CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2019

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditors' Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2019 through December 31, 2019. 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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2020

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2019

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
Pass-Through Programs:				
Ohio Department of Education Office of Child Nutrition Services:				
Summer Food Service Program for Children 2018	10.559	087593		11,155
Summer Food Service Program for Children 2019	10.559	087593		170,012
Subtotal - Child Nutrition Cluster			-	181,167
Total Department of Agriculture			-	181,167
Department of Health and Human Services				
Direct Programs:				
Healthy Start Initiative Yr 18	93.926		662,455	857,487
Healthy Start Initiative Yr 19	93.926		258,920	600,572
Subtotal			921,375	1,458,059
Substance Abuse and Mental Health Services Administration	93.243			16,250
Substance Abuse and Mental Health Services Administration	93.243		668,364	740,580
Substance Abuse and Mental Health Services Administration	93.243			111,102
Subtotal			668,364	867,932
Pass-Through Programs:				
Cuyahoga County District Board of Health:				
Public Health Emergency Preparedness 2020	93.069	18-100-12-PH-1120		67,488
Subtotal			-	67,488
Family Planning Services Title X FY 2019	93.217	18-200-11-RH-0519		194,230
Family Planning Services Title X FY 2020	93.217	18-200-11-RH-0620	50,944	298,595
Subtotal			50,944	492,825
Maternal and Child Health Services FY 2019	93.994	18-200-11-RH-0519		106,989
Maternal and Child Health Services FY 2020	93.994	18-200-11-RH-0620	10,189	59,719
Subtotal			10,189	166,708
HIV Prevention 2018	93.940	18-200-12-HP-1118	61,784	83,826
HIV Prevention 2019	93.940	18-200-12-HP-1219	371,062	674,676
Subtotal			432,846	758,502

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2019

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)				
Cuyahoga County District Board of Health (continued):				
Sexually Transmitted Diseases Control Program 2018	93.977	18-2-001-2-ST-1018		23,934
Sexually Transmitted Diseases Control Program 2019	93.977	18-200-12-ST-1119		144,381
Subtotal			-	168,315
The Alcohol, Drug & Mental Health Services Board of Cuyahoga County:				
Alcohol, Drug Addiction and Mental Health Service 2018 Prevention	93.959	4253C		227
Subtotal			-	227
Public Health Emergency Preparedness 2018	93.074	18-100-12-PH-0918		18,572
Public Health Emergency Preparedness 2019	93.074	18-2-001-2-PH-1019		94,415
Ohio Department of Health:				
City Readiness Initiative 2019	93.074	18-2-001-2-PH-1019		63,979
City Readiness Initiative 2020	93.074	18-2-001-2-PH-1120		32,114
Subtotal			-	209,080
Get Vaccinated 2018-19	93.539	18-100-1-2-GV-0119		39,694
Subtotal			-	39,694
Western Reserve Area Agency on Aging (WRAAA):				
WRAAA OAA/ADRN/Supporting Services Project 2018	93.044			22,732
WRAAA OAA/ADRN/Supporting Services Project 2019	93.044			169,994
Subtotal - Aging Cluster			-	192,726
WRAAA MIPPA 2019	93.071	18010HMIAA-00 & 18-10HMIDR-00		12,800
Subtotal			-	12,800
WRAAA HEAP Outreach Program FY 2019	93.568	19-HA-156		9,407
Subtotal			-	9,407
Cuyahoga County:				
Temporary Assistance to Needy Families	93.558	AG1400113		63,638
Subtotal - TANF Cluster			-	63,638
Total Department of Health and Human Services			2,083,718	4,507,401

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2019

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				
Direct Programs:				
CDBG Yr 37	14.218			4,347
CDBG Yr 39	14.218		59,670	62,639
CDBG Yr 40	14.218		738,952	1,249,524
CDBG Yr 41	14.218		224,819	399,943
CDBG Yr 42	14.218		1,267,505	1,310,773
CDBG Yr 43	14.218		1,280,499	2,117,466
CDBG Yr 44	14.218		6,206,424	12,804,936
CDBG Yr 45	14.218		1,619,073	3,372,773
Neighborhood Stabilization Program 1	14.218			236,570
Neighborhood Stabilization Program 3	14.218			30,679
Subtotal - CDBG Entitlement Grants Cluster			11,396,942	21,589,650
HOME Investment Partnerships Program 2013	14.239		47,498	47,498
HOME Investment Partnerships Program 2014	14.239		1,897,383	2,073,838
HOME Investment Partnerships Program 2015	14.239		304,179	320,186
HOME Investment Partnerships Program 2016	14.239		462,844	462,844
HOME Investment Partnerships Program 2017	14.239		333,888	453,429
HOME Investment Partnerships Program 2018	14.239			160,163
Subtotal			3,045,792	3,517,958
Emergency Shelter Grants Program 2015	14.231			63
Emergency Shelter Grants Program 2017	14.231		299,534	299,545
Emergency Shelter Grants Program 2018	14.231		1,117,056	1,162,705
Emergency Shelter Grants Program 2019	14.231			18,312
Subtotal			1,416,590	1,480,625
Housing Opportunities for Persons With AIDS 2018	14.241		749,843	749,843
Housing Opportunities for Persons With AIDS 2019	14.241		419,535	419,535
Subtotal			1,169,378	1,169,378
Lead-Based Paint Hazard Control in Privately-Owned Housing 2018	14.900		216,932	261,475
Subtotal			216,932	261,475
Lead Hazard Reduction Demonstration Grant Program	14.905		58,649	995,087
Subtotal			58,649	995,087
Total Department of Housing & Urban Development			17,304,283	29,014,173
Department of Justice				
Direct Programs:				
Greater Cleveland Drug Court - Men's Treatment	16.585			58,980
Recovery Project II	16.585			66,360
Subtotal			-	125,340

