029.54
Dresden	10,629.42	213,729.60	224,359.02	200,026.45	16,548.13	216,574.58	7,784.44
Eastlake	86.47	869.40	955.87	895.87	60.00	955.87	-
Elida	21,147.52	478,925.83	500,073.35	447,644.89	28,895.31	476,540.20	23,533.15
Englewood	(282.00)	200.00	(82.00)		71.24	71.24	(153.24)
Franklin	104.10	14,565.29	14,669.39	13,821.91	663.98	14,485.89	183.50
Frazeysburg	1,828.80	163,115.01	164,943.81	146,910.74	12,335.99	159,246.73	5,697.08
Gates Mills	206,183.84	1,677,623.00	1,883,806.84	1,695,140.47	54,111.04	1,749,251.51	134,555.33
Geneva-on-the-Lake	7,202.28	220,807.08	228,009.36	200,244.79	15,355.52	215,600.31	12,409.05
Grand Rapids	792.41	198,717.52	199,509.93	175,959.26	18,989.83	194,949.09	4,560.84
Grand River	23,863.84	289,112.08	312,975.92	276,892.87	9,696.24	286,589.11	26,386.81
Hamilton	1,205.11	147,679.54	148,884.65	135,359.20	11,242.17	146,601.37	2,283.28
Hartville	(148.09)	9.90	(138.19)	8.00	0.09	8.09	(146.28)
Highland Hills	244,972.69	3,251,535.40	3,496,508.09	3,138,152.03	45,105.64	3,183,257.67	313,250.42
Huber Heights	3,655.12	25,520.79	29,175.91	26,793.91	1,552.29	28,346.20	829.71
Huntsville	2,361.54	73,363.13	75,724.67	66,288.43	6,760.25	73,048.68	2,675.99
Lakewood	(3,990.36)	6,986.52	2,996.16	770.00	1,385.42	2,155.42	840.74
Lancaster	296.34	2,758.88	3,055.22	2,755.22	216.92	2,972.14	83.08
Liberty Center	4,082.96	216,447.91	220,530.87	197,249.03	15,380.83	212,629.86	7,901.01
Lima	(109.46)	1,778.79	1,669.33	1,584.33	85.29	1,669.62	(0.29)
Linndale	3,939.66	63,168.21	67,107.87	60,065.40	2,352.30	62,417.70	4,690.17
London		12,978.37	12,978.37	12,168.42	649.85	12,818.27	160.10
Lorain	1,806.30	2,154.72	3,961.02	3,836.02	232.90	4,068.92	(107.90)
Madison	61,397.53	1,021,545.03	1,082,942.56	908,276.97	62,263.46	970,540.43	112,402.13
Medina	1,066,781.16	13,656,267.05	14,723,048.21	13,178,031.74	472,069.16	13,650,100.90	1,072,947.31
Mentor-on-the-Lake	60,384.84	896,295.59	956,680.43	846,528.98	44,713.15	891,242.13	65,438.30
Montgomery	(1,010.32)	2,283.00	1,272.68	1,852.78	153.91	2,006.69	(734.01)
Mt. Orab	(372.16)	1,640.69	1,268.53	1,124.33	132.15	1,256.48	12.05
Napoleon	(975.84)	3,502.81	2,526.97	2,336.97	330.40	2,667.37	(140.40)
Munroe Falls	80,532.23	1,159,728.83	1,240,261.06	1,114,529.82	52,251.93	1,166,781.75	73,479.31
Northfield	261,824.83	3,204,527.96	3,466,352.79	3,123,813.54	70,360.49	3,194,174.03	272,178.76
North Baltimore	46,103.93	752,791.96	798,895.89	693,693.33	34,090.54	727,783.87	71,112.02
North Perry	88,703.19	1,320,145.19	1,408,848.38	1,313,450.22	21,034.07	1,334,484.29	74,364.09
North Randall	168,323.49	1,961,639.99	2,129,963.48	1,916,940.36	37,773.32	1,954,713.68	175,249.80
Norton	435,196.54	5,586,192.48	6,021,389.02	5,429,107.83	180,745.19	5,609,853.02	411,536.00
Village of Oakwood	8,077.37	73,611.25	81,688.62	70,052.40	7,654.75	77,707.15	3,981.47
Paulding	52,701.68	939,096.74	991,798.42	881,021.18	45,660.57	926,681.75	65,116.67
Peninsula	42,233.03	388,238.87	430,471.90	415,206.90	11,419.43	426,626.33	3,845.57
Rocky River	784,812.03	12,578,722.07	13,363,534.10	11,803,930.98	403,187.17	12,207,118.15	1,156,415.95
Rushsylvania	5.00	18,672.46	18,677.46	15,757.41	1,475.29	17,232.70	1,444.76
Russells Point	12,785.59	245,466.71	258,252.30	226,018.62	19,074.76	245,093.38	13,158.92
Salem	(261.93)	86.75	(175.18)	120.97	193.12	314.09	(489.27)
Seville	91,684.98	943,357.74	1,035,042.72	912,515.40	48,973.80	961,489.20	73,553.52
Springfield	(140.85)	69,976.54	69,835.69	64,927.13	4,512.74	69,439.87	395.82
South Russell	141,133.97	1,639,930.02	1,781,063.99	1,585,281.47	66,753.74	1,652,035.21	129,028.78
Stow	389.03	3,782.94	4,171.97	3,941.31	338.23	4,279.54	(107.57)
Timberlake	(356.32)	87,698.65	87,342.33	77,595.88	8,538.89	86,134.77	1,207.56
Trotwood	320.58	3,246.36	3,566.94	3,224.43	392.23	3,616.66	(49.72)
Troy	138.54	2,059.66	2,198.20	2,013.20	258.78	2,271.98	(73.78)
Union		192,207.82	192,207.82	149,082.00	6,995.50	156,077.50	36,130.32
Wadsworth	646,927.50	8,347,273.19	8,994,200.69	8,060,408.04	328,210.72	8,388,618.76	605,581.93
Warren	315.93	7,979.30	8,295.23	7,750.23	637.40	8,387.63	(92.40)
Warrensville Heights	1,357,968.79	16,011,728.97	17,369,697.76	15,682,342.02	290,110.66	15,972,452.68	1,397,245.08
Waynesfield	6,038.24	124,390.68	130,428.92	113,015.33	9,496.03	122,511.36	7,917.56
West Milton		187.32	187.32		17.70	17.70	169.62
West Liberty	22,761.37	404,024.65	426,786.02	379,262.55	22,094.65	401,357.20	25,428.82
Wickliffe	(140.89)	1,825.01	1,684.12	1,674.12	203.26	1,877.38	(193.26)
Wilmington	(1,374.60)	5,750.40	4,375.80	3,840.80	756.48	4,597.28	(221.48)
Totals	$ 11,495,435.74	$ 448,353,864.03	$ 459,849,299.77	$ 442,277,295.31	$ 9,532,518.71	$ 451,809,814.02	$ 8,039,485.75

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE ENTIRE YEAR ENDED DECEMBER 31, 2015

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities (Excluding Cleveland)	Allocation of Net Operating Expenses
Ada	0.646773%	2.410506%	$ 52,379.56	$ 232.17	$ 52,147.39
Alliance	0.090644%	0.108090%	7,340.91	10.41	7,330.50
Alger	0.079789%	0.076882%	6,461.80	7.41	6,454.39
Akron	0.026779%	0.030707%	2,168.72	2.96	2,165.76
Athens	0.008969%	0.026007%	726.35	2.50	723.85
Barberton	3.804869%	17.149265%	308,141.13	1,651.77	306,489.36
Barnesville	0.000173%	0.000496%	14.05	0.05	14.00
Bedford	0.005146%	0.002363%	416.72	0.23	416.49
Bradner	0.126703%	0.163006%	10,261.19	15.70	10,245.49
Bratenahl	0.515745%	2.532069%	41,768.15	243.88	41,524.27
Burton	0.355138%	0.688359%	28,761.22	66.30	28,694.92
Centerville	0.002700%	0.009418%	218.69	0.91	217.78
Chillocothe	0.070514%	0.093789%	5,710.65	9.03	5,701.62
Clayton	0.000685%	0.002676%	55.51	0.26	55.25
Cleveland	63.314808%	0.000000%	6,570,514.50		6,570,514.50
Dayton	0.065052%	0.104215%	5,268.28	10.04	5,258.24
Dresden	0.204672%	0.285215%	16,575.60	27.47	16,548.13
Eastlake	0.000757%	0.000000%	60.00		60.00
Elida	0.357554%	0.639111%	28,956.87	61.56	28,895.31
Englewood	0.000880%	0.000267%	71.27	0.03	71.24
Franklin	0.008222%	0.019437%	665.85	1.87	663.98
Frazeysburg	0.152581%	0.217672%	12,356.96	20.97	12,335.99
Gates Mills	0.670816%	2.238732%	54,326.67	215.63	54,111.04
Geneva-on-the-Lake	0.189958%	0.294660%	15,383.90	28.38	15,355.52
Grand Rapids	0.234798%	0.265182%	19,015.37	25.54	18,989.83
Grand River	0.120186%	0.385810%	9,733.40	37.16	9,696.24
Hamilton	0.139051%	0.197073%	11,261.15	18.98	11,242.17
Hartville	0.000001%	0.000013%	0.09		0.09
Highland Hills	0.562117%	4.339066%	45,523.57	417.93	45,105.64
Huber Heights	0.019208%	0.034057%	1,555.57	3.28	1,552.29
Huntsville	0.083591%	0.097901%	6,769.68	9.43	6,760.25
Lakewood	0.009092%	0.009323%	1,386.32	0.90	1,385.42
Lancaster	0.002683%	0.003682%	217.27	0.35	216.92
Liberty Center	0.190263%	0.288843%	15,408.65	27.82	15,380.83
Lima	0.001056%	0.002374%	85.52	0.23	85.29
Linndale	0.029146%	0.084296%	2,360.42	8.12	2,352.30
London	0.008045%	0.017319%	651.52	1.67	649.85
Lorain	0.002879%	0.002875%	233.18	0.28	232.90
Madison	0.770439%	1.363218%	62,394.76	131.30	62,263.46
Medina	5.850695%	18.223834%	473,824.43	1,755.27	472,069.16
Mentor-on-the-Lake	0.553532%	1.196077%	44,828.35	115.20	44,713.15
Montgomery	0.001904%	0.003047%	154.20	0.29	153.91
Mt. Orab	0.001634%	0.002189%	132.36	0.21	132.15
Napoleon	0.004085%	0.004674%	330.85	0.45	330.40
Munroe Falls	0.647038%	1.547620%	52,400.99	149.06	52,251.93
Northfield	0.873884%	4.276336%	70,772.38	411.89	70,360.49
North Baltimore	0.422138%	1.004576%	34,187.30	96.76	34,090.54
North Perry	0.261820%	1.761690%	21,203.75	169.68	21,034.07
North Randall	0.469531%	2.617743%	38,025.45	252.13	37,773.32
Norton	2.240674%	7.454588%	181,463.20	718.01	180,745.19
Village of Oakwood	0.094636%	0.098232%	7,664.21	9.46	7,654.75
Paulding	0.565299%	1.253193%	45,781.27	120.70	45,660.57
Peninsula	0.141005%	0.000000%	11,419.43		11,419.43
Rocky River	4.978479%	0.000000%	403,187.17		403,187.17
Rushsylvania	0.018246%	0.024918%	1,477.69	2.40	1,475.29
Russells Point	0.235921%	0.327567%	19,106.31	31.55	19,074.76
Salem	0.002385%	0.000116%	193.13	0.01	193.12
Seville	0.606216%	1.258880%	49,095.05	121.25	48,973.80
Springfield	0.055834%	0.093381%	4,521.73	8.99	4,512.74
South Russell	0.826865%	2.188432%	66,964.52	210.78	66,753.74
Stow	0.004182%	0.005048%	338.72	0.49	338.23
Timberlake	0.105576%	0.117031%	8,550.16	11.27	8,538.89
Trotwood	0.004848%	0.004332%	392.65	0.42	392.23
Troy	0.003199%	0.002749%	259.04	0.26	258.78
Union	0.086684%	0.256495%	7,020.20	24.70	6,995.50
Wadsworth	4.052684%	0.000000%	328,210.72		328,210.72
Warren	0.007883%	0.010648%	638.43	1.03	637.40
Warrensville Heights	3.607644%	21.367119%	292,168.69	2,058.03	290,110.66
Waynesfield	0.117453%	0.165995%	9,512.02	15.99	9,496.03
West Milton	0.000219%	0.000250%	17.72	0.02	17.70
West Liberty	0.273462%	0.539157%	22,146.58	51.93	22,094.65
Wickliffe	0.002513%	0.002435%	203.49	0.23	203.26
Wilmington	0.009350%	0.007674%	757.22	0.74	756.48
Totals	100.000000%	100.000000%	$ 9,542,150.43	$ 9,631.72	$ 9,532,518.71

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

SCHEDULE OF INCOME TAXES RECEIVABLE
FOR YEAR ENDED DECEMBER 31, 2015

Ada	$ 332,026.71
Alliance	2,410.58
Alger	24,505.72
Akron	369.00
Athens	1,552.59
Barberton	2,084,605.50
Bedford	25.00
Bradner	47,095.14
Bratenahl	526,629.49
Burton	142,040.08
Centerville	51.23
Chillicothe	3,234.69
Cleveland	51,970,239.55
Cuyahoga Falls	23.00
Dayton	5,665.26
Dresden	64,428.58
Elida	150,664.69
Englewood	138.68
Franklin	524.60
Frazeysburg	54,557.93
Gates Mills	582,831.18
Geneva-on-the-Lake	76,028.76
Grand Rapids	68,106.78
Grand River	58,901.38
Hamilton	7,909.20
Highland Hills	334,350.44
Huber Heights	1,185.00
Huntsville	24,692.25
Lakewood	626.09
Lancaster	75.00
Liberty Center	57,269.78
Lima	628.63
Linndale	8,300.33
London	309.90
Madison	347,891.03
Medina	3,582,321.40
Mentor-on-the-Lake	228,687.89
Montgomery	25.00
Mt. Orab	59.20
Napoleon	217.70
Munroe Falls	300,408.67
Northfield	800,012.99
North Baltimore	158,961.20
North Perry	186,647.02
North Randall	330,542.20
Norton	1,565,042.46
Village of Oakwood	17,405.97
Paulding	233,503.16
Rushsylvania	7,501.84
Russells Point	84,409.00
Seville	291,165.32
Springfield	5,036.48
South Russell	607,588.32
Stow	38.07
Timberlake	38,049.16
Trotwood	793.56
Troy	60.00
Union	129,353.41
Warren	205.00
Warrensville Heights	3,246,884.40
Waynesfield	32,682.13
West Liberty	133,200.07
Wilmington	825.76
	$ 68,961,521.15

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2015

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

TABLE OF CONTENTS

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 year ended December 31, 2015 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 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 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 Parking Facilities, Department of Public Works, City of Cleveland, Ohio as of December 31, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note K, the Division adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in its financial position and cash flows for the year 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 and schedules of net pension liability and pension contributions, as listed in the table of contents, 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 28, 2016

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 year ended December 31, 2015. Please read this information in conjunction with the Division's financial statements and footnotes which begin on page 12.

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 2015, 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 $23,052,000 and $20,806,000 at December 31, 2015 and 2014, respectively. Of these amounts, $3,035,000 and $3,079,000 (unrestricted net position) at December 31, 2015 and 2014, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $2,246,000 during 2015. In 2015, operating revenues increased $660,000 due to increased parking rates. Capital contributions decreased by $187,000 due to substantial completion of the Gateway East Parking Garage Project.

- The Division's total bonded debt decreased by $2,770,000 (10.5%) during 2015. These amounts represent the principal payments made in 2015.

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 12 – 17 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 19 – 40 of this report. Required supplementary information can be found on pages 41 – 42 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, 2015 and 2014:

	2015	Restated 2014
	(Amounts in 000's)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 4,906	$ 5,024
Restricted assets	8,328	8,804
Capital assets, net	34,902	34,718
Total assets	48,136	48,546
Deferred outflows of resources	1,355	1,627
Total assets and deferred outflows of resources	$ 49,491	$ 50,173
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	$ 4,194	$ 3,911
Long-term liabilities	22,232	25,272
Total liabilities	26,426	29,183
Deferred inflows of resources	13	184
Net positon:		
Net investment in capital assets	14,460	12,131
Restricted for debt service	5,557	5,596
Unrestricted	3,035	3,079
Total net position	23,052	20,806
Total liabilities, deferred inflows of resources and net position	$ 49,491	$ 50,173

Assets:

Current, restricted and other non-capital assets: From 2014 to 2015, the Division's current and restricted assets have decreased 4.3%. This decrease is primarily related to a decrease in cash and cash equivalents related to an increase in capital expenditures.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: The Division's capital assets (net of accumulated depreciation) as of December 31, 2015 amounted to $34,902,000. The total increase in the Division's investment in capital assets was $184,000 (0.5%) in 2015. The increase in 2015 was due to asset additions exceeding depreciation expense.

A summary of the activity in the Division's capital assets during the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
	(Amounts in 000's)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256			1,256
Buildings, structures and improvements	54,167			54,167
Furniture, fixtures, equipment and vehicles	1,252	26	(15)	1,263
Construction in progress	789	1,554		2,343
Total	62,942	1,580	(15)	64,507
Less: Accumulated depreciation	(28,224)	(1,396)	15	(29,605)
Capital assets, net	$ 34,718	$ 184	$ -	$ 34,902

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:

Pension Liability: During 2015, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB* Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68,* which significantly revises accounting for pension costs and liabilities. For reasons discussed on the following page, many end users of this financial statement will gain a clearer understanding of the Division's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the Division's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Division is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Division's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $21,424,000 to $20,806,000.