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2019

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Justice (continued)				
Direct Programs (continued):				
Cleveland Improving Criminal Justice Response Project	16.590			50,602
Subtotal			-	50,602
Public Safety Partnership and Community Policing Grants:				
Cleveland Universal Hiring II 2014	16.710			164,477
Cleveland Universal Hiring II 2015	16.710			542,867
Subtotal			-	707,344
2018-Edward Byrne Crime Justice Innovation	16.817		90,025	90,025
Subtotal			90,025	90,025
Crime Victim Assistance	16.582			11,961
Subtotal			-	11,961
FY 2017 Sexual Assault Kit	16.833		56,601	62,733
Subtotal			56,601	62,733
2016-Edward Byrne Memorial-JAG	16.738		100,000	151,494
2017-Edward Byrne Memorial-JAG	16.738		10,968	300,145
Subtotal			110,968	451,639
Pass-Through Programs:				
Ohio Department of Public Safety:				
2017-Edward Byrne Memorial-NOLETF	16.738	2017-JG-A01-6444		19,462
2018-Edward Byrne Memorial-NOLETF	16.738	2018-JG-A01-6444		49,898
Subtotal			-	69,360
State of Ohio - Office of Criminal Justice Services:				
Equitable Sharing Program - Asset Forfeiture Program	16.922			831,687
Subtotal			-	831,687
Domestic Violence & Child Advocacy Center:				
Initiative Program	16.526	2014-HI-AX-K003		210,950
Subtotal			-	210,950
VAWA Team Approach 2017 Law	16.588	2017-VP-VA2-V041		7,995
VAWA Team Approach 2018 Law	16.588	2018-VP-VA2-V041		130,067
VAWA Team Approach 2017 Safety	16.588	2017-VP-VA2-V042		265
VAWA Team Approach 2018 Safety	16.588	2018-VP-VA2-V042		93,037
FY 2017 VAWA Sexual Assault	16.588	2017-VP-VA2-V045	5,414	5,414
FY 2018 VAWA Sexual Assault	16.588	2018-VP-VA2-V045	31,877	31,877
Subtotal			37,291	268,655
Total Department of Justice			294,885	2,880,296

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2019

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
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		3,378,536
Subtotal - Economic Development Cluster			-	3,378,536
Total Department of Commerce			-	3,378,536
Department of Labor				
Cuyahoga County:				
WIOA Adult Program	17.258	G-1819-15-0177		501,971
Subtotal			-	501,971
WIOA Youth Program	17.259	G-1819-15-0177		307,988
Subtotal			-	307,988
WIOA Dislocated Worker Program	17.278	G-1819-15-0177		128,358
Subtotal			-	128,358
Subtotal - WIOA Cluster			-	938,317
WIOA National Dislocated Worker Grants	17.277	DW-32582-18-60-A-42		7,684
Subtotal			-	7,684
Workforce Innovation Fund - Wage Pathways	17.283	G-1819-15-0518		49,505
Subtotal			-	49,505
Employment Service/Wagner-Peyser Funded Activities	17.207	G-1819-15-0177		109,830
Subtotal			-	109,830
Local Veterans' Employment Representative Program	17.804	G-1819-15-0177		38,361
Subtotal			-	38,361
Subtotal - Employment Service Cluster				148,191
Total Department of Labor			-	1,143,697
Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106			11,843,810
Subtotal			-	11,843,810
Pass-Through Programs:				
Ohio Department of Transportation & Northeast Ohio Area Coordinating Agency:		See Footnote 2		
ODOT Carnegie Study	20.205	PID100034		58,098
Subtotal - Highway Planning and Construction Cluster			-	58,098

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2019

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):				
University Hospitals:				
Impaired Driving Enforcement Program 2019	20.616	OVI-2019-University Hospitals Clev-00005		7,330
Ohio Department of Public Safety:				
National Priority Safety Programs 2019	20.616	DDEP-2019-Cleveland Police Departme-00047		450
Subtotal			-	7,780
Cuyahoga County OVI Task Force 2018	20.600	OVI-2018-University Hospitals Clev-00010		5,768
Selective Traffic Enforcement Program 2019	20.600	STEP-2019-Cleveland Police Department-00081		12,358
Selective Traffic Enforcement Program 2020	20.600	STEP-2020-Cleveland Police Departme-00080		551
Subtotal			-	18,677
Subtotal - Highway Safety Cluster			-	26,457
Impaired Driving Enforcement Program 2019	20.608	IDEP-2019-Cleveland Police Department-00081		3,402
Impaired Driving Enforcement Program 2020	20.608	IDEP-2020-Cleveland Police Departme-00080		3,044
Subtotal			-	6,446
Total Department of Transportation			-	11,934,811
Department of Environmental Protection Agency				
Direct Programs:				
Bioretention at Wildwood Park	66.469			436,000
Subtotal			-	436,000
Pass-Through Programs:				
Environmental Protection Agency:				
Air Pollution Control Program Support 2019	66.001	EPAFFG18		409,271
Air Pollution Control Program Support 2020	66.001	EPAFFG20		99,201
Subtotal			-	508,472
Air Pollution Control Program Support 2019	66.034	EPAFPM18		189,629
Subtotal			-	189,629
Ohio Water Development Authority:				
OWDA E. 185th & Marcella Road	66.458	8350		5,368,896
Subtotal - Clean Water State Revolving Fund Cluster			-	5,368,896
Total Department of Environmental Protection Agency			-	6,502,997