Long-term debt: At the end of 2015, the Division had total bonded debt outstanding of $23,690,000. This is a reduction of approximately 10.5%. 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 2015, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2015 is summarized below:

	Balance January 1, 2015	Debt Retired	Balance December 31, 2015
	(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006	$ 26,460	$ (2,770)	$ 23,690

The bond ratings at December 31, 2015 for the Division's revenue bonds are as follows:

	Moody's Investors Service	Standard & Poor's
Parking Facilities Refunding Revenue Bonds:		
Series 2006	A2	AA

The bond ratings indicated above are insured ratings only, reflecting the ratings of Assured Guaranty Municipal Corporation (formerly Financial Security Assurance, Inc.).

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.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The Division has reported deferred outflows of resources in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2015. 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 $23,052,000 at December 31, 2015.

Of the Division's net position at December 31, 2015, $5,557,000 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 $14,460,000 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 $3,035,000 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 2015 increased net position by $2,246,000. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2015 and 2014:

	2015	2014
	(Amounts in 000's)	
Operating revenues	$ 8,576	$ 7,916
Operating expenses	5,332	5,478
Operating income (loss)	3,244	2,438
Non-operating revenue (expense):		
Investment income (loss)	191	184
Interest expense	(1,443)	(1,588)
Total non-operating revenue (expense), net	(1,252)	(1,404)
Income (loss) before capital contributions	1,992	1,034
Capital contributions	254	441
Change in net position	$ 2,246	$ 1,475

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

Operating revenues: From 2014 to 2015, operating revenues increased $660,000 or 8.3%. This increase is primarily due to increased parking revenue related to an increase in parking rates.

Operating expenses: In 2015, operating expenses decreased $146,000 or 2.7%. This decrease is a result of decreased maintenance and supply costs, with more items being placed into inventory, being offset by an increase in payroll expense resulting from a pay increase in 2015.

Non-operating revenues and expenses: From 2014 to 2015, net non-operating expenses decreased $152,000. This is primarily due to a decrease of interest expense.

Non-pension expenses: The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 expenses still include pension expense of $90,000 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of $80,000. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	(Amounts in 000's)	
Total 2015 expenses under GASB 68	$	6,775
Pension expense under GASB 68		(80)
2015 contractually required contribution		91
Adjusted 2015 program expenses		6,786
Total 2014 expenses under GASB 27		(7,066)
Decrease in expenses not related to pension	$	(280)

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.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF NET POSITION
December 31, 2015

		2015
		(Amounts in 000's)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$	4,805
Accounts receivable - net of allowance		15
Due from other City of Cleveland departments, divisions or funds		42
Inventory of supplies, at cost		44
TOTAL CURRENT ASSETS		4,906
RESTRICTED ASSETS		
Cash and cash equivalents		8,327
Accrued interest receivable		1
TOTAL RESTRICTED ASSETS		8,328
CAPITAL ASSETS		
Land		5,478
Land improvements		1,256
Buildings, structures and improvements		54,167
Furniture, fixtures, equipment and vehicles		1,263
Construction in progress		2,343
		64,507
Less: Accumulated depreciation		(29,605)
CAPITAL ASSETS, NET		34,902
DEFERRED OUTFLOWS OF RESOURCES		
Derivative instruments - interest rate swaps		4
Loss on refunding		1,221
Pension		130
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,355
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	49,491

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF NET POSITION
December 31, 2015

		2015 (Amounts in 000's)
LIABILITIES, DEFERRED INFLOWS OF REOURCES AND NET POSITON		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$	2,880
Accounts payable		348
Due to other governments		239
Due to other City of Cleveland departments, divisions or funds		145
Accrued interest payable		363
Accrued wages and benefits		99
Unearned revenue		120
TOTAL CURRENT LIABILITIES		4,194
LONG-TERM LIABILITIES		
Revenue bonds - excluding amount due within one year		21,490
Accrued wages and benefits		19
Pension		723
TOTAL LONG-TERM LIABILITIES		22,232
TOTAL LIABILITIES		26,426
DEFERRED INFLOWS OF RESOURCES		
Pension		13
TOTAL DEFERRED INFLOWS OF RESOURCES		13
NET POSITION		
Net investment in capital assets		14,460
Restricted for debt service		5,557
Unrestricted		3,035
TOTAL NET POSITION		23,052
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITON	$	49,491

See notes to financial statements.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

		2015
		(Amounts in 000's)
OPERATING REVENUES		
Charges for services	$	8,576
TOTAL OPERATING REVENUES		8,576
OPERATING EXPENSES		
Operations		3,914
Maintenance		48
Depreciation		1,370
TOTAL OPERATING EXPENSES		5,332
OPERATING INCOME (LOSS)		3,244
NON-OPERATING REVENUE (EXPENSE)		
Investment income (loss)		191
Interest expense		(1,443)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET		(1,252)
INCOME BEFORE CAPITAL CONTRIBUTIONS		1,992
Capital contributions		254
INCREASE (DECREASE) IN NET POSITION		2,246
NET POSITION, beginning of year (as restated)		20,806
NET POSITION, end of year	$	23,052

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

		2015
		(Amounts in 000's)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	9,261
Cash payments to suppliers for goods or services		(3,340)
Cash payments to employees for services		(1,127)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		4,794
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(1,302)
Principal paid on long-term debt		(2,770)
Interest paid on long-term debt		(1,335)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(5,407)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments		3
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		3
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(610)
CASH AND CASH EQUIVALENTS, beginning of year		13,742
CASH AND CASH EQUIVALENTS, end of year	$	13,132

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

		2015 (Amounts in 000's)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income	$	3,244
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		1,370
Changes in assets:		
Accounts receivable, net		6
Due from other City of Cleveland departments, divisions or funds		1
Inventory of supplies		(22)
Changes in deferred outflows of resources:		
Pension		(40)
Changes in liabilities:		
Accounts payable		88
Due to other governments		8
Unearned revenue		120
Due to other City of Cleveland departments, divisions or funds		(24)
Accrued wages and benefits		15
Pension liability		15
Changes in deferred inflows of resources:		
Pension		13
TOTAL ADJUSTMENTS		1,550
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	4,794
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions of capital assets	$	254

See notes to financial statements.

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the Division has implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the Division has implemented GASB Statement No. 71 as of December 31, 2015.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015. 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, 2015.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 of resource 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, 2015 is as follows:

	Interest Rate	Original Issuance	2015
		(Amounts in 000's)	
Parking Facilities Refunding Revenue Bonds:			
Series 2006, due through 2022	4.00%-5.25%	$ 57,520	$ 23,690
Unamortized (discount) premium			680
Current portion (due within one year)			(2,880)
Total Long-Term Debt			$ 21,490

Summary: Changes in long-term obligations for the year ended December 31, 2015 are as follows:

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Due Within One Year
			(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds:					
Series 2006, due through 2022	$ 26,460	$	$ (2,770)	$ 23,690	$ 2,880
Accrued wages and benefits	103	100	(85)	118	99
Pension	708	15		723	
Total	$ 27,271	$ 115	$ (2,855)	$ 24,531	$ 2,979

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)	
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	3,540	588	4,128
2021-2022	7,660	608	8,268
Total	$ 23,690	$ 5,231	$ 28,921

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 the 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 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 a floating rate payor, paying a floating rate based on the Securities Industry and 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 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.

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 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. Since 2013 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 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, 2015 as reported by PNC was $3,600, which would be payable to the City.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $23,690,000 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 $28,921,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,105,000 and $4,836,000, respectively.

In 2015, 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, 2015, 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 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.

Derivative Instruments

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, 2015. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor. The Division recognized $188,000 investment revenue pursuant to this swap in 2015.

The tables below present the fair value balances and notional amounts of the Division's derivative instrument outstanding at December 31, 2015, classified by type and the change in fair value of this derivative during fiscal year 2015 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, 2015 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, 2015		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
		(Amounts in 000's)			
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	$ 188	Investment	$ 4	$ 23,690

The table below presents the objective and significant terms of the Division's derivative instrument at December 31, 2015, 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	$ 23,690	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Defeasance 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 all future debt service payments on the defeased bonds. The Division had $11,230,000 of defeased debt outstanding at December 31, 2015.

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 2015, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $1,526,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $49,924,000 at December 31, 2015. 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, 2015 totaled $211,000 and the Division's bank balances were $181,000. 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*, $181,000 of the bank balances at December 31, 2015 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 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 D – 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. 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.

Credit Risk: The Division's investments as of December 31, 2015 include STAROhio and mutual funds. The Division maintains the highest ratings for their investments. Investments in STAROhio, Dreyfus Government Cash Management Mutual Fund and Morgan Stanley Government Institutional Mutual Funds 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.

NOTE D – 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, 2015, 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	2015 Fair Value	2015 Cost	Investment Maturities Less than One Year
	(Amounts in 000's)		
STAROhio	$ 2,089	$ 2,089	$ 2,089
Mutual Funds	10,832	10,832	10,832
Total Investments	12,921	12,921	12,921
Total Deposits	211	211	211
Total Deposits and Investments	$ 13,132	$ 13,132	$ 13,132

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, 2015, the investments in STAROhio and mutual funds are approximately 16% and 84%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
	(Amounts in 000's)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	789	1,554		2,343
Total capital assets, not being depreciated	6,267	1,554	-	7,821
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	54,167			54,167
Furniture, fixtures, equipment and vehicles	1,252	26	(15)	1,263
Total capital assets, being depreciated	56,675	26	(15)	56,686
Less: Accumulated depreciation	(28,224)	(1,396)	15	(29,605)
Total capital assets being depreciated, net	28,451	(1,370)	-	27,081
Capital assets, net	$ 34,718	$ 184	$ -	$ 34,902

NOTE F – DEFINED BENEFIT PENSION PLANS

Net Pension Liability: The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The net pension liability represents the Division's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Division's obligation for this liability to annually required payments. The Division cannot control benefit terms or the manner in which pensions are financed; however, the Division does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Division's employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14	%
Employee	10	%
2015 Actual Contribution Rates		
Employer:		
Pension	12	%
Post-employment Health Care Benefits	2	
Total Employer	14	%
Employee	10	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $91,000 for 2015. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in 000's)	
Proportionate Share of the Net Pension Liability	$	723
Proportion of the Net Pension Liability		0.006017%
Pension Expense	$	80

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2015, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in 000's)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	39
Division contributions subsequent to the measurement date		91
Total Deferred Outflows of Resources	$	130
Deferred Inflows of Resources		
Differences between expected and actual experience	$	13

The $91,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amounts in 000's)	
2016	$	4
2017		4
2018		9
2019		9
Total	$	26

Actuarial Assumptions – OPERS: Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25 to 10.05 % including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
		(Amounts in 000's)	
Division's proportionate share of the net pension liability	$ 1,335	$ 723	$ 208

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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy - Ohio Public Employees Retirement System*:** 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The Division's actual contributions to OPERS to fund postemployment benefits were $16,000 in 2015, $16,000 in 2014 and $7,000 in 2013. The required payments due in 2015, 2014 and 2013 have been made.

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:

		(Amount in 000's)
Department of Community Development	$	54

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 year ended December 31, 2015 is as follows:

		(Amounts in 000's)
Parks Maintenance	$	34
Telephone		20
Motor Vehicle Maintenance		11
Printing		9

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.

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 2015.

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 2015. Future minimum rentals on non-cancelable leases are as follows:

	(Amounts in 000's)
2016	$ 180
2017	180
2018	180
2019	180
2020	180
Thereafter	4,200
	$ 5,100

NOTE K – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Division implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Net Position December 31, 2014	Restatement	Restated Net Position December 31, 2014
		(Amounts in 000's)	
Beginning net position	$ 21,424	$ (618)	$ 20,806

Other than employer contributions subsequent to the measurement date, the Division made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Division's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Two Measurement Years (1), (2)

	2014	2013
	(Amounts in 000's)	
Division's Proportion of the Net Pension Liability	0.006017%	0.006017%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 723	$ 708
Division's Covered-Employee Payroll	$ 750	$ 685
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	96.40%	103.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2015	2014	2013
	(Amounts in 000's)		
Contractually Required Contributions	$ 91	$ 90	$ 89
Contributions in Relation to the Contractually Required Contributions	(91)	(90)	(89)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division Covered-Employee Payroll	$ 758	$ 750	$ 685
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2015

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

TABLE OF CONTENTS

This page intentionally left blank.

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 year ended December 31, 2015, 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 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 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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note N, the Division adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

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, 2015, and the respective changes in its financial position and cash flows for the year 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 and schedules of net pension liability and pension contributions, as listed in the table of contents, 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, 2015 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 28, 2016

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 year ended December 31, 2015. 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, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2015, the Divisions were served by 23 scheduled airlines and three cargo airlines. There were 51,000 scheduled landings with landed weight amounting to 5,118,972,000 pounds. There were 4,047,000 passengers enplaned at Cleveland Hopkins International Airport and 81,000 passengers enplaned at Burke Lakefront Airport during 2015.

COMPARISON OF CURRENT YEAR AND PREVIOUS YEAR DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Divisions exceeded its liabilities and deferred inflows of resources (net position) by $330,603,000 and $344,896,000 at December 31, 2015 and 2014, respectively. Of these amounts, $103,310,000 and $108,081,000 (unrestricted net position) at December 31, 2015 and 2014, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position decreased by $14,293,000 in 2015. Several factors attributed to this including a decrease in landing fee revenue and terminal space rental revenue of $8,186,000. Another main factor was increased operating expenses.

- Additions to construction in progress totaled $28,426,000 in 2015.

- The major capital expenses during 2015 were the Airport Signage Program, CLE Terminal Exterior Façade/Ticketing Lobby Project, Main Substation Electrical Distribution Enhancement, CLE Airport-Wide In-Line Baggage Project, CLE Parking Redevelopment and BKL Shoreline Restoration.

- The Divisions' total bonded debt decreased by $33,155,000 in 2015. The key factors for the decrease in 2015 were the scheduled principal payments on the Divisions' outstanding Bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 25-46 of this report. The required supplementary information can be found on pages 47-48 of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSTION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2015 and 2014:

	2015	Restated 2014
	(Amounts in 000's)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 111,038	$ 108,335
Restricted assets	222,620	246,106
Capital assets, net	845,755	867,341
Total assets	1,179,413	1,221,782
Deferred outflows of resources	22,565	24,141
Total assets and deferred outflows of resources	$ 1,201,978	$ 1,245,923
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	$ 76,931	$ 69,821
Long-term obligations	794,095	831,206
Total liabilities	871,026	901,027
Deferred inflows of resources	349	
Total liabilities and deferred inflows of resources	871,375	901,027
Net position:		
Net investment in capital assets	87,932	97,689
Restricted for debt service	128,103	127,401
Restricted for passenger facility charges	11,258	11,725
Unrestricted	103,310	108,081
Total net position	330,603	344,896
Total liabilities, deferred inflows of resources and net position	$ 1,201,978	$ 1,245,923

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets: Total assets and deferred outflows of resources decreased $43,945,000 or 3.5% in 2015. The change is primarily due to a decrease in restricted assets of $23,486,000 and a decrease in net capital assets of $21,586,000. The change in restricted assets was due to a decrease in restricted cash and cash equivalents related to capital project expenses; whereas, the change in capital assets is due to increased accumulated depreciation offset by additions to construction in progress.

Capital assets: The Divisions' investment in capital assets as of December 31, 2015 amounted to $845,755,000 (net of accumulated depreciation), which is a decrease of 2.5%. 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, 2015 is as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
	(Amounts in 000's)			
Land	$ 167,457	$	$	$ 167,457
Land improvements	84,172			84,172
Buildings, structures and improvements	340,944	888		341,832
Furniture, fixtures and equipment	32,282	2,308	(259)	34,331
Infrastructure	1,000,398	205		1,000,603
Vehicles	15,768		(113)	15,655
Total	1,641,021	3,401	(372)	1,644,050
Less: Accumulated depreciation	(821,346)	(52,320)	339	(873,327)
Total	819,675	(48,919)	(33)	770,723
Construction in progress	47,666	28,426	(1,060)	75,032
Capital assets, net	$ 867,341	$ (20,493)	$ (1,093)	$ 845,755

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2015 affecting the Divisions' capital assets included the following:

- Airport Signage Program, Phase I: This project renovates existing and/or new Airport signage within the Cleveland Airport System (CAS) environment. Project goals are to provide positive and efficient guidance for customers to their desired destinations in and around the various on and off Airport properties, plus achieve aesthetically appealing and functional design to command the attention of Airport patrons. In 2015, the design was completed and the work on the majority of the signs is expected to be completed in 2016.

- 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. Work on the project began in May 2015 and before the end of the year the project was over 50% complete. This project has a deadline to be completed prior to the end of May 2016.

- Main Substation (MS) 1 and Main Substation (MS) 2 Electrical Distribution Enhancement, Phase II: During February 2010, the Electrical Feeders for Substation MS 1 faulted and power was lost to the Terminal at CLE. Phase I of this project was to install emergency generators at strategic locations on the airport for life safety systems. The current Phase of the project calls for a redundant feeder system between MS 1 and MS 2 that will allow power to be supplied to the Terminal uninterrupted from either substation.