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2019

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Homeland Security				
Direct Programs:				
FEMA Disaster Grant	97.036			1,007,751
Subtotal			-	1,007,751
FY17 Port Security Grant	97.056			22,500
Subtotal			-	22,500
Assistance to Firefighters 2017	97.044			214,309
Subtotal			-	214,309
Bio-Watch Program 2018	97.091			185,644
Bio-Watch Program 2019	97.091			123,250
Subtotal			-	308,894
Cuyahoga County Department of Justice Affairs:				
Urban Area Security Initiative 2016	97.067	EMW-2016-SS-00104-S01		83,710
Subtotal			-	83,710
Total Department of Homeland Security			-	1,637,164
Grand Total			19,682,886	61,180,242

(Concluded)

CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019:

Beginning loans receivable balance as of January 1, 2019	$1,943,070
Loans made during 2019	169,335
Loan principal repaid on loans issued prior to 2019	(1,142,927)
Ending loans receivable balance as of December 31, 2019	$969,478

Cash balance on hand in the revolving loan fund as of December 31, 2019	
Cash balance, unobligated	$2,684,451
Revolving loan committed but not disbursed	100,000
Total unobligated cash and committed but not disbursed cash	2,784,451
Total value of revolving loan portion of the EDA 11.307 program	3,753,929
Less: City's matching share	(375,393)
Total federal value of revolving loan portion as of December 31, 2019	$3,378,536

Binkowsky-Dougherty Distribution, LLC	17,612
Cleanlife Energy, LLC	42,307
Cleveland Whiskey, LLC	85,802
Hansa Import House Co.	22,556
Evergreen Real Estate Corporation	123,134
Green City Growers Cooperative	121,912
Ohio City Galley, LLC	163,489
Northeast Ohio Neighborhood Health Services, INC	17,274
TBS Ohio, LLC	57,998
Tremont Athletic Club, LLC	67,262
SIFCO Industries, LLC	250,132
Total	$969,478

Footnote 2: Ohio Department of Transportation (CFDA 20.205)

The Ohio Department of Transportation (ODOT) is the organization of state government responsible for developing and maintaining all state and federal roadways in the State of Ohio (State) with the exception of the Ohio Turnpike. In addition 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.

Amount reimbursed by ODOT during 2019	$	-
Amount expensed by the City in 2019 not reimbursed in 2019		58,098
Expended and reported by the City in 2019	$	58,098

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.

Footnote 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.

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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

To the 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, 2019 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 25, 2020, wherein we noted the financial impact of COVID-19 on subsequent periods.

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.

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 25, 2020

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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, 2019. 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, 2019.

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 25, 2020, which contained unmodified opinions on those financial 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 25, 2020

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

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 11.307 – Economic Development Cluster
- CFDA 20.106 – Airport Improvement Program
- CFDA 66.458 – Clean Water State Revolving Fund Cluster

Dollar threshold to distinguish between Type A and Type B Programs:	$1,835,407
Auditee qualified as low-risk auditee?	Yes

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, 2019

CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2019

Issued by the
Department of Finance

Sharon Dumas
Director

James E. Gentile, CPA
City Controller

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CITY OF CLEVELAND, OHIO

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June 25, 2020

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, 2019. 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 2019 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, 2019, 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, 2019, 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, Required Supplementary Information and various other statements and schedules pertaining to the City's funds and activities.

- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 2010 through 2019.

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 33rd largest of 384 Metropolitan Areas in the United States and the 2nd largest MSA in the State of Ohio.

The City is located in the northeast part of the state, approximately 150 miles north-east of Columbus. Bordering Lake Erie, The City 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 tenth 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. In November 2017, he was re-elected to a fourth term, which will make him the City's longest serving Mayor. 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 (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, 2021. 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 and re-elected in November 2017. 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, sewer 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.

The City has included the Public Health Department Blended Component Unit as part of its 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, Public Health 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.

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 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 65 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 144.

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.

The local economy is being impacted by the COVID-19 pandemic. The level of impact is yet to be determined, however it has touched many sectors of the local economy.

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 6.9% in 2019 as a result of an increase in employer withholdings.

While the City's economy has shifted more toward education and health care 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 2019, 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	19.42	%
Trade, transportation and utilities	16.83	
Professional and business services	15.30	
Government	12.72	
Manufacturing	11.40	
Leisure and hospitality	9.64	
Financial activities	6.06	
Mining, logging and construction	3.67	
Other services	3.73	
Information	1.23	
Total	100.00	%

Current Projects and 2019 Accomplishments

The 2019 budget focused on continuing the City's commitment to improve the quality of life of its citizens by strengthening its neighborhoods, fostering a favorable business climate and providing superior services.

The City achieved the following 2019 programmatic goals and projects:

Department of Community Development

- The Department continued implementing neighborhood strategies to reduce blight and promote recovery from the economic downturn by making or supporting investments throughout Cleveland. Investments include, but are not limited to demolition, housing renovation, home repair, land reutilization, development of new affordable housing, storefront façade improvements, addressing homelessness and needed public services. All approaches are consistent with the CityWide plan to deploy sustainable and green principles.

- The U.S. Department of Housing and Urban Development (HUD) approved its priorities to focus our resources to address Affordable Housing, Homelessness, Non-Homeless Persons with Special Needs, Stabilizing Neighborhood Housing Markets, Non-Housing Community Development and Public Housing. The City receives approximately $25 million in entitlement funding. This amount represents the eighth largest block grants in the country. Using the City's network of over 80 partners, the City is able to deploy funding to those that need help. Each year, on average, the City's entitlement program benefits over 100,000 residents, 300 housing units and leverages over $10 million in other resources.

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

- Six affordable multi-family projects with 231 units were completed in 2019. Included in these projects were Emerald Alliance VIII, a 66 unit permanent supportive housing project and 1874 East 93rd Street apartments, containing 8 units. In addition, 20 vacant homes in the City were renovated by Habitat for Humanity. Construction began on several projects including Internal Village and La Villa Hispana, which will have 60 units.

- The commercial revitalization team completed 34 Storefront Renovation Program projects in 2019 which included 11 comprehensive building rehabilitations, 18 neighborhood business signs and five downtown projects.

- The Department addressed lead hazards in 60 units through the Lead Hazard Reduction Grant. The City was awarded a High Impact Lead Hazard Reduction Grant in 2019 for $9.7 million.

- Under the Community Engagement Healthy Homes Initiative (HHI) Program, specialists assess neighborhood housing issues and help residents and landlords understand and remove environmental hazards and bring homes to housing code compliance. In addition, the program supports the Department's Exterior Paint Program by helping residents and landlords apply for and complete the paint program.

Department of Building and Housing

- The Department inspected, condemned and razed over 810 structures.

- Initiated 2,897 court cases against negligent property owners.

- Issued 6,473 violation notices.

- Issued 19,947 construction permits valued at $1.195 billon in new construction.

- Boarded-up and secured 2,027 vacant structures.

- Issued 1,304 condemnation notices.

Department of Economic Development

- The Department began to access $10 million in funding from JobsOhio for the environmental assessment and remediation of the Opportunity Corridor. The grants will help to create shovel-ready industrial development sites on land that is adjacent to the Opportunity Corridor, a $300 million investment connecting Cleveland's University Circle to the I-490 Interchange. Over 100 acres have been assessed and are positioned to begin remediation in 2020.

- The Department of Economic Development, through its partnerships, provided assistance to conduct 17 environmental assessments throughout the City. The assessments helped to further over 100 acres for redevelopment.

- The Neighborhood Retail Assistance Program provided $185,000 of assistance for five projects that leveraged over $400,000 of total project investment, helping to replace vacant storefronts with restaurants, cafés and locally-owned retail shops. The five small businesses will create 13 new jobs and include Cent's Pizzeria, UnBar Café and Vic's Floral.

- Under the Vacant Property Initiative (VPI) Program, the City provided approximately $600,000 in assistance to four borrowers. The total project cost for these borrowers is nearly $11.5 million and will create almost 70 new jobs with a few borrowers being Old Brooklyn Community Development Corporation, 18901 Euclid Avenue, LLC, W25D III, LLC and Tappan Building, LLC.

- Under the Mayor's Neighborhood Transformation Initiative, the first of 26 new homes are under construction and 40 senior residents have received assistance with stabilizing and improving their homes. The Glenville CircleNorth mixed-use building opened in the fall of 2019 with 67 residential units, a retail incubator with seven small businesses and a co-working space with enhanced programming to support start-up businesses.

Department of Public Health (CDPH)

- The Division of Environment inspected approximately 7,800 food operators, 130 pools and 330 schools. The Division responded to over 400 cases where high levels of lead were found in a child's blood. The Division investigated over 12,000 citizen nuisance complaints and issued 1,200 tickets.

- The Division of Health program, Mom's First, served over 1,100 participants in 2019. The infant mortality rate (IMR) for babies in the Mom's First program is 6.6 per 1,000 live births, compared to the overall IMR of 13.3 per 1,000 live births.

- The HIV programs distributed over 99,000 condoms, conducted 3,174 HIV tests and conducted 1,280 partner notification and testing services.

- Over 6,690 childhood immunizations, 67 HPV vaccinations, 680 Hepatitis A vaccinations and 790 flu shots were administered. Over 4,120 patients were seen in the health centers.

- Vital statistics issued 55,464 birth certificates and 63,979 death certificates.

- The Division of Air Quality completed 240 asbestos inspections and reviewed 2,140 asbestos projects, issued 529 City air permits, renewed Ohio EPA permits and issued 28 new Ohio EPA permits. The Division took 54 enforcement actions during the year.

- As part of the Department's responsibility to provide disease surveillance and emergency preparedness, epidemiologists investigated 3 outbreaks, participated in over 10 functional and full-scale exercises and 12 Emergency Operation Center Activations.

Department of Aging

- Provided core services to 6,420 unduplicated clients, including both older adults and adults with disabilities.

- Secured approximately $660,000 in grants to support programs for seniors and adults with disabilities.

- The Annual Senior Day program in May 2019 attracted more than 2,000 older adults. The Annual Cleveland Senior Walk, held in September 2019, had over 1,000 participants. The Annual Disability Awareness Day luncheon held in October attracted over 200 participants.

- Year three implementation of six age friendly strategies was successfully undertaken as part of the Age Friendly Cleveland plan. These strategies include access to technology, ADA/accessible vehicle listings, access to cultural events, encouraging gardening and age in place handymen.

- The Age Friendly Home Investment Program was launched with 123 households receiving a home repair grant.

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 $829,000 in penalties have been collected for non-compliance with Codified Ordinance No. 188.

- In December of 2019, the Cleveland Resident Employment Law was ruled to be in conflict with and was superseded by the Ohio Revised Code Section 9.75. The City can no longer enforce the Ordinance to employ city residents and low income residents on its construction contracts.

- 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.