- CLE Airport Wide In-Line Baggage Project and Recapitalization: Currently, baggage screening for airlines other than United is conducted on the ticketing lobby floor as there is no centralized baggage sorting areas for these carriers. This configuration takes up valuable queuing and movement areas for the passengers. The design of the system was completed in early 2015. Transportation Security Administration (TSA) prepared an Operational Transaction Agreement (OTA) that secured nearly 90% of the cost of the construction and project administration. The contract was awarded in late 2015 and work will begin in 2016.

- CLE Parking Redevelopment, Phase II: Phase II will include a design-build project to install car canopy systems over the premium Red Lot as well as the economy Blue Lot. Before the close of 2015, steel had been erected on the Blue Lot with the deliveries for the Red Lot expected in early 2016. This project requires that completion be prior to May 2016.

- BKL Shoreline Restoration: When Hurricane Sandy impacted the coast line of Lake Erie, one area that received significant damage was BKL airfield's northwest revetment (shoreline) that protects the airfield, navigational aids, and perimeter roads. Working with the City, County and State, the Divisions applied for and received Federal Emergency Management Agency (FEMA) Grant funds to repair the revetment. The design began in early 2015 and at the close of the year was 90% complete.

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 E – Capital Assets to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Liabilities: In 2015, total liabilities decreased $30,001,000 or 3.3%. The decrease in long-term obligations was $37,111,000 or 4.5%. Current liabilities increased $7,110,000 or 10.2% as a result of increases in the landing fee payable to airlines and construction payable due to increased spending at year end.

Pension Liability: During 2015, the Divisions adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Divisions' actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the Divisions' proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Divisions are not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave) are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained prior, changes in pension benefits, contribution rates and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Divisions' statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 68, the Divisions are reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $361,167,000 to $344,896,000.

Long-term debt: At December 31, 2015 and 2014, the Divisions had $782,370,000 and $815,525,000, 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, 2015 is summarized below:

	Balance January 1, 2015	Debt Issued	Debt Retired	Balance December 31, 2015
	(Amounts in 000's)			
Airport System Revenue Bonds:				
Series 2000	$ 143,800	$	$ (5,400)	$ 138,400
Series 2006	106,555		(7,625)	98,930
Series 2007	8,525		(600)	7,925
Series 2008	5,975			5,975
Series 2009	160,010		(11,165)	148,845
Series 2011	64,185		(6,995)	57,190
Series 2012	235,150			235,150
Series 2013	58,000			58,000
Series 2014	33,325		(1,370)	31,955
Total	$ 815,525	$ -	$ (33,155)	$ 782,370

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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 November 11, 2015, Fitch Ratings revised its rating outlook on Cleveland Airport Revenue Bonds to stable from negative.

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 2015 was 132%.

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 exceeded liabilities and deferred inflows of resources by $330,603,000 and $344,896,000 at December 31, 2015 and 2014, respectively. Of the Divisions' net position at December 31, 2015 and 2014, $87,932,000 and $97,689,000, 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, 2015 and 2014 the restricted net position amounted to $139,361,000 and $139,126,000, 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, $103,310,000 and $108,081,000 for December 31, 2015 and 2014, 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 $14,293,000 in 2015. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2015 and 2014:

	2015	2014
	(Amounts in 000's)	
Operating revenues:		
Landing fees	$ 28,182	$ 32,822
Terminal and concourse rentals	59,328	62,874
Concessions	36,064	31,786
Utility sales and other	4,459	4,242
Total operating revenues	128,033	131,724
Operating expenses	127,161	124,452
Operating income (loss)	872	7,272
Non-operating revenue (expense):		
Passenger facility charges revenue	16,198	14,798
Non-operating expense	(4,711)	(3,778)
Sound insulation program	(329)	(1,250)
Loss on disposal of capital asset	(34)	(9)
Investment income (loss)	165	115
Interest expense	(30,842)	(32,095)
Amortization of bond issuance expense, bond discounts/premiums and loss on debt refundings	507	494
Total non-operating revenue (expense), net	(19,046)	(21,725)
Capital and other contributions	3,881	4,935
Change in net position	$ (14,293)	$ (9,518)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

***Operating revenues**:* Operating revenues for 2015 were $128,033,000. Of this amount, $26,090,000 or 20.4% represented landing fees received from signatory airlines. This is a negative change in signatory landing fees of 16.2% from the prior year. Signatory terminal rentals accounted for $45,621,000 or 35.6% of total operating revenues. Parking revenues increased 18.2% 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 $26,995,000 or 21.1% of total operating revenues for 2015. The fourth largest airport revenue source, rental cars, accounted for 8.1% of total operating revenues.

***Operating expenses**:* Total operating expenses for 2015 increased $2,709,000 or 2.2%. The increase is primarily due to higher insurance, taxes and professional fees of $2,221,000 or 10.5%.

Non-operating revenue and expense: Non-operating revenue and expense decreased $2,679,000 or 12.3%. This was due to an increase in passenger facility charge revenues of $1,400,000 or 9.5%, decreases in the Residential Sound Insulation Program (RSIP) expenses of $921,000 or 73.7% and a decreased interest expense of $1,253,000 or 3.9% offset by increased non-operating expenses of $933,000 or 24.7%. The RSIP program has been declining each year as it nears completion. Interest expense decreased due to decreased interest payments on debt.

Capital and other contributions: In 2015 and 2014, the Divisions' received $3,881,000 and $4,935,000, respectively, in Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer (TSA LEO) and Canine Grants. In both 2015 and 2014, Airport Improvement Program Grant revenue primarily consisted of Letter of Intent (LOI) and RSIP reimbursements.

Non-pension expenses: The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 was not available. Therefore, 2014 expenses still include pension expense of $2,379,000 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of $2,106,000. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	(Amounts in 000's)
Total 2015 expenses under GASB 68	$ 163,077
Pension expense under GASB 68	(2,106)
2015 contractually required contribution	2,376
Adjusted 2015 program expenses	163,347
Total 2014 expenses under GASB 27	(161,584)
Increase in expenses not related to pension	$ 1,763

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS

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 8.1% and 8.5% of total passengers at the Airport, respectively, in 2015. At this point we expect the combined American Airlines to further expand, although they recently cancelled a daily Phoenix flight after Southwest entered the market; they have since added three daily nonstop flights to Washington Reagan National Airport.

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.

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). Fitch removed the negative outlook effective November 11, 2015. 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.

Federal Sequestration has had a direct impact on 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 with implementation scheduled for the fall of 2017. The FAA's new CLE Air Traffic Control Tower opened on September 19, 2015 and ASSC is slated to go online in early March 2017. 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. CAS was able to obtain a Categorical Exclusion (CATEX) from the FAA for both the North Airfield Improvements and Snow Removal Equipment Storage Projects. The Runway 6R-24L Rehabilitation Project is the last major project on the airfield that may still require an EA. That project is not projected for EA federal funding until 2018 at the earliest. 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. This Runway Incursion Mitigation (RIM) project is the North Airfield Improvements Project mentioned prior. Initial federal funding for this project is anticipated in July 2016. This project will take two construction phasing seasons to complete. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

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 Divisions in eliminating them to improve airfield safety and operations. A CATEX was received on this project earlier in 2015, with construction anticipated over a two-year window in 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 sizes of aircraft have increased whereas the majority of flights are larger mainline aircraft for the first time in many years. With the United Airlines de-hubbing, a large amount of regional aircraft at CLE was eliminated. When new air service was established, these new airlines added service with mainline aircraft which holds between 120 and 150 seats.

The Master Lease and Use Agreement between the Cleveland Airport System and the signatory airlines expired on December 31, 2015. However, the Airport and airlines continue to operate under that agreement on a month to month basis and under the same terms and conditions as outlined in the Agreement. An updated Master Lease is under negotiation with very similar terms as the existing agreement and is targeted for completion by the end of June 2016.

In early 2016, CLE and United Airlines (United) amended both Special Facility Leases covering Concourses C, D and related facilities to allow United to consolidate its operations onto Concourse C. The amendments lengthened United's commitment on Concourse C to the year 2029. The amendments also removed United's right to terminate the Concourse C Special Facility Lease if United retired the bonds associated with Concourse C. While United will continue not to operate on Concourse D for the time being, United remains obligated to all debt, operating and maintenance costs associated with Concourse D throughout the remainder of the lease term.

CLE is one of the few medium sized airports with two ultra-low cost airlines. Frontier Airlines, who started service in 2014, operates upwards of 11 daily departures and Spirit, who started in 2015, operates eight daily departures, all with mainline Airbus A319, A320 and Frontier with their newest 230-seat A321 to Orlando. Southwest Airlines who was the airport's first low cost carrier, beginning service 22 years ago, is up to 18 daily departures with the addition of a second daily Las Vegas nonstop and new service to St. Louis. JetBlue, who launched service in 2015, has added a fourth daily flight. The impact of the additional low cost and ultra-low cost service cannot be understated in its impact on the airport with our average fare dropping 18% in the second quarter 2015. This has stimulated new passenger traffic and has reversed previous passenger leakage to competing airports in Akron-Canton and Pittsburgh.

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

On February 9, 2016, the City sold $144,355,000 Airport System Revenue Bonds, Series 2016 consisting of $108,120,000 Airport System Revenue Bonds, Series 2016A (Non-AMT) and $36,235,000 Airport System Revenue Bonds, Series 2016B (Non-AMT). These bonds were issued to refund certain outstanding Series 2000C Airport System Revenue Bonds and Series 2006A Airport System Revenue Bonds for debt service savings. The Series 2016A Bonds were issued effective February 23, 2016. The Series 2016B Bonds were sold on a forward delivery basis and are expected to close on or about October 4, 2016. As a result of this refunding, the Divisions will achieve net present value debt service savings of $15.7 million or 12.41% on the Series 2016A Bonds and savings of $5.1 million or 12.49% on the Series 2016B Bonds.

In conjunction with the issuance of the Series 2016 Airport System Revenue Bonds, Standard & Poor's Ratings Services revised its outlook on all the Airport System Revenue Bonds to stable from negative.

Effective April 1, 2016, the Airport System Revenue Bonds, Series 2013A, which had been directly purchased by U.S. Bank National Association in 2013 were tendered and then purchased by PNC Bank, National Association. The bonds remain in a variable rate mode with the City again paying on a monthly basis an amount equal to one month LIBOR plus a spread.

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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENT OF NET POSITION
December 31, 2015

		2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		**(Amounts in 000's)**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	85,383
Restricted cash and cash equivalents		7,321
Investments		4,003
Receivables:		
Accounts-net of allowance for doubtful accounts of $1,389,000 in 2015		3,282
Unbilled revenue		4,700
Total receivables		7,982
Prepaid expenses		510
Due from other funds		9
Due from other governments		3,705
Materials and supplies-at cost		2,125
TOTAL CURRENT ASSETS		111,038
RESTRICTED ASSETS		
Cash and cash equivalents		220,470
Accrued interest receivable		9
Accrued passenger facility charges		2,141
TOTAL RESTRICTED ASSETS		222,620
CAPITAL ASSETS		
Land		167,457
Land improvements		84,172
Buildings, structures and improvements		341,832
Furniture, fixtures and equipment		34,331
Infrastructure		1,000,603
Vehicles		15,655
		1,644,050
Less: Accumulated depreciation		(873,327)
		770,723
Construction in progress		75,032
CAPITAL ASSETS, NET		845,755
TOTAL ASSETS		1,179,413
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding		19,167
Pension		3,398
TOTAL DEFERRED OUTFLOWS OF RESOURCES		22,565
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	1,201,978

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENT OF NET POSITION
December 31, 2015

	2015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**(Amounts in 000's)**
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	$ 34,415
Accounts payable	4,523
Landing fee settlement payable to airlines	3,399
Due to other funds	2,413
Current portion of accrued wages and benefits	3,348
Accrued interest payable	16,255
Accrued property taxes	5,257
Construction fund payable from restricted assets	2,762
Other construction accounts payable from restricted assets	4,559
TOTAL CURRENT LIABILITIES	76,931
LONG-TERM OBLIGATIONS - excluding amounts due within one year	
Revenue bonds	774,428
Pension	19,049
Accrued wages and benefits	618
TOTAL LONG-TERM OBLIGATIONS	794,095
TOTAL LIABILITIES	871,026
DEFERRED INFLOWS OF RESOURCES	
Pension	349
TOTAL DEFERRED INFLOWS OF RESOURCES	349
NET POSITION	
Net investment in capital assets	87,932
Restricted for debt service	128,103
Restricted for passenger facility charges	11,258
Unrestricted	103,310
TOTAL NET POSITION	330,603
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 1,201,978

See notes to financial statements.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

		2015 (Amounts in 000's)
OPERATING REVENUES		
Landing fees:		
Scheduled airlines	$	26,090
Other		2,092
		28,182
Terminal and concourse rentals:		
Scheduled airlines		45,621
Other		13,707
		59,328
Concessions		36,064
Utility sales and other		4,459
TOTAL OPERATING REVENUES		128,033
OPERATING EXPENSES		
Operations		71,448
Maintenance		3,393
Depreciation		52,320
TOTAL OPERATING EXPENSES		127,161
OPERATING INCOME (LOSS)		872
NON-OPERATING REVENUE (EXPENSE)		
Passenger facility charges revenue		16,198
Non-operating revenue (expense)		(4,711)
Sound insulation program		(329)
Loss on disposal of capital asset		(34)
Investment income (loss)		165
Interest expense		(30,842)
Amortization of bond discounts/premiums and loss on debt refundings		507
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET		(19,046)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS		(18,174)
Capital and other contributions		3,881
INCREASE (DECREASE) IN NET POSITION		(14,293)
NET POSITION, BEGINNING OF YEAR, as restated		344,896
NET POSITION, END OF YEAR	$	330,603

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	2015 (Amounts in 000's)
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 132,902
Cash payments to suppliers for goods and services	(45,539)
Cash payments to employees for services	(28,669)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	58,694
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Disbursement of non-capital grant proceeds	(323)
Cash received from settlements	278
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(45)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(31,542)
Cash receipts (payments) for passenger facility charges	15,990
Principal paid on long-term debt	(33,155)
Interest paid on long-term debt	(33,969)
Capital grant proceeds	2,729
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(79,947)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	(2)
Interest received on investments	171
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	169
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,129)
Cash and cash equivalents, beginning of year	334,303
Cash and cash equivalents, end of year	$ 313,174

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

		2015 (Amounts in 000's)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$	872
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		52,320
Changes in assets:		
Accounts receivables		1,014
Unbilled revenue		(85)
Prepaid expenses		5
Due from other City of Cleveland departments, divisions or funds		(3)
Materials and supplies, at cost		111
Changes in deferred outflows of resources:		
Pension		(1,019)
Changes in liabilities:		
Accounts payable		990
Due to other City of Cleveland departments, divisions or funds		603
Accrued wages and benefits		134
Landing fee adjustment		3,399
Accrued property taxes		(395)
Pension		399
Changes in deferred inflows of resources:		
Pension		349
TOTAL ADJUSTMENTS		57,822
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	58,694

See notes to financial statements.

This page intentionally left blank.

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, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the Divisions have implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the Divisions have implemented GASB Statement No. 71 as of December 31, 2015.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015. 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, 2015.

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.

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 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 and equipment	3 to 35 years
Infrastructure	3 to 50 years
Vehicles	3 to 35 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015, total interest costs incurred amounted to $33,363,000, of which $2,516,000 was capitalized, net of interest income of $5,000.

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 of resource 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*. 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. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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).

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, 2015 is as follows:

	Interest Rate	Original Issuance	2015
		(Amounts in 000's)	
Airport System Revenue Bonds:			
Series 2000, due through 2031	4.00%-5.00%	$ 149,000	$ 138,400
Series 2006, due through 2024	5.00%-5.25%	118,760	98,930
Series 2007, due through 2027	5.00%	11,255	7,925
Series 2008, due through 2024	Variable Rate	18,700	5,975
Series 2009, due through 2027	0.02%-5.00%	208,900	148,845
Series 2011, due through 2024	3.00%-5.00%	74,385	57,190
Series 2012, due through 2031	5.00%	235,150	235,150
Series 2013, due through 2033	Variable Rate	58,000	58,000
Series 2014, due through 2027	Variable Rate	33,325	31,955
		$ 907,475	782,370
Unamortized (discount) premium			26,473
Current portion (due within one year)			(34,415)
Total Long-Term Debt			$ 774,428

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2015 are as follows:

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Due Within One Year
			(Amounts in 000's)		
Airport System Revenue Bonds:					
Series 2000	$ 143,800	$	$ (5,400)	$ 138,400	$ 5,700
Series 2006	106,555		(7,625)	98,930	8,020
Series 2007	8,525		(600)	7,925	630
Series 2008	5,975			5,975	
Series 2009	160,010		(11,165)	148,845	11,340
Series 2011	64,185		(6,995)	57,190	7,260
Series 2012	235,150			235,150	
Series 2013	58,000			58,000	
Series 2014	33,325		(1,370)	31,955	1,465
Total revenue bonds	815,525	-	(33,155)	782,370	34,415
Accrued wages and benefits	3,832	3,354	(3,220)	3,966	3,348
Pension	18,650	399		19,049	
Total	$ 838,007	$ 3,753	$ (36,375)	$ 805,385	$ 37,763

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(Amounts in 000's)		
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	45,800	29,386	75,186
2021-2025	234,315	113,080	347,395
2026-2030	269,360	53,348	322,708
2031-2033	73,315	2,632	75,947
Total	$ 782,370	$ 336,249	$ 1,118,619

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, 2015, 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.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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, 2015 there was no defeased debt outstanding.

The City has pledged future airport revenues to repay $782,370,000 in 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 revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 76% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $1,118,619,000. Principal and interest funded for the current year and total net revenues (including other available funds) were $67,773,000 and $89,505,000, respectively.

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 (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.

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2015, totaled approximately $51,511,000 and the Divisions' bank balance was approximately $56,969,000. The difference represents 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*, $56,969,000 of the bank balances at December 31, 2015 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 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.

NOTE D – 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. 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.

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, 2015 include U.S. Treasury Notes, STAROhio, mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in U.S. Treasury Notes carry a Moody's rating of Aaa, which is the highest rating given by Moody. Investments in STAROhio, the Dreyfus Government Cash Management Fund, Morgan Stanley Government Institutional Mutual Funds 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.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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, 2015, 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	2015 Fair Value	2015 Cost	Investment Maturities Less than One Year	Investment Maturities 1 - 5 Years
	(Amounts in 000's)			
U.S. Treasury Notes	$ 4,003	$ 3,998	$	$ 4,003
STAROhio	68,751	68,751	68,751	
Mutual Funds	192,436	192,436	192,436	
Other Investments	476	476	476	
Total Investments	265,666	265,661	261,663	4,003
Total Deposits	51,511	51,511	51,511	
Total Deposits and Investments	$ 317,177	$ 317,172	$ 313,174	$ 4,003

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 and U.S. Bank as trustee.

As of December 31, 2015, the investments in U.S. Treasury Notes, STAROhio mutual funds and other are approximately 2%, 26%, 72% and less than 1%, respectively, of the Divisions' total investments.

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2015 was as follows:

	January 1, 2015	Additions	Reductions	December 31, 2015
		(Amounts in 000's)		
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$	$ 167,457
Construction in progress	47,666	28,426	(1,060)	75,032
Total capital assets, not being depreciated	215,123	28,426	(1,060)	242,489
Capital assets, being depreciated:				
Land improvements	84,172			84,172
Buildings, structures and improvements	340,944	888		341,832
Furniture, fixtures and equipment	32,282	2,308	(259)	34,331
Infrastructure	1,000,398	205		1,000,603
Vehicles	15,768		(113)	15,655
Total capital assets, being depreciated	1,473,564	3,401	(372)	1,476,593
Less: Total accumulated depreciation	(821,346)	(52,320)	339	(873,327)
Total capital assets being depreciated, net	652,218	(48,919)	(33)	603,266
Capital assets, net	$ 867,341	$ (20,493)	$ (1,093)	$ 845,755

Commitments: As of December 31, 2015, the Divisions had capital expenditure purchase commitments outstanding of approximately $40,833,000.

NOTE F – 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.

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.

NOTE F – LEASES AND CONCESSIONS (Continued)

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, 2015 is approximately $175,646,000.

Minimum future rental on non-cancelable operating leases to be received is as follows:

	(Amounts in 000's)
2016	$ 15,200
2017	14,120
2018	9,194
2019	7,006
2020	1,365
2021	804
2022	746
Thereafter	10,954
	$ 59,389

Under the Master Lease and Use Agreement, which leases space in the terminal building and other areas, the Divisions are subject to fluctuating rates. The Master Lease End Use Agreement between the Cleveland Airport System and the signatory airlines expired on December 31, 2015. However, the Cleveland Airport System and the airlines continue to operate under that agreement on a month to month basis and under the same terms and conditions as outlined in the agreement. An updated Master Lease is under negotiation with very similar terms as the existing agreement and is targeted for completion by the end of June 2016.

NOTE G – 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 2015. There was no significant decrease in any insurance coverage in 2015. 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 G – 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 H – DEFINED BENEFIT PENSION PLAN

Net Pension Liability: The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Divisions' proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Divisions' obligation for this liability to annually required payments. The Divisions cannot control benefit terms or the manner in which pensions are financed; however, the Divisions do receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS): The Divisions' employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Divisions' employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Divisions' contractually required contribution was $2,376,000 for 2015. All required payments have been made.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Divisions' proportion of the net pension liability was based on the Divisions' share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in 000's)	
Proportionate Share of the Net Pension Liability	$	19,049
Proportion of the Net Pension Liability		0.158448%
Pension Expense	$	2,106

At December 31, 2015, the Divisions' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in 000's)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	1,022
Divisions' contributions subsequent to the measurement date		2,376
Total Deferred Outflows of Resources	$	3,398
Deferred Inflows of Resources		
Differences between expected and actual experience	$	349

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

The $2,376,000 reported as deferred outflows of resources related to pension resulting from the Divisions' contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amounts in 000's)
2016	$ 98
2017	98
2018	225
2019	252
Total	$ 673

Actuarial Assumptions – OPERS: Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 %
Future Salary Increases, including inflation	4.25 to 10.05 % including wage inflation
COLA or Ad Hoc COLA	3 %, simple
Investment Rate of Return	8 %
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Divisions' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Divisions' proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Divisions' proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
		(Amounts in 000's)	
Divisions' proportionate share of the net pension liability	$ 35,166	$ 19,049	$ 5,479

NOTE I – 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (Continued)

***Funding Policy - Ohio Public Employees Retirement System*:** 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The Divisions' actual contributions to OPERS to fund postemployment benefits were $404,000 in 2015, $407,000 in 2014 and $200,000 in 2013. The required payments due in 2015, 2014 and 2013 have been made.

NOTE J – 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, 2015 are as follows:

	(Amounts in 000's)
City Central Services, including police	$ 9,657
Telephone Exchange	952
Electricity purchased	254
Motor vehicle maintenance	163
Radio Communication	211

NOTE K – 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 2015 was payable to the Airlines from the Division in the amount of $3,399,000.

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 2015.

NOTE L – 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, 2015, 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 M – MAJOR CUSTOMER

In 2015, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 45% of total operating revenue.

NOTE N – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Divisions implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Net Position December 31, 2014	Restatement	Restated Net Position December 31, 2014
		(Amounts in 000's)	
Beginning net position	$ 361,167	$ (16,271)	$ 344,896

Other than employer contributions subsequent to the measurement date, the Divisions made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE O – SUBSEQUENT EVENTS

On February 9, 2016, the City sold $144,355,000 Airport System Revenue Bonds, Series 2016 consisting of $108,120,000 Airport System Revenue Bonds, Series 2016A (Non-AMT) and $36,235,000 Airport System Revenue Bonds, Series 2016B (Non-AMT). These bonds were issued to refund certain outstanding Series 2000C Airport System Revenue Bonds and Series 2006A Airport System Revenue Bonds for debt service savings. The Series 2016A Bonds were issued effective February 23, 2016. The Series 2016B Bonds were sold on a forward delivery basis and are expected to close on or about October 4, 2016. As a result of this refunding, the Divisions will achieve net present value debt service savings of $15.7 million or 12.41% on the Series 2016A Bonds and savings of $5.1 million or 12.49% on the Series 2016B Bonds.

In conjunction with the issuance of the Series 2016 Airport System Revenue Bonds, Standard & Poor’s Ratings Services revised its outlook on all the Airport System Revenue Bonds to stable from negative.

Effective April 1, 2016, the Airport System Revenue Bonds, Series 2013A, which had been directly purchased by U.S. Bank National Association in 2013 were tendered and then purchased by PNC Bank, National Association. The bonds remain in a variable rate mode with the City again paying on a monthly basis an amount equal to one month LIBOR plus a spread.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Division's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Two Measurement Years (1), (2)

	2014	2013
	(Amounts in 000's)	
Divisions' Proportion of the Net Pension Liability	0.158448%	0.158448%
Divisions' Proportionate Share of the Net Pension Liability (Asset)	$ 19,049	$ 18,650
Divisions' Covered-Employee Payroll	$ 19,825	$ 17,962
Divisions' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	96.09%	103.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2015	2014	2013
	(Amounts in 000's)		
Contractually Required Contributions	$ 2,376	$ 2,379	$ 2,335
Contributions in Relation to the Contractually Required Contributions	(2,376)	(2,379)	(2,335)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Divisions' Covered-Employee Payroll	$ 19,800	$ 19,825	$ 17,962
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The Divisions' will continue to present information for years available until a full ten-year trend is compiled.

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, 2015

	Cleveland Hopkins International	Burke Lakefront	Total
	(Amounts in 000's)		
REVENUE			
Airline revenue:			
Landing fees	$ 26,090	$	$ 26,090
Terminal rental	45,621		45,621
Other	2,631		2,631
	74,342		74,342
Operating revenues from other sources:			
Concessions	35,290	774	36,064
Rentals	11,725	361	12,086
Landing fees	1,938	154	2,092
Other	3,348	101	3,449
	52,301	1,390	53,691
Non-operating revenue:			
Interest income	81		81
TOTAL REVENUE	$ 126,724	$ 1,390	$ 128,114
OPERATING EXPENSES			
Salaries and wages	$ 19,926	$ 926	$ 20,852
Employee benefits	7,707	370	8,077
City Central Services, including police	9,414	406	9,820
Materials and supplies	6,467	239	6,706
Contractual services	28,757	629	29,386
TOTAL OPERATING EXPENSES	$ 72,271	$ 2,570	$ 74,841

This page intentionally left blank.

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, 2015.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions 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, 2015.

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, 2015, and have issued our report thereon dated June 28, 2016, 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. 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 28, 2016

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
AND BURKE LAKEFRONT AIRPORTS
Schedule of Expenditures of Passenger Facility Charges
For the Year Ended December 31, 2015

Projects	Approved Project Budget	Cumulative Expenditures through 2014	2015 1st Quarter Expenditures	2015 2nd Quarter Expenditures	2015 3rd Quarter Expenditures	2015 4th Quarter Expenditures	2015 YTD Expenditures	Cumulative Expenditures thru 2015
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	1,008,215	5,296	5,295	5,295	5,201	21,087	1,029,302
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	5,209,116	8,285	8,284	8,284	8,284	33,137	5,242,253
Concourse D Ramp/Site Utilities	51,305,804	48,067,096	76,391	76,390	76,390	76,393	305,564	48,372,660
Burke Runway Overlay 6L/24R	530,286	530,286						530,286
Burke ILS	2,181,400	1,883,521	7,026	7,026	7,026	7,026	28,104	1,911,625
Runway 6L/23R	270,550,360	169,604,678	2,380,975	2,380,975	2,380,975	2,381,033	9,523,958	179,128,636
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	40,077	40,077	40,077	40,078	160,309	188,969
Deicing Environmental Upgrades	2,800,222	46,448	64,953	64,952	64,952	64,954	259,811	306,259
Main Terminal Roof Replacement	992,986	16,471	23,033	23,033	23,033	23,033	92,132	108,603
Main Terminal Boiler Replacement	2,998,819	49,742	69,559	69,559	69,559	69,560	278,237	327,979
Roadway Expansion Joint Repair/Replacement	1,985,973	32,942	46,065	46,065	46,066	46,067	184,263	217,205
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	7,681,742	127,419	178,182	178,181	178,181	178,187	712,731	840,150
Airport-wide In-line Baggage System Design	1,688,077	28,001	39,155	39,155	39,156	39,157	156,623	184,624
Airport Master Plan Update	4,170,543	69,178	96,737	96,738	96,738	96,741	386,954	456,132
Runway 10/28- Runway Safety Area Improvements	23,155,051	7,291,576	693,015	524,167	374,167	374,176	1,965,525	9,257,101
South Cargo Ramp Rehabilitation	5,957,918	98,826	138,197	138,196	138,197	138,200	552,790	651,616
Taxiway N Rehabilitation	8,738,280	144,945	202,688	202,689	202,689	202,693	810,759	955,704
SIDA Security System Enhancements	1,985,973	32,942	46,065	46,067	46,065	46,066	184,263	217,205
Interactive Part 139 Airport Operations Training Program	496,493	8,235	11,516	11,517	11,516	11,517	46,066	54,301
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646	137,039	191,632	191,633	191,633	191,637	766,535	903,574
Total	**$ 592,180,668**	**$ 421,636,364**	**$ 4,318,847**	**$ 4,149,999**	**$ 3,999,999**	**$ 4,000,003**	**$ 16,468,848**	**$ 438,105,212**

This page intentionally left blank.

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, 2015

GENERAL

The accompanying schedule presents all activity of the Divisions' Passenger Facility Charge (PFC) program. The Divisions' reporting entity is defined in Note A – Summary of Significant Accounting Policies to the Divisions' financial statement.

BASIS OF PRESENTATION

The accompanying schedule is presented on the cash basis of accounting.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2015

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

TABLE OF CONTENTS

This page intentionally left blank.

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 year ended December 31, 2015 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 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 opinion.

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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note L, the Division adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in its financial position and cash flows for the year 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 and schedules of net pension liability and pension contributions, as listed in the table of contents, 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 28, 2016

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 year ended December 31, 2015. 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 2013. The Division serves an area that is bound by the City limits and presently serves approximately 73,500 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 most recent census estimates, the City's population is 397,000 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 $197,277,000 and $198,384,000 at December 31, 2015 and 2014, respectively. Of these amounts, $28,268,000 and $27,190,000 are unrestricted net position at December 31, 2015 and 2014, respectively, which may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position decreased by $1,107,000 in 2015. The decrease in net position is primarily due to a loss on the disposal of assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* restated the Division's December 31, 2014, net position from $212,390,000 to $198,384,000. For further information see Note L.

- The Division's total long-term bonded debt decreased by $7,500,000 for the year ended December 31, 2015. The decrease is attributed to scheduled payments to bondholders.

- Operating revenue increased by $11,018,000 or 6.1%. Purchased power increased by $7,876,000 or 6.8% and total operating expenses increased by $12,192,000 or 7.1% for 2015.

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 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 – 45 of this report. Required supplementary information can be found on pages 46-47.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2015 and 2014.

	2015	Restated 2014
	(In thousands)	
Assets:		
Capital assets, net of accumulated depreciation	$ 353,724	$ 353,620
Restricted assets	21,574	30,342
Current assets	84,203	79,806
Total assets	459,501	463,768
Deferred outflows of resources	18,856	19,496
Total assets and deferred outflows of resources	478,357	483,264
Net Position, liabilities and deferred inflows of resources:		
Net Position:		
Net investment in capital assets	165,505	166,363
Restricted for capital projects	473	482
Restricted for debt service	3,031	4,349
Unrestricted	28,268	27,190
Total net position	197,277	198,384
Liabilities:		
Long-term obligations	248,855	255,224
Current liabilities	29,246	29,656
Total liabilities	278,101	284,880
Deferred Inflows of Resources	2,979	
Total net position, liabilities and deferred inflows of resources	$ 478,357	$ 483,264

Restricted assets*:* The Division's restricted assets decreased by $8,768,000. The decrease is primarily related to use of revenue bond funds for capital project expenses.

Current assets: The Division's current assets increased by $4,397,000 in 2015. The increase is due mainly to an increase of $9,488,000 in unrestricted cash and cash equivalents as well as an increase of $3,192,000 in net accounts receivable, offset by a decrease of $7,936,000 in recoverable costs of purchased power.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

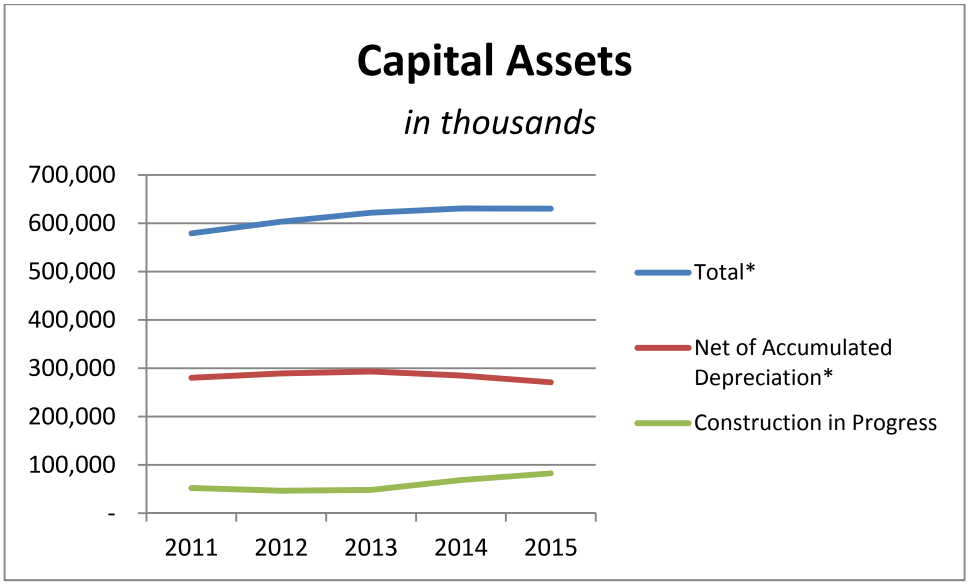
Capital assets: The Division's capital assets as of December 31, 2015, amounted to $353,724,000 (net of accumulated depreciation). The total increase in the Division's net capital assets for the current year was $104,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
	(In thousands)			
Land	$ 5,029	$ 539	$	$ 5,568
Land improvements	305			305
Utility plant	520,125	4,981	(6,635)	518,471
Buildings, structures and improvements	21,315	795		22,110
Furniture, fixtures, equipment and vehicles	83,418	766	(764)	83,420
Construction in progress	68,752	17,731	(3,789)	82,694
Total	698,944	24,812	(11,188)	712,568
Less: Accumulated depreciation	(345,324)	(18,511)	4,991	(358,844)
Capital assets, net	$ 353,620	$ 6,301	$ (6,197)	$ 353,724

The principal additions to construction in progress during 2015 included the following:

- Denison Ave.
- Ridge Road Substation
- Public Square
- Flats East Bank Phase II

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)



* Construction in Progress not included

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 $410,000 in 2015 is mainly due to the decrease of $4,115,000 in due to other City of Cleveland divisions. The decrease was partially offset by an increase in other accrued expenses, mainly due to costs associated with the cleanup of an oil spill that occurred in April, 2015. For further information see Note K.