- OEO continues utilizing two compliance software systems, Business to Government Now (B2GNow) and LCP. Adoption of this technology meets the Mayoral goal of efficiency through technology.

- Since 2013, OEO continued to maintain a registry of certified contractors. To date, there are 639 certified contractors in B2GNow and the certification team continues to provide in-depth consultation to applicants assisting them with certification and engaging contractors with doing business with the City. Additionally, the certification team provides business development and outreach through one-on-one meetings and sharing information through networking and outreach.

- In 2019, the certification team focused on aligning businesses based on the Small Business Administration's Size Standards Tool based on the North American Industry Classification System (NAICS) and average annual receipts and revenue.

- OEO worked to amend Codified Ordinance No. 187.14, as amended by Ordinance No. 532.13, relating to small contractor rotation programs. Additionally, Purchases and Supplies and OEO secured a grant for use in implementing a pilot rotation program through the Department of Public Works.

Department of Public Works

- The Division of Recreation served 75,701 nutritious after school and summer meals.

- The Division of Recreation partnered with the Cleveland Foundry to provide rowing programs to Cleveland youth.

- The Division of Recreation had 29 Showagon performances during 2019, with over 65 youth participants.

- In partnership with the Cleveland Cavaliers, the Division of Recreation renovated four recreation center gym floors.

- In 2019, Division of Recreation generated $36,000 from Field Permits, Facility Permits, Collinwood Concession/Complex, Halloran, League Park and Street Block Permits.

- In partnership with the Greater Cleveland Sports Commission, 32 youth participated in the Tri for Change youth outreach program in conjunction with USA Triathlon.

- The Division of Recreation held a STEM program that required the youth to build bicycles and learn the STEM associated with the construction. The Division awarded 12 bicycles in 2019.

- The Division of Recreation partnered with the Cleveland Cavaliers to develop the first eSports youth team.

- The Division of Recreation took over the operation of Highland Park Golf Course.

- The Division of Park Maintenance serviced 103,788 vacant properties, mowing each vacant lot four times through the year and performed 754 illegal dumpsite clean-ups.

- The Division of Park Maintenance, Urban Forestry unit, trimmed 7,594 trees, removed 566 trees and planted 654 new trees.

- The Division of Motor Vehicle Maintenance (MVM) purchased 67 new vehicles, which included 45 police vehicles, two ambulances, 10 waste collection trucks, one street sweeper, three plow trucks, four fire trucks, one chipper and one end loader.

- MVM relocated the body repair and collision facility to a new location that has six work bays and an overhead crane. The body repair technicians have the ability to perform a full range of repairs including major collision.

- MVM established an in-house training center where guest instructors from the major vehicle brands provide training to City technicians.

- The Division of Waste Collection collected and disposed of 243,825 tons of debris.

- The Division of Streets resurfaced 401,772 square yards of curb-to-curb projects.

- The Division of Traffic Engineering painted 455 miles of lane lines. All traffic signal bulbs are now Light Emitting Diode (LED) bulbs.

Department of Public Safety

- In 2019, the Division of Police (CPD) completed the upgrade of the Law Enforcement Record Management System which enables officers to electronically submit certain forms and reports and issue eCitations.

- CPD commenced Phase I of the Real Time Crime Center operation, providing critical investigative case support to the Homicide Unit, Gang Impact Unit and the five Police Districts to expedite the investigative timeline and to enhance case closures and bringing suspects to justice.

- CPD Community Engagement Officers and the Bureau of Community Relations Officers were involved in 2,261 community events. Examples of a few of these events include: community/neighborhood meetings, school engagements, Safety Fairs, coffee/ reading/ lunch with a cop and an ice cream social. All of these events enable officers to interact with the citizens of Cleveland in a positive informal environment.

- CPD trained all officers in Use of Force, Community Engagement & Problem Solving, Crisis Intervention, Bias-Free and Search & Seizure procedures in order to provide assistance to officers in order to keep current in today's dynamic environment.

- CPD in partnership with the prosecutor's office has compiled a Sexual Abuse Kits inventory for cases dating to 1989 and has submitted numerous kits for DNA testing.

- CPD successfully planned and executed safety and security for the 2019 Major League Baseball All-Star Game and festivities without any major issues. Several thousand people attended the festivities each day in downtown Cleveland. CPD, Federal, State and local law enforcement partners collaborated in a seamless integrated operation which led to safe and enjoyable events for those in attendance.

- The Division of Fire (CFD) became a registered agency for International Accreditation in 2019. The requirements for accreditation are improved transparency, accountability and professionalism of the CFD.

- CFD implemented a new code enforcement inspection schedule based on building hazard classes. This program has allowed us to use our inspector's time more efficiently. The more hazardous buildings and buildings with higher life hazards are inspected more frequently than structures that are not very hazardous or have a low life hazard.

- CFD implemented a new quality control program with performance benchmarks and weekly reporting in the Fire Prevention Bureau. Through the accreditation process, this program will be developed for every bureau/unit within CFD. We anticipate that this will improve CFD's performance and consistency.

- CFD deployed 185 new G-1 SCBAs for all suppression companies. All members received a new personal SCBA face piece. This equipment provides clean breathing air to firefighters when working in environments that are dangerous to life and health and will assist in mitigating emergency situations.

- New emergency scene lights were distributed to all chiefs, ladder companies and rescue squads. The lights enable firefighters to operate more safely in fire structures, at MVA scenes and confined space rescue incidents.

- The Fire Training Academy purchased Driver Simulator to be used to train firefighters providing a unique risk-free method of teaching firefighters to drive fire trucks.