Pension Liability: During 2015, the Division adopted GASB Statements No. 68 and 71 which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Under the new standards required by GASB Statement No. 68, the net pension liability equals the Division's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Division, part of a bargained-for benefit to the employee, and should accordingly be reported by the Division as a liability since they received the benefit of the exchange. However, the Division is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Division. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Division statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $212,390,000 to $198,384,000.

Long-term obligations: The long-term obligations decrease of $6,369,000 in 2015 is mainly due to scheduled revenue bonds payments of $7,500,000 offset by an increase in accreted interest payable of $2,129,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

At December 31, 2015, the Division had total bonded debt outstanding of $222,273,000. All bonds are backed by the revenues generated by the Division.

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, 2015, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

	Balance January 1, 2015	Debt Issued	Debt Retired	Balance December 31, 2015
	(In thousands)			
Revenue Bonds:				
Revenue Bonds 2006 A-1	$ 45,285	$	$	$ 45,285
Revenue Bonds 2006 A-2	6,015		(1,580)	4,435
Revenue Bonds 2008 A	19,040			19,040
Revenue Bonds 2008 B-1	39,735			39,735
Revenue Bonds 2008 B-2	27,903			27,903
Revenue Bonds 2010	14,910		(5,920)	8,990
Revenue Bonds 2014	76,885			76,885
Total	$ 229,773	$ -	$ (7,500)	$ 222,273

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's
A3	A-

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 2015 and 2014 was 150% and 147%, 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 of resources exceeded liabilities and deferred inflows of resources by $197,277,000 and $198,384,000 at December 31, 2015 and 2014, respectively.

Of the Division's net position at December 31, 2015, $165,505,000 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. 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.

In addition, $473,000 denotes funds restricted for use in capital projects and $3,031,000 represents resources subject to debt service restrictions. The remaining $28,268,000 reflects unrestricted funds available 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

The Division had a net loss of $1,107,000 in 2015. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2015 and 2014:

	2015	2014
	(In thousands)	
Operating revenues	$ 192,861	$ 181,843
Operating expenses	184,661	172,469
Operating income (loss)	8,200	9,374
Non-operating revenue (expense):		
Investment income	73	37
Interest expense	(10,462)	(9,285)
Amortization of bond premiums and discounts	478	(133)
Gain (loss) on disposal of assets	(2,551)	
Other	3,155	3,995
Total non-operating revenue (expense), net	(9,307)	(5,386)
Change in net position	$ (1,107)	$ 3,988

- ***Operating revenues***: In 2015, operating revenues increased by $11,018,000, mostly from increased power costs passed on to customers through the Energy Adjustment Charge (EAC). There was a 0.1% decrease in KWH sold.

- ***Operating expenses:*** In 2015, operating expenses increased by $12,192,000. The principal component of the increase is related to the $7,876,000 escalation in the cost of purchased power, due to fluctuations in the energy market. Expenses associated with operations grew $3,950,000. The primary component of the increase is related to costs connected to the remediation of an oil spill totaling $5,357,000 (see Note K). Total employee and fringe benefit costs increased by $521,000 or 2.2%. The increases were partially offset by a decrease in bad debt expense of $1,303,000.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (CONTINUED)

Non-pension expense: The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 are not available. Therefore, 2014 expenses still include pension expense of $2,048,000 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of $1,813,000. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	(Amounts in 000's)
Total 2015 expenses under GASB 68	$ 197,674
Pension expense under GASB 68	(1,813)
2015 contractually required contribution	2,133
Adjusted 2015 program expenses	197,994
Total 2014 expenses under GASB 27	(181,887)
Increase in expenses not related to pension	$ 16,107

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. Land acquisition is complete and bid package for pole procurement will be ready for bid in May 2016.

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (CONTINUED)

The Southern Transmission Line: The Southern Transmission Line will be built to provide additional reliability to the Division's system and has an anticipated in service date of the 4th quarter in 2017.

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 was energized and placed into service in the 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.

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 2016. 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 (EAC) on its bills. As power costs rise, sales revenue will also increase commensurately through the EAC.

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. Ordinance No. 1350-14 was passed in December 2014, authorizing the General Fund to return 50% of the excise tax to the Division for calendar years' 2015 and 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (CONTINUED)

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.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF NET POSITION
For the Year Ended December 31, 2015

(*In thousands)*

	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 5,568
Land improvements	305
Utility plant	518,471
Buildings, structures and improvements	22,110
Furniture, fixtures, equipment and vehicles	83,420
	629,874
Less: Accumulated depreciation	(358,844)
	271,030
Construction in progress	82,694
CAPITAL ASSETS, NET	353,724
RESTRICTED ASSETS	
Cash and cash equivalents	21,574
TOTAL RESTRICTED ASSETS	21,574
CURRENT ASSETS	
Cash and cash equivalents	57,358
Restricted cash and cash equivalents	2,004
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $10,154,000 in 2015	9,191
Recoverable costs of purchased power	1,698
Unbilled revenue	2,527
Due from other City of Cleveland departments, divisions or funds	2,850
Materials and supplies - at average cost	8,408
Prepaid expenses	167
TOTAL CURRENT ASSETS	84,203
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on debt refunding	15,844
Pension	3,012
	18,856
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 478,357

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF NET POSITION
For the Year Ended December 31,2015

	(In thousands) **2015**
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
NET POSITION	
Net investment in capital assets	$ 165,505
Restricted for capital projects	473
Restricted for debt service	3,031
Unrestricted	28,268
TOTAL NET POSITION	197,277
LIABILITIES	
LONG-TERM OBLIGATIONS-excluding amounts due within one year	
Revenue bonds	215,039
Accreted interest payable	13,836
Accrued wages and benefits	437
Other	3,146
Net pension liability	16,397
TOTAL LONG-TERM OBLIGATIONS	248,855
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	8,055
Accounts payable	10,014
Current payable from restricted assets	2,004
Due to other City of Cleveland departments, divisions or funds	1,099
Accrued interest payable	1,232
Current portion of accrued wages and benefits	2,410
Other accrued expenses	3,392
Customer deposits and other liabilities	1,040
TOTAL CURRENT LIABILITIES	29,246
TOTAL LIABILITIES	278,101
DEFERRED INFLOWS OF RESOURCES	
Excess purchased power costs	2,679
Pension	300
TOTAL DEFERRED INFLOWS OF RESOURCES	2,979
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 478,357

See notes to financial statements.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	(*In thousands*) 2015
OPERATING REVENUES	
Charges for services	$ 192,861
TOTAL OPERATING REVENUES	192,861
OPERATING EXPENSES	
Purchased power	123,799
Operations	24,638
Maintenance	17,713
Depreciation	18,511
TOTAL OPERATING EXPENSES	184,661
OPERATING INCOME (LOSS)	8,200
NON-OPERATING REVENUE (EXPENSE)	
Investment income	73
Interest expense	(10,462)
Amortization of bond premiums and discounts	478
Gain (loss) on disposal of assets	(2,551)
Other	3,155
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(9,307)
INCREASE (DECREASE) IN NET POSITION	(1,107)
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	198,384
NET POSITION END OF YEAR	$ 197,277

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	(In thousands) 2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 195,533
Cash payments to suppliers for goods or services	(19,287)
Cash payments to employees for services	(20,495)
Cash payments for purchased power	(117,233)
Electric excise tax payments to agency fund and other	(5,408)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	33,110
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Electric Deregulation tax receipts	3,068
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	3,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(17,296)
Principal paid on long-term debt	(7,500)
Interest paid on long-term debt	(10,410)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(35,206)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	75
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	75
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,047
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79,889
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 80,936

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	(In thousands) **2015**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	$ 8,200
Adjustments:	
Depreciation	18,511
(Increase) decrease in assets:	
Accounts receivable, net	(3,192)
Unbilled revenue	63
Recoverable costs of purchased power	7,936
Due from other City of Cleveland departments, divisions or funds	203
Materials and supplies, net	408
Deferred outflows of resources related to pensions	(964)
Increase (decrease) in liabilities:	
Accounts payable	353
Due to other City of Cleveland departments, divisions or funds	(4,115)
Accrued wages and benefits	(161)
Other accrued expenses	2,952
Customer deposits and other liabilities	(97)
Other long-term liabilities	(309)
Net pension liability	343
Deferred inflows of resources from excess purchased power costs	2,679
Deferred inflows of resources related to pensions	300
TOTAL ADJUSTMENTS	24,910
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 33,110

See notes to financial statements.

This page intentionally left blank.

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, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the Division has implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the Division has implemented GASB Statement No. 71 as of December 31, 2015.

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 2015. 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, 2015.

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 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
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 2015, total interest costs incurred amounted to $13,921,000, of which $3,458,000 was capitalized, net of interest income of $1,000.

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 of resources 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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2015 is as follows:

	Interest Rate	Original Issuance	2015
		(In thousands)	
Revenue Bonds:			
Series 2006 A-1, due through 2024	5.00%	$ 95,265	$ 45,285
Series 2006 A-2, due through 2016	5.00%	12,295	4,435
Series 2008 A, due through 2024	4.00%-4.50%	21,105	19,040
Series 2008 B-1, due through 2038	4.00%-5.00%	44,705	39,735
Series 2008 B-2, due through 2038	5.13%-5.40%	27,903	27,903
Series 2010, due through 2017	5.00%	23,915	8,990
Series 2014, due through 2038	5.50%	76,885	76,885
		$ 302,073	$ 222,273
Less:			
Unamortized premium (discount)-current interest bonds (net)			821
Current portion			(8,055)
Total Long-Term Debt			$ 215,039

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2015, are as follows:

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Due Within One Year
			(In thousands)		
Revenue Bonds:					
Series 2006 A-1, due through 2024	$ 45,285	$	$	$ 45,285	$
Series 2006 A-2, due through 2016	6,015		(1,580)	4,435	4,435
Series 2008 A, due through 2024	19,040			19,040	
Series 2008 B-1, due through 2038	39,735			39,735	
Series 2008 B-2, due through 2038	27,903			27,903	
Series 2010, due through 2017	14,910		(5,920)	8,990	3,620
Series 2014, due through 2038	76,885			76,885	
Total revenue bonds	229,773	-	(7,500)	222,273	8,055
Accrued wages and benefits	3,008	2,411	(2,572)	2,847	2,410
Net pension liability	16,054	343		16,397	
Total	$248,835	$2,754	$(10,072)	$241,517	$10,465

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(In thousands)		
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	9,685	8,226	17,911
2021 - 2025	51,652	37,908	89,560
2026 - 2030	42,957	46,596	89,553
2031 - 2035	49,293	40,263	89,556
2036 - 2038	34,076	19,656	53,732
Total	$ 222,273	$ 189,685	$ 411,958

The City has pledged future power system revenues, net of specified operating expenses, to repay $222,273,000 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 67% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $411,958,000. Principal and interest paid for the current year and total net revenues were $17,910,000 and $26,784,000, 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 the 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.

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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, 2015 is as follows:

Bond Issue	2015 (In thousands)
Series 2006A-1	$ 49,980
Series 2006A-2	6,280
Series 2008A	2,065
Series 2008B-1	1,130
Total	$ 59,455

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, 2015, 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.

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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, 2015, the Division had $17,893,000 of outstanding commitments for future construction 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, 2015, the Division's carrying amount of deposits totaled $12,765,000 and the Division's bank balances totaled $13,382,000. 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*, $13,382,000 of the bank balances at December 31, 2015, 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 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.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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.

Credit Risk: The Division's investments as of December 31, 2015, 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+.

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, 2015, 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	2015 Fair Value	2015 Cost	Investment Maturities Less than One Year
		(In thousands)	
STAROhio	$ 46,109	$ 46,109	$ 46,109
Commercial Paper	1,136	1,136	1,136
Mutual Funds	20,926	20,926	20,926
Total Investments	68,171	68,171	68,171
Total Deposits	12,765	12,765	12,765
Total Deposits and Investments	$ 80,936	$ 80,936	$ 80,936

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, 2015, the investments in STAROhio, commercial paper and mutual funds are approximately 67%, 2% and 31%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 5,029	$ 539	$	$ 5,568
Construction in progress	68,752	17,731	(3,789)	82,694
Total capital assets, not being depreciated	73,781	18,270	(3,789)	88,262
Capital assets, being depreciated:				
Land improvements	305			305
Utility plant	520,125	4,981	(6,635)	518,471
Buildings, structures and improvements	21,315	795		22,110
Furniture, fixtures, equipment and vehicles	83,418	766	(764)	83,420
Total capital assets, being depreciated	625,163	6,542	(7,399)	624,306
Less: Accumulated depreciation	(345,324)	(18,511)	4,991	(358,844)
Total capital assets being depreciated, net	279,839	(11,969)	(2,408)	265,462
Capital assets, net	$ 353,620	$ 6,301	$ (6,197)	$ 353,724

Commitments: The Division has outstanding commitments of approximately $37,608,000 for future capital expenditures at December 31, 2015. 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

Net Pension Liability: The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

The net pension liability represents the Division's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Division's obligation for this liability to annually required payments. The Division cannot control benefit terms or the manner in which pensions are financed; however, the Division does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assume the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Division's employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $2,133,000 for 2015. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in 000's)
Proportionate Share of the Net Pension Liability	$ 16,397
Proportion of the Net Pension Liability	0.136385%
Pension Expense	$ 1,813

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2015, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in 000's)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	879
Division's contributions subsequent to the measurement date		2,133
Total Deferred Outflows of Resources	$	3,012
Deferred Inflows of Resources		
Differences between expected and actual experience	$	300

The $2,133,000 reported as deferred outflows of resources related to pension resulting from Division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amounts in 000's)	
2016	$	85
2017		85
2018		194
2019		215
Total	$	579

Actuarial Assumptions – OPERS: Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
		(Amounts in 000's)	
Division's proportionate share of the net pension liability	$ 30,269	$ 16,397	$ 4,716

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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy -Ohio Public Employees Retirement System*:** 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The Division's actual contributions to OPERS to fund postemployment benefits were $362,000 in 2015, $350,000 in 2014 and $193,000 in 2013. The required payments due in 2015, 2014 and 2013 have been made.

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 80,000 kilowatts of a total 771,281 kilowatts, giving the City a 10.37% 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. Since March 31, 2014, the City has made payments of $511,070 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is $106,370 and interest expense incurred on AMP's line-of-credit of $52,712, resulting in a net impaired cost estimate at December 31, 2015, of $3,395,993.

The City intends to recover these costs and repay AMP over the next 14 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.

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. There were no significant decreases in any insurance coverage in 2015.

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 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, 2015, are as follows:

		(In thousands)
City Administration	$	1,739
Telephone Exchange		1,425
Utilities Administration and Fiscal Control		1,506
Motor Vehicle Maintenance		388

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 $1,036,000 for the year ended December 31, 2015.

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 $5,363,000 for this tax in 2015, of which $10,322 was remitted to the State. 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 – ENVIRONMENTAL OBLIGATIONS

On April 3, 2015, an oil spill occurred at the Division's Lake Road generating plant, a coal-fired plant that ceased operations in 1978. The oil leaked from a tank within the plant into a sump area and was discharged into Lake Erie. The United States Coast Guard (Coast Guard) initiated cleanup efforts which were then assumed by the Division in a coordinated effort with the Coast Guard, United States Environmental Protection Agency (EPA), Ohio Environmental Protection Agency and other agencies. The cleanup of the water and shoreline was complete by late April and the cleanup work shifted to the interior of the plant. It was determined there were additional liquids in tanks and containers requiring removal, some of which were located in areas containing friable asbestos. The City entered into a settlement agreement with the EPA that committed the Division to completing specified remedial measures and no penalties would be imposed. A work plan was developed and approved by the EPA to remediate the asbestos in the work areas to permit removal of the materials. This work is currently underway.

The cleanup work has been performed through contracts with Clean Harbors and Chemtron Corp. The total cost is unknown at this point but is not expected to exceed $5.4 million. The Division has accrued liabilities totaling $3,443,000 as of December 31, 2015, related to the cleanup. The amount of the liabilities is derived from the remaining contract amounts at year end, accounts payable and a $496,000 obligation due to the Coast Guard for the initial cleanup work performed.

NOTE L – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Division implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	December 31, 2014	Restatement	Restated December 31, 2014
		(Amounts in 000's)	
Net position	$ 212,390	$ (14,006)	$ 198,384

Other than employer contributions subsequent to the measurement date, the Division made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

City Of Cleveland
Department of Public Utilities
Division of Cleveland Public Power
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Two Measurement Years (1), (2)

	2014	2013
	(Amounts in 000's)	
Division's Proportion of the Net Pension Liability	0.136385%	0.136385%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 16,397	$ 16,054
Division's Covered-Employee Payroll	$ 17,067	$ 15,462
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	96.07%	103.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

City of Cleveland
Department of Public Utilities
Division of Cleveland Public Power
Required Supplementary Information
Schedule of Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2015	2014	2013
		(Amounts in 000's)	
Contractually Required Contributions	$ 2,133	$ 2,048	$ 2,010
Contributions in Relation to the Contractually Required Contributions	(2,133)	(2,048)	(2,010)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered-Employee Payroll	$ 17,775	$ 17,067	$ 15,462
Contributions as a Percentage of Covered- Employee Payroll	12.00%	12.00%	13.00%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2015

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

TABLE OF CONTENTS

This page intentionally left blank.

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 year ended December 31, 2015 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 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 opinion.

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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note J, the Division adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in its financial position and cash flows for the year 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 and schedules of net pension liability and pension contributions, as listed in the table of contents, 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 28, 2016

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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 year ended December 31, 2015. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 16.

The Division services not only the City, but also sixty-nine direct service communities, eight master meter communities and three emergency standby communities. They provide water to approximately 419,469 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 2015, the Division provided services to approximately 123,338 accounts located within Cleveland and approximately 296,131 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 $1,397,471,000, and $1,330,599,000 at December 31, 2015, and 2014, respectively. Of these amounts, $325,271,000 and $279,850,000 are unrestricted net position at December 31, 2015, and 2014, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's overall net position increased by $66,872,000 in 2015. The increase is primarily attributed to operating income of $64,936,000.

FINANCIAL HIGHLIGHTS (Continued)

- The implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* restated the Division's December 31, 2014, net position from $1,372,821,000 to $1,330,599,000. For further information see Note J.

- The total long-term revenue bonds and loans payable of the Division decreased by $50,250,000 due to scheduled principal payments and the refunding of outstanding bonds.

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 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 financial statements can be found on pages 23 - 49 of this report. Required supplementary information can be found on pages 50-51.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2015 and 2014:

	2015	Restated 2014
	(In thousands)	
Assets:		
Capital assets, net	$ 1,731,854	$ 1,738,803
Restricted assets	113,655	137,297
Current assets	403,468	359,633
Total assets	2,248,977	2,235,733
Deferred outflows of resources	52,873	46,602
Total assets and deferred outflows of resources	$ 2,301,850	$ 2,282,335
Net Position, liabilities and deferred inflows of resources:		
Net position:		
Net investment in capital assets	$ 979,643	$ 955,410
Restricted for capital projects	51	99
Restricted for debt service	92,506	95,240
Unrestricted	325,271	279,850
Total net positon	1,397,471	1,330,599
Liabilities:		
Long-term obligations	802,256	849,148
Current liabilities	83,291	83,133
Total liabilities	885,547	932,281
Deferred inflows of resources	18,832	19,455
Total net position, liabilities and deferred inflows of resources	$ 2,301,850	$ 2,282,335

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Current Assets: The Division had an increase in current assets of $43,835,000, due primarily to an increase in unrestricted cash and cash equivalents of $50,395,000. The increase was partially offset by a $12,941,000 reduction in due from other City of Cleveland departments, divisions or funds.

Restricted assets: The Division's restricted assets decreased by $23,642,000, primarily due to vendor payments from revenue bond proceeds.

Deferred outflows of resources: The Division's deferred outflows of resources increased by $6,271,000, primarily due to a $5,260,000 increase in unamortized loss on debt refunding. These items were offset by a $1,529,000 decrease in the market value of the Division's interest rate swaps.

Capital Assets: The Division's investment in capital assets, as of December 31, 2015, amounted to $1,731,854,000 (net of accumulated depreciation). The total decrease in the Division's investment in net capital assets was approximately $6,949,000 or 0.4%. A summary of the activity in the Division's capital assets during December 31, 2015, is as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
	(In thousands)			
Land	$ 5,463	$	$	$ 5,463
Land improvements	17,427			17,427
Utility plant	1,644,691	156,127	(2,034)	1,798,784
Buildings, structures and improvements	262,302	1,807		264,109
Furniture, fixtures, equipment and vehicles	577,995	32,323	(5,415)	604,903
Construction in progress	199,922	41,383	(154,658)	86,647
Total	2,707,800	231,640	(162,107)	2,777,333
Less: Accumulated depreciation	(968,997)	(83,897)	7,415	(1,045,479)
Capital assets, net	$ 1,738,803	$ 147,743	$ (154,692)	$ 1,731,854

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

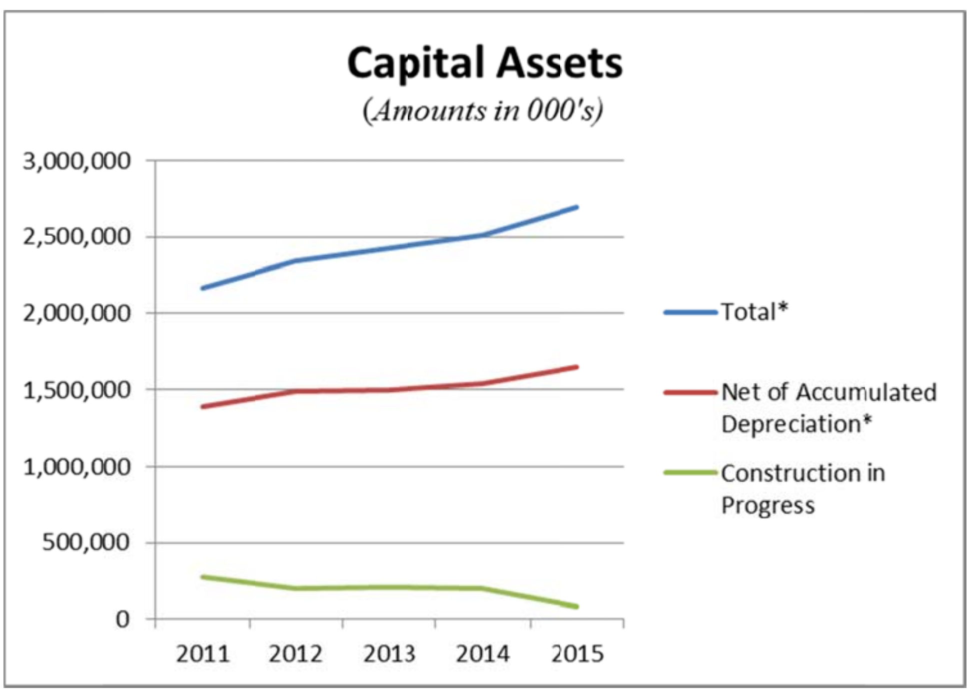
Completed assets placed into service include the $128,333,000 in the Automated Meter & Replacement Program (AMR), $16,229,000 related to the Crown Water Plant and $6,569,000 related to Water Main Rehabilitation which began in 2010. Furniture, fixtures, equipment and vehicles increased by $26,908,000, primarily due to software installation requirements. Additionally, construction in progress had additions and deletions of $41,383,000 and $154,658,000, respectively, resulting in a net decrease of $113,275,000 (See Note D).

Major projects still under construction chiefly consist of engineering services related to renewals of various water mains and the Boosted Third High Pump Station, which is an elevated storage tank regulating water capacity and fire flow fluctuations.

Major events during 2015 affecting the Division's capital assets included the following:

- The Division entered into amended Water Service Agreements with two member communities, Brecksville and Maple Heights and transferred the ownership of their distribution mains to the Division in the amount of $19,974,000, net of accumulated depreciation. These new assets account for 13.5% of the net additions recorded in 2015.

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.



* Construction in Progress not included

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-term Obligation**:** In 2015, the factors contributing to the Division's net decrease in long-term obligations of $46,892,000 is primarily due to a decrease in revenue bonds and OWDA loans amounting to $43,170,000 and $7,080,000, respectively offset by an increase in the net pension liability of $1,035,000.

Current Liabilities: In 2015, total current liabilities increased by $158,000. The significant components of the change were increases of $1,095,000 or 2.3% in the current portion of long-term debt and $1,088,000 or 24.8% in accounts payable. The increases were partially offset by a reduction of $1,706,000 or 12.3% in accrued interest payable, due in part to the Division's debt refundings that occurred throughout the year (see Note B).

Pension Liability**:** During 2015, the Division adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the Division's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Division, part of a bargained-for benefit to the employee and should accordingly be reported by the Division as a liability since they received the benefit of the exchange. However, the Division is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Division. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Division's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014 from $1,372,821,000 to $1,330,599,000.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-term Debt: At the end of 2015, the Division had total long-term debt outstanding of $769,822,000. 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.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2015 is summarized below (excluding unamortized discounts and premiums):

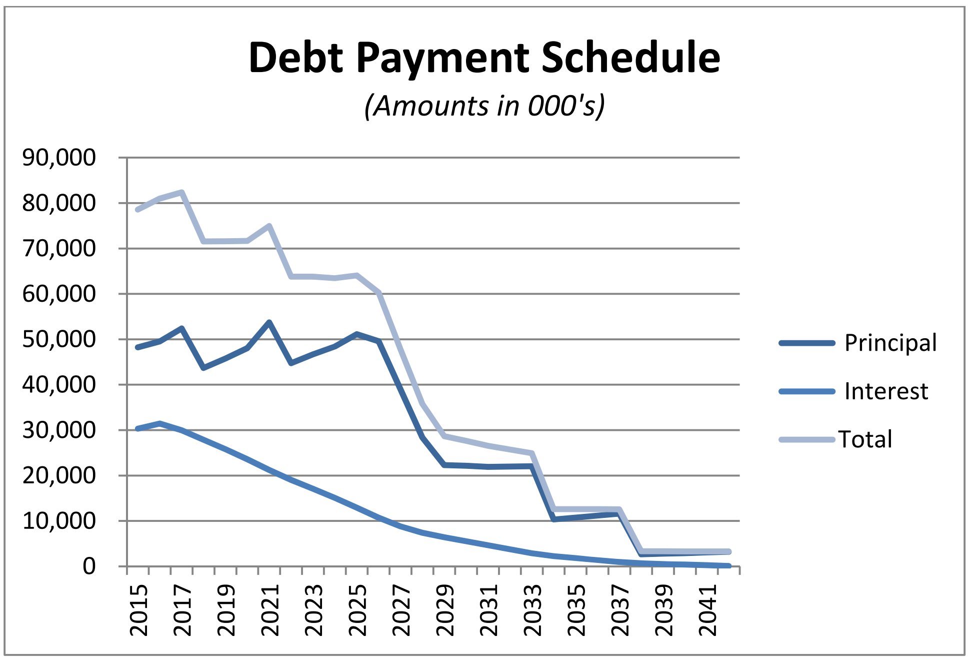
	Balance January 1, 2015	Debt Issued	Debt Retired	Balance December 31, 2015
		(In thousands)		
Long-Term Debt				
Water Revenue Bonds:				
Series G 1993	$ 66,220	$	$ (345)	$ 65,875
Series N 2005	21,865		(17,060)	4,805
Series O 2007	127,660		(121,030)	6,630
Series P 2007	103,990		(9,755)	94,235
Series Q 2008	90,800		(90,800)	-
Series T 2009	57,020		(8,335)	48,685
Series U 2010	54,935			54,935
Series V 2010	26,495			26,495
Series W 2011	44,420		(18,780)	25,640
Series X 2012	44,410			44,410
Series Y 2015		116,205		116,205
Series Z 2015		15,930		15,930
Series AA 2015		90,800		90,800
Second Lien Series A 2012	76,710			76,710
Ohio Water Development Authority Loans	105,547		(7,080)	98,467
Total	$ 820,072	$ 222,935	$ (273,185)	$ 769,822

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds as of December 31, 2015, 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 2015 and 2014 was 215% and 221%, respectively.



Debt service on the Division's bonded debt will begin declining in 2018 and is expected to minimally impact its operations.

Additional information on the Division's long-term debt can be found in Note B on pages 27 - 36.

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 and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1,397,471,000 and $1,330,599,000 at December 31, 2015 and 2014, respectively.

Of the Division's net position, $979,643,000 at December 31, 2015, 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, $92,557,000 at December 31, 2015, 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, $325,271,000, at December 31, 2015, 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 2015 by $66,872,000. The following table identifies the key elements of the Division's results of operations as of and for the years ended December 31, 2015, and 2014:

	2015	2014
	(In thousands)	
Operating revenues	$ 301,276	$ 303,408
Operating expenses	236,340	225,187
Operating income (loss)	64,936	78,221
Non-operating revenue (expense):		
Investment income	439	774
Interest expense	(23,616)	(28,138)
Amortization of bond premiums and discounts	5,060	4,835
Gain (loss) on disposal of capital assets	(19)	(26)
Other	73	
Total non-operating revenue (expense), net	(18,063)	(22,555)
Income (loss) before capital and other contributions	46,873	55,666
Capital and other contributions	19,999	29,391
Change in net position	$ 66,872	$ 85,057

Operating revenue: In 2015, total operating revenues of the Division decreased $2,132,000 or 0.7%. The reduction is primarily attributed to water pumpage decreases of approximately 358,000 MCF (thousand cubic feet) or 3.3% as compared to 2014.

Operating expenses: In 2015, the overall increase in operating expenses of $11,153,000 was primarily due to $5,705,000 and $6,717,000 increases in operating and maintenance costs, respectively. A rise of $4,196,000 in bad debt expense was the principal factor for the upturn in operating expenses. Maintenance outlays increased largely due to an escalation in supply costs.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

Non-operating revenue (expense): Net non-operating revenue (expense) decreased by $4,492,000 in 2015. The primary source of the decrease was a reduction in interest expense of $4,522,000 related to the Division's debt refunding (see Note B).

Capital and other contributions: In 2015, capital and other contributions decreased by $9,392,000 as compared to 2014. The Division acquired two suburban distribution mains totaling $19,974,000, net of accumulated depreciation.

Non-pension expenses: The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 expenses still include pension expense of $6,175,000 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of $5,464,000. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	(Amounts in 000's)
Total 2015 expenses under GASB 68	$ 259,975
Pension expense under GASB 68	(5,464)
2015 contractually required contribution	6,064
Adjusted 2015 program expenses	260,575
Total 2014 expenses under GASB 27	(253,351)
Increase in expenses not related to pension	$ 7,224

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.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF NET POSITION
December 31, 2015

	(*In thousands)* 2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 5,463
Land improvements	17,427
Utility plant	1,798,784
Buildings, structures and improvements	264,109
Furniture, fixtures, equipment and vehicles	604,903
	2,690,686
Less: Accumulated depreciation	(1,045,479)
	1,645,207
Construction in progress	86,647
CAPITAL ASSETS, NET	1,731,854
RESTRICTED ASSETS	
Cash and cash equivalents	113,646
Accrued interest receivable	9
TOTAL RESTRICTED ASSETS	113,655
CURRENT ASSETS	
Cash and cash equivalents	286,286
Restricted cash and cash equivalents	3,686
Investments	10,008
Receivables:	
Accounts receivable - net of allowance for doubtful accounts $14,786,000 in 2015	53,690
Unbilled revenue	35,136
Due from other City of Cleveland departments, divisions or funds	4,454
Accrued interest receivable	1
Materials and supplies - net of allowance for obsolescence of $79,000	9,476
Prepaid expenses	731
TOTAL CURRENT ASSETS	403,468
DEFERRED OUTFLOWS OF RESOURCES	
Derivative instruments-interest rate swaps	17,926
Unamortized loss on bond refunding	26,232
Pension	8,715
TOTAL DEFERRED OUTFLOWS OF RESOURCES	52,873
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,301,850

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF NET POSITION
December 31, 2015

		(*In thousands*)
		2015
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	979,643
Restricted for capital projects		51
Restricted for debt service		92,506
Unrestricted		325,271
TOTAL NET POSITION		1,397,471
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Revenue bonds		660,376
OWDA loans		91,045
Accrued wages and benefits		1,403
Net pension liability		49,432
TOTAL LONG-TERM OBLIGATIONS		802,256
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year		49,532
Accounts payable		5,471
Current payable from restricted assets		3,686
Due to other City of Cleveland departments, divisions or funds		3,170
Accrued interest payable		12,182
Current portion of accrued wages and benefits		7,543
Customer deposits and other liabilities		1,707
TOTAL CURRENT LIABILITIES		83,291
TOTAL LIABILITIES		885,547
DEFERRED INFLOWS OF RESOURCES		
Derivative instruments-interest rate swaps		17,926
Pension		906
TOTAL DEFERRED INFLOWS OF RESOURCES		18,832
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$	2,301,850

See notes to financial statements.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	(*In thousands*) 2015
OPERATING REVENUES	
Charges for services	$ 301,276
TOTAL OPERATING REVENUES	301,276
OPERATING EXPENSES	
Operations	104,991
Maintenance	60,990
Depreciation	70,359
TOTAL OPERATING EXPENSES	236,340
OPERATING INCOME (LOSS)	64,936
NON-OPERATING REVENUE (EXPENSE)	
Investment income	439
Interest expense	(23,616)
Amortization of bond premiums and discounts	5,060
Gain (loss) on disposal of capital assets	(19)
Other	73
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(18,063)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	46,873
Capital and other contributions	19,999
INCREASE (DECREASE) IN NET POSITION	66,872
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	1,330,599
NET POSITION AT END OF YEAR	$ 1,397,471

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

		(In thousands) **2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	300,120
Cash payments to suppliers for goods or services		(85,021)
Cash payments to employees for services		(72,584)
Other		(503)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		142,012
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants		25
NET CASH PROVIDED BY(USED FOR) NONCAPITAL FINANCING ACTIVITIES		25
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds, loans and notes		234,518
Acquisition and construction of capital assets		(37,057)
Principal paid on long-term debt		(138,996)
Interest paid on long-term debt		(29,520)
Cash paid to escrow agent for refunding		(144,782)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(115,837)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities		(5)
Interest received on investments		503
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		498
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		26,698
CASH AND CASH EQUIVALENTS, beginning of year		376,920
CASH AND CASH EQUIVALENTS, end of year	$	403,618

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

		(In thousands) **2015**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$	64,936
Adjustments:		
Depreciation		70,359
(Increase) decrease in assets:		
Accounts receivable, net		(3,282)
Unbilled revenue		(2,311)
Due from other City of Cleveland departments, divisions or funds		12,941
Materials and supplies, net		(1,400)
Prepaid expenses		527
(Increase) decrease in deferred outflows of resources - pension		(2,540)
Increase (decrease) in liabilities:		
Accounts payable		1,088
Due to other City of Cleveland departments, divisions or funds		(572)
Other accrued expenses		(376)
Accrued wages and benefits		(71)
Customer deposits and other liabilities		772
Net pension liability		1,035
Increase (decrease) in deferred inflows of resources - pension		906
TOTAL ADJUSTMENTS		77,076
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	142,012
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution of capital assets	$	19,974

See notes to financial statements.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the Division has implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the Division has implemented GASB Statement No. 71 as of December 31, 2015.