- The City of Cleveland Division of Emergency Medical Service (EMS) logistics section replaced/replenished over 330 First Aid Kits and 300 naloxone kits utilized by the CPD to provide life-saving first aid. First Aid, CPR, choking and AED training were continued by CPD.

- EMS continues to partner with our local hospital systems to identify opportunities to establish programs to meet the increasing medical needs of the community. The collaborative efforts include the agreement of the four hospital systems to have the emergency departments remain open to EMS traffic at all times. This ensures that patients are able to remain within their hospital network unless a specific medical or traumatic emergency dictates otherwise.

- The Department of Public Safety continued its partnership with the MetroHealth system to provide Public Safety Medical Director services, which include Medical Director oversight for the EMS, CFD and CPD. In 2019, EMS graduated the first EMS Fellow, Dr. Brian Miller and welcomed the second EMS Fellow, Dr. Jennifer DeMarco.

- EMS continues to partner with the Department of Aging on the Matter of Balance Program which focuses on improving balance and decreasing the fear of falling; and the Senior Power Program designed to increase knowledge and awareness in the areas of crime prevention, fire hazards, emergency services and programs. EMS provides instruction for these programs. The File of Life Emergency Medical Safety Program continued in 2019. The File of Life is an emergency preparedness magnetic file that promotes safety and peace of mind by having important information about medical history, emergency contacts and medications all in one place in the event of an emergency. The File of Life is designed to hang on the outside of a refrigerator and is available to emergency responders when seconds matter.

- The City continues its agreement with the Cuyahoga County Sheriff assuming all jail duties for the City of Cleveland. All City jail facilities have been closed and all arrests within the City of Cleveland are booked, processed and housed at the Cuyahoga County jail.

- The Office of Professional Standards and the Civilian Police Review Board are working closely with the DOJ and the monitoring team to ensure that citizen complaints involving sworn and civilian employees of the CPD are thoroughly investigated and resolved. New operating manuals for the Office of Professional Standards and the Civilian Police Review Board have been drafted and staffing levels have been increased to ensure complaints are investigated timely and resolved fairly and impartially. These changes have been implemented to build trust and accountability.

- The Division of Animal Care and Control (ACC) opened the brand new, state-of-the-art kennel in March 2019. The 15,500 square foot facility embodies the current best practice standards for kennels and meets the City of Cleveland's goal of LEED Silver Energy and Environmental Design Standards. The innovative design provides a safe, clean and healthy environment to support staff and volunteers in the care of animals and the promotion of animal adoption. Additional staff was hired to meet the approved budgeted levels, including a full time veterinarian and kennel manager. The new kennel has also enhanced volunteer involvement to permit more dogs to be exercised outside for fresh air and enrichment.

- The City of Cleveland has been named a Certified City in the BETTER CITIES FOR PETS program. This program celebrates cities that value pets and commit to being more pet-friendly.

- ACC continues to wear body cams to better protect them out in the field. All employees have received training geared toward enhancing their skills and knowledge on various topics such as Fear Free Handling, Alert-Lockdown-Inform-Counter-Evacuate (A.L.I.C.E) training, Humane Society of the United States classes and Medical and Legal training classes.

- ACC continues to partner with the Marion C. Seltzer School to provide the "Marion C. Seltzer School Pup Star Readers" program. This program brings students into the kennel once a month to read to the dogs. The program continues to be a huge success.

- ACC continues its partnership with Cleveland Municipal Court to provide a program for individuals who have committed animal-related offenses. The "AROC" (Animal Related Offenses Class) program's goal is to help educate and create more responsible pet owners. The class is taught by two Animal Control Officers.

Department of Public Utilities

- The Division of Water services not only the City, but also 69 direct service communities, seven master meter communities and three emergency standby communities. They provide water to approximately 433,000 city and suburban accounts in the Cleveland metropolitan area. Of these 433,000 accounts, approximately 118,000 accounts were located within the City; accounting for 24.2% of the Division's metered sales revenue. The Division provides billing and payment services for the Northeast Ohio Regional Sewer District (NEORSD), HomeServe USA Corp. and other communities. The major capital projects included City and suburban water main renewals, plant enhancement programs and secondary site improvements.

- The Division of Cleveland Public Power (CPP) provided approximately 74,000 residential and business customers in the City with reliable and affordable power. In 2019, CPP sold approximately 1.589 billion Kilowatt hours (kWh) of electricity. In 2019, the major capital projects for the Division of CPP included the Southern Transmission Line, LED street lights, switches and underground cables.

- 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 12 pump stations. In 2019, the Division's sewers transported 1,674,321 thousand cubic feet (Mcf's) of water. In 2019, the major capital projects included rehabilitation of the East 185th Street and Marcella Road sewer lines, motor vehicles, and additional sewer relinings and installations.

Department of Port Control

- During 2019, Cleveland Hopkins International Airport (CLE) enplaned 5,023,316 passengers and had aircraft landed weight of 5,928,580,000 pounds.

- CLE substantially completed the North Airfield Improvements Phase II Project which included work on Taxiways Romeo & Bravo and substantial storm water improvements.

- CLE substantially completed the Upper Level Expansion Joints Rehabilitation Project which included roadway improvements to the Terminal Upper Road.

- CLE awarded the master and Airport Layout Plan, providing a roadmap for the Airport to follow for the next 25 years.

Department of Law

- Drafted approximately 395 contracts and reviewed 1,028 contracts for legal form and correctness.

- Prepared and processed 475 pieces of legislation for introduction to City Council.

- Obtained 672 search warrants for Housing Court enforcement actions and helped the Department of Building and Housing obtain legal authorization for 1,137 demolitions of unsafe structures in the City.