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 2015. 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, 2015.

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 GASB 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 2015, total interest costs incurred amounted to $30,208,000, of which $6,563,000 was capitalized, net of interest income of $29,000.

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 of resources 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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2015 is as follows:

	Interest Rate	Original Issuance (In thousands)	2015
Water Revenue Bonds:			
Series G 1993 due through 2021	5.50%	$ 228,170	$ 65,875
Series N 2005 due through 2016	4.00%-5.00%	64,480	4,805
Series O 2007 due through 2017	5.00%	143,570	6,630
Series P 2007 due through 2028	4.50%-5.00%	135,410	94,235
Series T 2009 due through 2021	4.00%-5.00%	84,625	48,685
Series U 2010 due through 2033	Variable	54,935	54,935
Series V 2010 due through 2033	Variable	26,495	26,495
Series W 2011 due through 2026	2.00%-5.00%	82,090	25,640
Series X 2012 due through 2042	3.63%-5.00%	44,410	44,410
Series Y 2015 due through 2037	4.00%-5.00%	116,205	116,205
Series Z 2015 due through 2019	2.00%-5.00%	15,930	15,930
Series AA 2015 due through 2033	Variable	90,800	90,800
Second Lien Series A 2012 due 2027	4.00%-5.00%	76,710	76,710
Ohio Water Development Authority Loans			
payable annually through 2033	0.00%-4.14%	152,767	98,467
		$ 1,316,597	769,822
Adjustments:			
Unamortized discount and premium			31,131
Current portion			(49,532)
Total Long-Term Debt			$ 751,421

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2015 are as follows:

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series G 1993 due through 2021	$ 66,220	$	$ (345)	$ 65,875	$ 9,575
Series N 2005 due through 2016	21,865		(17,060)	4,805	4,805
Series O 2007 due through 2017	127,660		(121,030)	6,630	3,235
Series P 2007 due through 2028	103,990		(9,755)	94,235	5,515
Series Q 2008 due through 2033	90,800		(90,800)	-	
Series T 2009 due through 2021	57,020		(8,335)	48,685	595
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	44,420		(18,780)	25,640	17,560
Series X 2012 due through 2042	44,410			44,410	
Series Y 2015 due through 2037		116,205		116,205	
Series Z 2015 due through 2019		15,930		15,930	825
Series AA 2015 due through 2033		90,800		90,800	
Second Lien Series A 2012 due through 2027	76,710			76,710	
Ohio Water Development Authority Loans payable annually through 2033	105,547		(7,080)	98,467	7,422
Total revenue bonds/loans	820,072	222,935	(273,185)	769,822	49,532
Accrued wages and benefits	9,017	7,558	(7,629)	8,946	7,543
Net pension liability	48,397	1,035		49,432	
Total	$ 877,486	$ 231,528	$ (280,814)	$ 828,200	$ 57,075

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)	
2016	$ 49,532	$ 31,944	$ 81,476
2017	52,381	29,983	82,364
2018	43,669	27,871	71,540
2019	45,781	25,809	71,590
2020	48,061	23,596	71,657
2021-2025	244,671	85,404	330,075
2026-2030	161,377	38,890	200,267
2031-2035	87,000	15,386	102,386
2036-2040	31,085	3,934	35,019
2041-2042	6,265	317	6,582
Total	$ 769,822	$ 283,134	$ 1,052,956

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 2015, the Division did not take out any new loans. OWDA completed an interest rate buy-down which will result in interest rate savings on current loans. Market rate loans with interest rates higher than 4.0% will see a reduction in rates to 4.0% while rates over 3.0% on OWDA loans will be reduced to 3.0%. The buy-down commenced retroactively to the January 1, 2016 payment.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

At December 31, 2015, the amount financed on these eleven loan projects, less principal payments made, totaled $98,467,000 and is reflected in the debt service payment schedule.

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 the following amounts of defeased debt outstanding at December 31, 2015:

Series N, 2005	$16,155,000
Series O, 2007	87,950,000

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 were 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, 2015, 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. 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. Not all series of bonds are covered by the reserve fund.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Contingency Fund: The balance in this fund must be maintained at $3,500,000.

Construction Fund: Proceeds from the various series of 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.

Effective May 27, 2015, the City issued Water Revenue Bonds, Series Y, 2015 in the amount of $116,205,000. The bonds were issued to refund $117,950,000 of outstanding Series O Water Revenue Bonds, 2007 maturing on and after January 1, 2018. Bond proceeds in the amount of $94,602,752 along with $1,465,833 from the Series O Debt Service fund were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. Certain of the Series O Bonds in the amount of $30,000,000 were tendered by the bondholder for purchase by the City and cancelled in lieu of being refunded. As a result of the refunding, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $13,252,000 and realized an economic gain (the difference between the present values of the old and new debt service) of $12,176,000 or 10.3%.

At the same time the City sold the Series Y Bonds, the City also sold $15,930,000 Water Revenue Bonds, Series Z, 2015 on a forward delivery basis. The Series Z Bonds were issued effective October 5, 2015 to refund $16,155,000 of outstanding Water Revenue Bonds, Series N, 2005. Bond proceeds in the amount of $16,350,095 along with $195,096 from the Series N Debt Service fund were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on January 1, 2016. As a result, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed this refunding in order to achieve debt service savings of approximately $1,039,000 and realized an economic gain (the difference between the present values of the old and new debt service) of $663,000 or 4.1%.

Also on May 27, 2015, the City issued $90,800,000 Water Revenue Bonds, Series AA, 2015. These bonds were issued to refund the outstanding $90,800,000 Water Revenue Bonds, Series Q, 2008 upon the expiration of the existing letter of credit. The Bonds were directly purchased by Bank of America Merrill Lynch as variable rate bonds with the City paying 65.1% of the one month LIBOR rate plus a spread.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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 Division 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 Division 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 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 behalf of the Senior Lien Bonds. Bonds issued under this indenture are subordinate to those issued as senior lien bonds under the Division's Amended and Restated Indenture.

The City has pledged future water system revenues, net of specified operating expenses, to repay $671,355,000 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 48% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $937,735,000. Principal and interest paid for the current year on the Senior Lien Bonds and total net revenues were $65,025,000 and $135,734,000, 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. The portion of the swap associated with Series Q remained unchanged. The Series Q Bonds were refunded in 2015 and the swap associated with these bonds was transferred to the new Series AA 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 (now the Series AA 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 and 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 beginning in 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.

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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.

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2015 as reported by JPM and Morgan Stanley totaled $17,926,000, which would be payable by the City.

Derivative Instruments: Derivative instruments are contracts, based upon 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 derivatives 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, 2015**		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
			(In thousands)		
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2015 AA Water Swap	Deferred inflow	$ 997	Debt	$ (4,419)	$ 52,530
2010 U Water Swap	Deferred inflow	360	Debt	(9,026)	54,735
2010 V Water Swap	Deferred inflow	172	Debt	(4,481)	26,295

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The following table presents the objective and significant terms of the Division's derivative instruments at December 31, 2015, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 34,290,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa2/A+/A+
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 18,240,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/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	Aa2/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	A3/BBB+/A

The following table presents the aggregate debt service requirements on the Division's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2015. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2015 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)		
2016	$	$ 1,080	$ 4,019	$ 5,099
2017		1,079	3,982	5,061
2018		1,080	3,671	4,751
2019		1,080	3,277	4,357
2020		1,080	2,863	3,943
2021-2025	66,105	4,352	7,534	77,991
2026-2030	70,055	1,892	725	72,672
2031-2033	36,070	238	58	36,366
Total	$ 172,230	$ 11,881	$ 26,129	$ 210,240

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 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, 2015 totaled $1,650,000 and the Division's bank balances were $6,672,000 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*, $6,672,000 of the bank balances at December 31, 2015 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 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, 2015 include U.S. Treasury Notes, STAROhio, commercial paper and mutual funds. The Division maintains the highest ratings for their investments. Investments in the U.S. Treasury Notes carry a Moody's rating of Aaa, which is the highest rating given by Moody's. 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+.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

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, 2015, 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	2015 Fair Value	2015 Cost	Investment Maturities: Less than One Year	Investment Maturities: 1 - 5 Years
		(In thousands)		
U.S. Treasury Notes	$ 10,008	$ 9,995	$	$ 10,008
STAROhio	276,546	276,546	276,546	
Commercial Paper	107,524	107,524	107,524	
Mutual Funds	17,898	17,898	17,898	
Total Investments	411,976	411,963	401,968	10,008
Total Deposits	1,650	1,650	1,650	
Total Deposits and Investments	$ 413,626	$ 413,613	$ 403,618	$ 10,008

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, 2015, the investments in U.S. Treasury Notes, STAROhio, commercial paper, and mutual funds are approximately 3%, 67%, 26% and 4%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

NOTE D – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 5,463	$	$	$ 5,463
Construction in progress	199,922	41,383	(154,658)	86,647
Total capital assets, not being depreciated	205,385	41,383	(154,658)	92,110
Capital assets, being depreciated:				
Land improvements	17,427			17,427
Utility plant	1,644,691	156,127	(2,034)	1,798,784
Buildings, structures and improvements	262,302	1,807		264,109
Furniture, fixtures, equipment and vehicles	577,995	32,323	(5,415)	604,903
Total capital assets, being depreciated	2,502,415	190,257	(7,449)	2,685,223
Less: Accumulated depreciation	(968,997)	(83,897)	7,415	(1,045,479)
Total capital assets being depreciated, net	1,533,418	106,360	(34)	1,639,744
Capital assets, net	$ 1,738,803	$ 147,743	$ (154,692)	$ 1,731,854

Commitments: The Division has outstanding commitments at December 31, 2015, of approximately $105,585,000 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

Net Pension Liability: The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Division's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Division's obligation for this liability to annually required payments. The Division cannot control benefit terms or the manner in which pensions are financed; however, the Division does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Division's employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2014. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $6,064,000 for 2015. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in 000's)
Proportionate Share of the Net Pension Liability	$ 49,432
Proportion of the Net Pension Liability	0.411161%
Pension Expense	$ 5,464

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2015, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in 000's)
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 2,651
Division's contributions subsequent to the measurement date	6,064
Total Deferred Outflows of Resources	$ 8,715
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 906

The $6,064,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amount in 000's)
2016	$ 255
2017	255
2018	584
2019	651
Total	$ 1,745

Actuarial Assumptions – OPERS: Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
		(Amounts in 000's)	
Division's proportionate share of the net pension liability	$ 91,253	$ 49,432	$ 14,218

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy -Ohio Public Employees Retirement System*:** 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The Division's actual contributions to OPERS to fund postemployment benefits were $1,032,000 in 2015, $1,055,000 in 2014 and $532,000 in 2013. The required payments due in 2015, 2014 and 2013 have been made.

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 2015.

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 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 Year Ended December 31, 2015

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, collection and various 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 $2,929,000 in 2015. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $1,027,000 in 2015.

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 year ended December 31, 2015 was as follows:

	(In thousands)
Electricity purchases	$ 15,900
City administration	4,084
Motor Vehicle Maintenance	2,445
Telephone Exchange	1,239
Utilities Administration and Utilities Fiscal Control	6,023
Radio Communication	177

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 $5,738,000 for December 31, 2015.

NOTE J – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Division implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	December 31, 2014	Restatement	Restated December 31, 2014
		(Amounts in 000's)	
Net position	$ 1,372,821	$ (42,222)	$ 1,330,599

Other than employer contributions subsequent to the measurement date, the Division made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

City Of Cleveland
Department of Public Utilities
Division of Water

Required Supplementary Information

Schedule of the Division's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System

Last Two Measurement Years (1), (2)

	2014	2013
	(Amounts in 000's)	
Division's Proportion of the Net Pension Liability	0.411161%	0.411161%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 49,432	$ 48,397
Division's Covered-Employee Payroll	$ 51,458	$ 46,600
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	96.06%	103.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

City of Cleveland
Department of Public Utilities
Division of Water

Required Supplementary Information
Schedule of Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2015	2014	2013
		(Amounts in 000's)	
Contractually Required Contributions	$ 6,064	$ 6,175	$ 6,058
Contributions in Relation to the Contractually Required Contributions	(6,064)	(6,175)	(6,058)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered-Employee Payroll	$ 50,533	$ 51,458	$ 46,600
Contributions as a Percentage of Covered - Employee Payroll	12.00%	12.00%	13.00%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2015

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

TABLE OF CONTENTS

This page intentionally left blank.

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 year ended December 31, 2015, 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 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 opinion.

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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note J, the Division adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in its financial position and cash flows for the year 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 and schedules of net pension liability and pension contributions, as listed in the table of contents, 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 28, 2016

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 year ended December 31, 2015. 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 44,000 catch basins and for maintaining two storm detention basins.

The Division currently has 123,338 customer accounts in the City, of which 94.8% are residential and 5.2% commercial. Also, in 2015, the Division's sewers transported 1,790,290 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 and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $95,321,000 and $91,641,000 at December 31, 2015 and 2014, respectively. Of these amounts, $21,803,000 and $22,326,000 are unrestricted net position at December 31, 2015 and 2014, respectively, and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net position increased by $3,680,000 in 2015. The rise is primarily attributed to an increase in operating revenues of $4,253,000 due to the implementation of a fixed meter charge.

FINANCIAL HIGHLIGHTS (Continued)

- The regular sewage rate was $12.53 per thousand cubic feet in 2015. The homestead sewage rate was $7.43 per thousand cubic feet in 2015. In addition, the newly instituted fixed rate charge will vary from $12.00 to $550.00 per quarter from 2015-2019 based on meter size. These increases will allow for the Division to improve their capital infrastructure.

- The implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71 restated the Division's December 31, 2014 net position from $97,202,000 to $91,641,000. For further information see Note J.

- The Division's total debt decreased in 2015 by $515,000 due to the continuing scheduled debt payments made during the year. The debt is comprised of loans 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. The Division issued mortgage revenue bonds in 2016.

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 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 - 39 of this report. Required supplementary information can be found on pages 40-41 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below are the statements of net position information for the Division as of December 31, 2015 and December 31, 2014:

	2015	Restated 2014
	(In thousands)	
Assets:		
Capital assets, net	$ 74,271	$ 70,538
Restricted assets	617	393
Current assets	137,933	140,314
Total Assets	212,821	211,245
Deferred outflows of resources	1,080	814
Total assets and deferred outflows of resources	213,901	212,059
Net positon, deferred inflows of resources and liabilities:		
Net position:		
Net investment in capital assets	73,518	69,270
Restricted for capital projects		45
Unrestricted	21,803	22,326
Total net position	95,321	91,641
Liabilities:		
Long-term obligations	6,917	7,268
Current liabilities	111,544	113,150
Total liabilities	118,461	120,418
Deferred inflows of resources	119	
Total net position, liabilities and deferred inflows of resources	$ 213,901	$ 212,059

Current Assets: During 2015, the Division's current assets decreased by $2,381,000. The primary component was a decrease in net accounts receivable of $3,443,000, offset by an increase of $855,000 in unbilled revenue. The decrease in accounts receivable is attributed to increased collection efforts and continued installations of automated meter readers.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital Assets: At December 31, 2015, net capital assets amounted to $74,271,000. This is an increase of $3,733,000 from the prior year, of which $6,829,000 is an increase in construction in progress, offset by an increase in accumulated depreciation of $4,914,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2015 is as follows:

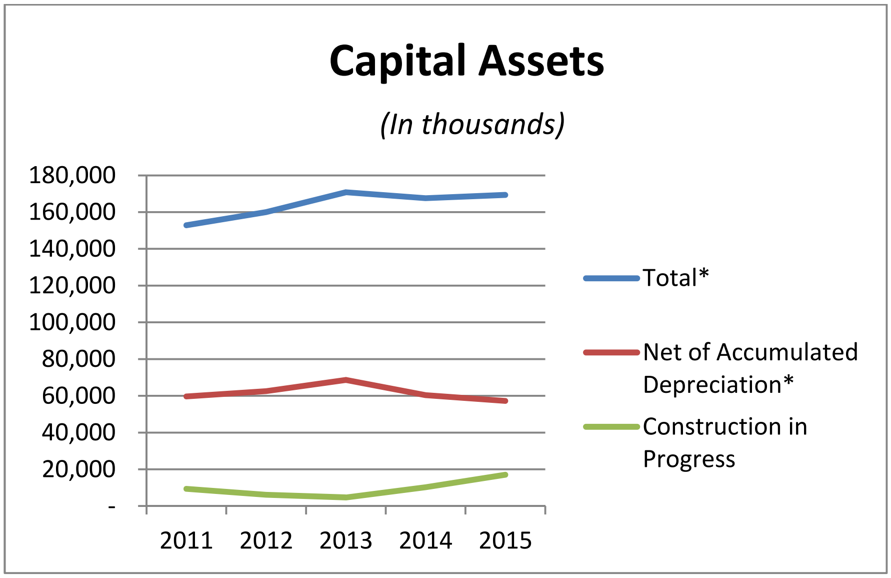
	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
	(In thousands)			
Land	$ 297	$	$	$ 297
Utility plant	142,919	2,430	(719)	144,630
Buildings, structures and improvements	8,963	56		9,019
Furniture, fixture, equipment and vehicles	15,361	86	(35)	15,412
Construction in progress	10,216	9,259	(2,430)	17,045
Total	177,756	11,831	(3,184)	186,403
Less: Accumulated depreciation	(107,218)	(5,655)	741	(112,132)
Capital assets, net	$ 70,538	$ 6,176	$ (2,443)	$ 74,271

In 2015, the largest capital additions were the Ridgeland Circle Sewer Repair, Gooding Avenue Sewer Replacement, St. Clair Avenue Relining and Wakefield Avenue Sewer.