- Responded to 248 subpoenas for public records.

- Processed 20,437 requests on the City's web-based records request system GovQA.

- Processed 595 claims for property damage and other losses.

- Represented the City in 773 civil cases pending in various Ohio state and federal courts.

- Prosecuted 2,809 criminal complaints in housing court for failing to comply with the Department of Building and Housing administrative orders at sites with code violations found at properties.

- Processed 2,894 citizen complaints in the prosecutor's office.

- Issued 16,148 misdemeanor charges, of which, 1,183 were domestic-violence and issued 3,901 felony charges, of which, 384 were domestic violence.

- Issued 1,505 operating vehicle impaired charges and 36,508 traffic offense charges.

- Represented the City in 76 liquor permit hearings and processed 204 liquor permit requests.

Mayor's Office of Prevention, Intervention and Opportunity for Youth and Young Adults (PIOYYA):

- Partnered with 46 providers to offer over 60 new programs beyond traditional sports and recreational activities that are aimed at providing youth and the community access to center-based resources, programs and activities that address the root causes of violence; promote healing, wellness, resiliency and self-efficacy; and support our residents in developing the skills and knowledge required to thrive and live quality lives. Programming centers around six (6) areas: Youth and Adult Education; Job and Career Readiness; Health and Wellness; Youth Leadership Development, Mentorship and Community Service; The Arts; and Sports and Recreation.

- Completed phase 1 of the Toxic Stress/Trauma Management project, designed to transform the City's 22 recreation centers into trauma-informed neighborhood resource and recreation centers. As a part of this project, 11 social-worked trained trauma-informed care coaches were hired through a contractor to connect patrons of the centers to community-based resources and support services. Through this initiative over 300 individuals received support and/or connections to resources/services.

- Provided 220 youth summer employment and internship opportunities, job and career readiness training and life skills training in collaboration with Youth Opportunities Unlimited.

- Created juvenile reentry and diversion programs designed to connect high-risk and formerly incarcerated youth with appropriate resources/support services and job opportunities. Over 50 youth were served through this initiative.

Office of Capital Projects

- The Office of Capital Projects completed construction on several projects including, but not limited to the:

    - Matherson Culvert replacement,
    - Carter Lift Bridge,
    - Harvard Ave resurfacing from East 116th Street to Lee Road,
    - Innerbelt Eastbound Bridge Phase II,
    - Clark Avenue from Lorain Avenue to West 41st Street,
    - Martin Luther King Boulevard rehabilitation from Kinsman Road to Shaker Boulevard,
    - East 116th Street from Union Avenue to Shaker Boulevard,
    - Madison Avenue from West 117th St to West Boulevard.

- In conjunction with the City's resurfacing program, 618 American with Disability Act (ADA) ramps were installed.

- Completed 89 required inspections and inventory of bridges.

- The Office of Capital Projects inspected 1,479 roads, bridges, subdivisions and utility cut projects in the public right of way to ensure quality control.

- The Office of Capital Projects furthered the City's neighborhood revitalization efforts through the implementation, construction and/or rehabilitation of City facilities and infrastructure, design and/or construction of roof repairs or replacement at two recreation centers and mechanical improvements at four recreation centers. Other public facility improvements included 205 St. Clair Façade, Music Hall improvements, New City Kennel, Fire Station 01 mechanical and general improvements, Fire Station 04 plaza work and general MEP improvements, Police Ordinance Industrialized Units and EMS Lighting Project.

- Managed the Towpath Trail Project, including Stage Four, Literary to Canal Basin.

- Continued oversight of right of way and real estate matters for roads and bridge reconstruction projects including: NEORSD City Land Swap for C. VanDuzer Property, Opportunity Corridor, Hudson and Frand Roadway Extensions, Shoreline Apartments Phase Two and Lipscomb Cliff Drive.

- Handled real estate transactions needed for various public works and private development projects including: Circle North, Morgana Bluffs Nature Preserve and Learning Center, Cleveland Institute of Art Dormitory, Harbor Verandas, Canal Basin Park, Mounted Police, Irishtown Bend, Civic Builders' homes on Carter Road, Gold Star Family Memorial in University Circle, Flats East Phase II, Quicken Loans Arena Transformation Project, Loew Park and William Cullen Bryant Elementary School, OHV and BMX Park Development Project, Urban Agriculture Innovation Zone and the Scranton Road Bridge Improvement Project.

- Negotiated and completed leases or lease renewals with Case Western Reserve University for the Nord Family Greenway, Cleveland Museum of Art and Kufner Towing.

- Oversaw and coordinated real estate matters for the Cleveland Metropolitan School District's master facilities plan, NEORSD Project Clean Lake green and grey infrastructure projects, NEORSD storm water management projects and various projects with the Cleveland Metroparks and City's Department of Public Utilities.

Office of Sustainability

- Continued managing and reporting on utility and energy data for City facilities. Since 2010, the City's overall energy consumption is down 1.5% on a weather normalized basis and is using 7% less energy per square foot of building space, saving approximately $2.8 million per year.

- Hosted Mayor Jackson's 11th Annual Sustainable Cleveland Summit and celebrated the Year of People throughout 2019.