The major capital projects/expenses for the year included:

- Emergency Sewer Repairs
- Sewer Replacement, Repairing & Rehabilitation
- Massie Avenue Sewer
- Catch Basin & Manholes

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)



* Construction in Progress not included

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 decreased by $1,606,000 in 2015, mainly due to a decrease in amounts due to other City of Cleveland departments, divisions and funds of $9,838,000, offset by an increase in amounts due for billings on behalf of others of $8,368,000. The rise in amounts due for billings on behalf of others is primarily attributed to an increase in cash and cash equivalents, coupled with an increase in sewer rates.

***Pension Liability*:** During 2015, the Division adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Under the new standards required by GASB Statement No. 68, the net pension liability equals the Division's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Division part of a bargained-for benefit to the employee and should accordingly be reported by the Division as a liability since they received the benefit of the exchange. However, the Division is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates and return on investments affect the balance of the net pension liability, but are outside the control of the Division. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Division statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $97,202,000 to $91,641,000.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Debt: At the end of 2015, the Division had total debt outstanding of $753,000 associated with four OWDA construction loans and two OPWC construction loans. These loans are payable by revenues generated by the Division.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2015 is summarized below:

	Balance January 1, 2015	Debt Issued	Debt Retired	Balance December 31, 2015
	(In thousands)			
Ohio Water Development Authority Loans (OWDA)	$ 1,101	$	$ (491)	$ 610
Ohio Public Works Commission Loans (OPWC)	167		(24)	143
Total	$ 1,268	$ -	$ (515)	$ 753

Additional information on the Division's long-term debt can be found in Note B on pages 24 - 26.

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 $95,321,000 and $91,641,000 at December 31, 2015 and 2014, respectively.

The largest portion of the Division's net position, $73,518,000 at December 31, 2015, 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 remaining balance of net position, $21,803,000 at December 31, 2015, is unrestricted and 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

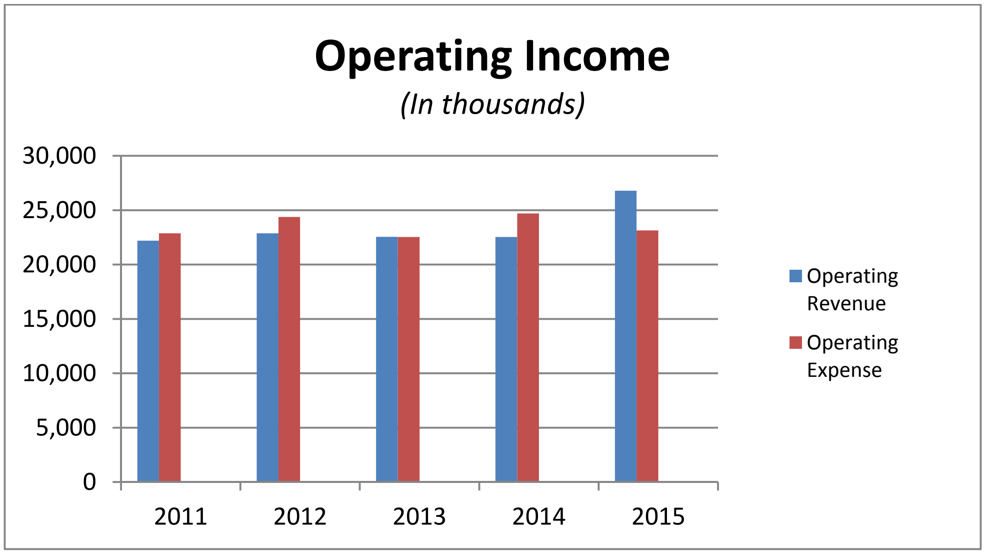
During 2015, the Division's operations increased its net position by $3,680,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2015 and 2014:

	2015	2014
	(In thousands)	
Operating revenues	$ 26,800	$ 22,547
Operating expenses	23,142	24,708
Operating income (loss)	3,658	(2,161)
Non-operating revenue (expense):		
Investment income	52	54
Interest expense	(35)	(61)
Other	9	86
Loss on disposal of assets	(4)	
Total non-operating revenue (expense), net	22	79
Increase (decrease) in net position	$ 3,680	$ (2,082)

Operating revenues: Operating revenues amounted to $26,800,000 in 2015, which was an increase of $4,253,000 from the previous year. The increase is primarily the result of the introduction of a fixed rate charge beginning April 1, 2015.

Operating expenses: During 2015, total operating expenses decreased by $1,566,000. The major component was a decrease in bad debt expense of $1,001,000. In addition, charges for motor vehicle maintenance had a reduction of $140,000.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)



Non-operating revenues and expenses: In 2015, non-operating revenue (expense) decreased by $57,000. The decrease was primarily attributed to a $77,000 decrease in other revenues, due to lower scrap metal receipts, offset by a $26,000 decrease in interest expense due to continuing loan repayments.

Non-pension expenses: The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 expenses still include pension expense of $814,000 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of $720,000. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	(Amounts in 000's)
Total 2015 expenses under GASB 68	$ 23,181
Pension expense under GASB 68	(720)
2015 contractually required contribution	731
Adjusted 2015 program expenses	23,192
Total 2014 expenses under GASB 27	(24,769)
Decrease in expenses not related to pension	$ (1,577)

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

Effective April 14, 2016, the Division issued $32,390,000 Water Pollution Control Revenue Bonds, Series 2016 (Green Bonds). The proceeds will be used to provide funds for improvements to the system, to fund the required deposit to the debt service reserve fund and to pay the costs of issuing the bonds. The 2016 Bonds are the first series of bonds issued by the Division and are special obligations of the City issued and secured under a new Master Trust Agreement. The bonds are payable solely from the net revenues of the Division and from money in the Special Funds established in the Trust Agreement.

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.

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2015

	(*In thousands*)
	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 297
Utility plant	144,630
Buildings, structures and improvements	9,019
Furniture, fixtures, equipment and vehicles	15,412
	169,358
Less: Accumulated depreciation	(112,132)
	57,226
Construction in progress	17,045
CAPITAL ASSETS, NET	74,271
RESTRICTED ASSETS	
Cash and cash equivalents	617
CURRENT ASSETS	
Cash and cash equivalents	50,193
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $2,631,000 in 2015	83,430
Unbilled revenue	3,743
Due from other City of Cleveland departments, divisions or funds	143
Accrued interest receivable	1
Prepaid expenses	5
Materials and supplies	418
TOTAL CURRENT ASSETS	137,933
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,080
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 213,901

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2015

		(*In thousands*) **2015**
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	73,518
Unrestricted		21,803
TOTAL NET POSITION		95,321
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OWDA loans		152
OPWC loans		119
Accrued wages and benefits		135
Net pension liability		6,511
TOTAL LONG-TERM OBLIGATIONS		6,917
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year		482
Accounts payable		176
Construction payable		903
Amounts due for billing on behalf of others		104,112
Due to other City of Cleveland departments, divisions or funds		4,399
Current portion of accrued wages and benefits		1,256
Customer deposits and other liabilities		216
TOTAL CURRENT LIABILITIES		111,544
TOTAL LIABILITIES		118,461
DEFERRED INFLOWS OF RESOURCES		
Pension		119
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$	213,901

See notes to financial statements.

This page intentionally left blank.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	(In thousands) **2015**
OPERATING REVENUES	
Charges for services	$ 26,800
TOTAL OPERATING REVENUES	26,800
OPERATING EXPENSES	
Operations	9,236
Maintenance	8,241
Depreciation	5,665
TOTAL OPERATING EXPENSES	23,142
OPERATING INCOME (LOSS)	3,658
NON-OPERATING REVENUE (EXPENSE)	
Investment income	52
Interest expense	(35)
Other	9
Loss on disposal of assets	(4)
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	22
INCREASE (DECREASE) IN NET POSITION	3,680
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	91,641
NET POSITION, END OF YEAR	$ 95,321

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	(In thousands) 2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 24,421
Cash payments to suppliers for goods or services	(8,897)
Cash payments to employees for services	(8,893)
Agency activity on behalf of other sewer authorities	4,003
Other	(9)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	10,625
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(9,562)
Principal paid on long-term debt	(515)
Interest paid on long-term debt	(35)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(10,112)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	51
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	51
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	564
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,246
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 50,810

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

		(In thousands) **2015**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$	3,658
Adjustments		
Depreciation		5,665
(Increase) decrease in assets:		
Accounts receivable, net		3,443
Unbilled revenue		(855)
Due from other City of Cleveland departments, divisions or funds		145
Prepaid expenses		(5)
Materials and supplies, net		(6)
(Increase) decrease in deferred outflows of resources - pension		(266)
Increase (decrease) in liabilities:		
Accounts payable		7
Amounts due for billings on behalf of others		8,368
Due to other City of Cleveland departments, divisions or funds		(9,838)
Accrued wages and benefits		47
Other accrued expenses		(46)
Customer deposits and other liabilities		53
Net pension liability		136
Increase (decrease) in deferred inflows of resources - pension		119
TOTAL ADJUSTMENTS		6,967
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	10,625

See notes to financial statements.

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As required, the Division has implemented GASB Statement No. 68 as of December 31, 2015.

In November of 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As required, the Division has implemented GASB Statement No. 71 as of December 31, 2015.

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.
- Remaining unrestricted amount.

In addition, certain additional financial information regarding the Division is included in these footnotes.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $11,710,000, net of allowance for doubtful accounts of $2,631,000. The remaining accounts receivable balance of $71,720,000 belongs to the Northeast Ohio Regional Sewer District and other municipalities in the Greater Cleveland Region and are offset by corresponding amounts in 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 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 2015. 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, 2015.

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

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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 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.

NOTE B - LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2015 as follows:

	Interest Rate	Original Issuance	2015
		(In thousands)	
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	4.04% - 4.18%	$ 7,897	$ 610
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	0.00%	481	143
		$ 8,378	753
Less:			
Current portion			(482)
Total Long-Term Debt			$ 271

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2015 are as follows:

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Due Within One Year
			(In thousands)		
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	$ 1,101	$	$ (491)	$ 610	$ 458
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	167		(24)	143	24
Total loans	1,268	-	(515)	753	482
Accrued wages and benefits	1,344	1,251	(1,204)	1,391	1,256
Net Pension Liability	6,375	136		6,511	
Total	$ 8,987	$ 1,387	$ (1,719)	$ 8,655	$ 1,738

Other than employer contributions subsequent to the measurement date, the Division made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(In thousands)	
2016	$ 482	$ 11	$ 493
2017	177	2	179
2018	24		24
2019	24		24
2020	24		24
2021-2022	22		22
Total	$ 753	$ 13	$ 766

NOTE B - LONG-TERM OBLIGATIONS (Continued)

In 2015, OWDA completed an interest rate buy-down which will result in interest rate savings on current loans. Market rate loans with interest rates higher than 4.0% will see a reduction in rates to 4.0% while rates over 3.0% on OWDA loans will be reduced to 3.0%. The buy-down commenced retroactively to the January 1, 2016 payment.

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 dates 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 four SRF loan awards related to projects as of December 31, 2015.

In addition, the Division had two OPWC loan awards as of December 31, 2015. 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 December 31, 2015 totaled $1,711,000 and the Division's bank balances were approximately $3,380,000. 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,* $3,380,000 of the bank balances at December 31, 2015 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 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. 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.

***Credit Risk*:** The Division's investments as of December 31, 2015 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.

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 minimize the concentration of credit risk. The Division had the following investments at December 31, 2015, 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	2015 Fair Value	2015 Cost	Investment Maturities Less than One Year
		(In thousands)	
STAROhio	$ 27,004	$ 27,004	$ 27,004
Mutual Funds	22,095	22,095	22,095
Total Investments	49,099	49,099	49,099
Total Deposits	1,711	1,711	1,711
Total Deposits and Investments	$ 50,810	$ 50,810	$ 50,810

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, 2015, the investments in STAROhio and mutual funds are 55% and 45%, respectively, of the Division’s total investments.

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	10,216	9,259	(2,430)	17,045
Total capital assets, not being depreciated	10,513	9,259	(2,430)	17,342
Capital assets, being depreciated:				
Utility plant	142,919	2,430	(719)	144,630
Buildings, structures and improvements	8,963	56		9,019
Furniture, fixtures, equipment and vehicles	15,361	86	(35)	15,412
Total capital assets, being depreciated	167,243	2,572	(754)	169,061
Less: Accumulated depreciation	(107,218)	(5,655)	741	(112,132)
Total capital assets being depreciated, net	60,025	(3,083)	(13)	56,929
Capital assets, net	$ 70,538	$ 6,176	$ (2,443)	$ 74,271

Commitments: The Division had outstanding commitments of approximately $6,883,000 for future capital expenses at December 31, 2015. 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

Net Pension Liability: The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The net pension liability represents the Division's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Division's obligation for this liability to annually required payments. The Division's cannot control benefit terms or the manner in which pensions are financed; however, the Division does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS): Division's employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Division's employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls. The Division's contractually required contribution was $731,000 for 2015. All required payments have been made.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in 000's)
Proportionate Share of the Net Pension Liability	$ 6,511
Proportion of the Net Pension Liability	0.054153%
Pension Expense	$ 720

At December 31, 2015, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in 000's)
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 349
Division's contributions subsequent to the measurement date	731
Total Deferred Outflows of Resources	$ 1,080
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 119

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The $731,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS (Amounts in 000's)
Year Ending December 31:	
2016	$ 34
2017	34
2018	77
2019	85
Total	$ 230

Actuarial Assumptions – OPERS: Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolios and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease 7.00%	Discount Rate 8.00%	1% Increase 9.00%
		(Amounts in 000's)	
Division's proportionate share of the net pension liability	$ 12,019	$ 6,511	$ 1,873

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy -Ohio Public Employees Retirement System*:** 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 to fund OPERS health care plans.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The Division's actual contributions to OPERS to fund postemployment benefits were $126,000 in 2015, $138,000 in 2014 and $67,000 in 2013. The required payments due in 2015, 2014 and 2013 have been made.

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 2015.

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.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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, collection and various other services for the Division are performed by the Division of Water for a fee. This fee is primarily 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 $2,929,000 in 2015.

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 year ended December 31, 2015, was as follows:

		(Amounts in 000's)
Electricity purchases	$	238
Street construction and maintenance		66
City Administration		1,021
Motor Vehicle Maintenance		269
Utilities Administration and Utilities Fiscal Control		837

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 $23,000 for the year ended December 31, 2015.

NOTE J –CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Division implemented the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	December 31, 2014	Restatement	Restated December 31, 2014
		(Amounts in 000's)	
Net position	$ 97,202	$ (5,561)	$ 91,641

Other than employer contributions subsequent to the measurement date, the Division made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE K – SUBSEQUENT EVENTS

Effective April 14, 2016, the Division issued $32,390,000 Water Pollution Control Revenue Bonds, Series 2016 (Green Bonds). The proceeds will be used to provide funds for improvements to the system, to fund the required deposit to the debt service reserve fund and to pay the costs of issuing the bonds. The 2016 Bonds are the first series of bonds issued by the Division and are special obligations of the City issued and secured under a new Master Trust Agreement. The bonds are payable solely from the net revenues of the Division and from money in the Special Funds established in the Trust Agreement.

City Of Cleveland
Department of Public Utilities
Division of Water Pollution Control
Required Supplementary Information
Schedule of the Division's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Two Measurement Years (1), (2)

	2014	2013
	(Amounts in 000's)	
Division's Proportion of the Net Pension Liability	0.054153%	0.054153%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 6,511	$ 6,375
Division's Covered-Employee Payroll	$ 6,783	$ 6,138
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	95.99%	103.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available.

City of Cleveland
Department of Public Utilities
Division of Water Pollution Control
Required Supplementary Information
Schedule of Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2015	2014	2013
		(Amounts in 000's)	
Contractually Required Contributions	$ 731	$ 814	$ 798
Contributions in Relation to the Contractually Required Contributions	(731)	(814)	(798)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered-Employee Payroll	$ 6,092	$ 6,783	$ 6,138
Contributions as a Percentage of Covered - Employee Payroll	12.00%	12.00%	13.00%

(1) Represents employer's calendar year. Information prior to 2013 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Dave Yost • Auditor of State

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 8, 2016