- Secured or managed the following grants: $180,000 from the U.S. Forest Service to plant more than 200 trees in the Cudell and Buckeye-Shaker neighborhoods and to plant 150 trees in the Bellaire-Puritas and St. Clair-Superior neighborhoods; $250,000 from the Northeast Ohio Regional Sewer District to install a rain collection cistern at the new City Kennel; $442,000 from the U.S. Environmental Protection Agency (EPA) to install approximately 20,000 square feet of permeable pavers and plant 150 trees at Marion Motley Park; $100,000 from Partners for Places, Cleveland Foundation and Gund Foundation to support a 100% renewable energy feasibility study, with a focus on equity and workforce development; $5,000 from the Cuyahoga County Solid Waste District; $40,000 from the National Recreation and Parks Association to support the City's goal of having all residents live within a 10-minute walk of a clean, safe, programmed park.

- Supported the addition of 15 more miles of bike infrastructure, including trails, bike lanes and sharrows.

- Continued implementation of the Cleveland Climate Action Plan and support of local, resident-led projects through the Cleveland Climate Action Fund.

- Continued to receive an 'A' score on the 2019 CDP (Carbon Disclosure Project) disclosure on the City's progress with the Climate Action Plan goals and actions.

- Convened the Cuyahoga50 celebration, consisting of more than 50 events throughout the year (25 on the anniversary weekend) and representing a collaboration of more than 300 organizations to celebrate our progress and address today's threats to clean water for all.

- Distributed more than 300 rain barrels to City residents at 11 community rain barrel workshops.

- Completed the 2018-2019 Youth Sustainability Leadership Program.

- Continued outreach through the "Don't Break the Lake" and "Skip the Straw" campaigns aimed at reducing plastic waste in our waters, especially from disposable plastic bags, water bottles and straws.

- Continued to support community choice electricity aggregation with Northeast Ohio Public Energy Council (NOPEC) resulting in overall cost savings, rate stability and 100% renewable energy for residents and small businesses.

- Supported Northeast Ohio Areawide Coordinating Agency's 2019 Commuter Choice Challenge and encouraged employee participation in the Gohio Commute online tracking platform.

2020 Budget

The City passed a structurally balanced budget for fiscal year 2020 on March 23, 2020. The continuation of service related enhancements will impact the Departments of Public Safety, Public Works, Public Health and Building and Housing. The City intends to maintain the continuation of stringent, conservative fiscal policies which supports financial accountability and efficient delivery of services throughout the City. However, at this time, the adverse economic impact of the COVID-19 pandemic is uncertain to accurately predict. The City is anticipating decreases in income tax and other revenues and will continue to monitor the status of all collections. The City instituted a hiring freeze on non-critical positions and will keep the freeze in effect until collections have been determined to maintain a balanced budget. Other measure such as layoffs and Rainy Day transfers will be considered if necessary.

The estimate of receipts and expenditures for all General Fund departments and divisions, per the 2020 budget are as follows:

- Total revenues and other financing sources are projected to be $672.9 million. The City's income tax is the largest source of revenue. It is generated by a 2.5% rate on wages for Cleveland residents and non-residents; The City is anticipating to collect $444.3 million in income tax for 2020.

- Total expenditures and other financing uses are estimated to decrease from $685.7 million in 2019 to $670.6 million in 2020. This decrease is due to one-time expenditures, specifically relating to the lead abatement program and demolition of vacant and abandoned structures.

- Since January 2019, the Cleveland Division of Police graduated 182 new officers. The 2020 budget supports increased staffing levels in the Domestic Violence and Crisis Intervention Teams. The City is anticipating the completion of the new Police headquarters in the next two to three years. EMS graduated 19 trainees during 2019 and has a class of 19 recruits that will graduate in the first half of 2020 to maintain increased ambulance service and respond to high volume activity. The Division of Fire graduated 21 firefighters to support deployment activities. Building and Housing is continuing to demolish blighted and abandoned structures through our Safe Routes to School program which eliminated 651 structures within 1,000 feet of walking routes to school in 2019. We also demolished an additional 159 properties throughout the City. The Department of Public Works will continue using its enhanced budget to improve city services, such as street sweeping, pothole repair, waste collection, leaf pick-up, tree-trimming, tree planting and tree removal services.

Long-term financial planning:

The City is well positioned for the future as the City continues to make investments that create increased service delivery, economic development and expanded opportunities in all neighborhoods. During 2019, we directed $14 million to enhance our demolition program, $13 million for the 2020 street resurfacing program, $8 million for vehicle acquisition, $3 million for Information Technology and $5 million for the lead initiative. This will help strengthen the health and economic impact within our neighborhoods. Lastly, we directed $5 million to the Rainy Day Fund to help safeguard the city from an economic downturn as a result of volatility at the global, national and state levels.

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

- Sherwin Williams announced the location of their new headquarters in downtown Cleveland and will redevelop several vacant parking lots on Cleveland's Public Square. The Headquarters will keep over 3,100 employees in downtown and employment is expected to grow by 400 in the next decade. Construction is expected to be completed by 2023.

- INTRO, a $125 million mixed-use project in Cleveland's Ohio City neighborhood across from the historic West Side Market, broke ground earlier this year. The project will provide almost 300 apartments as well as retail space to a major intersection in the City. The project will be constructed using an innovative mass timber design and will be one of the tallest buildings of that type in the United States.

- Mayor Frank G. Jackson's Neighborhood Transformation Initiative has undertaken several projects in the Glenville neighborhood, including new housing starts, housing rehab, senior housing repair and the construction of the $14,000,000 Glenville CircleNorth project, a mixed-use development featuring a retail incubator with seven locally-owned small business starts.

Business Incentives and creating Economic Development

Note 20 – Tax Abatements are a requirement in the City's CAFR, based upon GASB Statement No. 77, *Tax Abatement Disclosures*. This footnote disclosure focuses on lost tax dollars and the costs to government entities. The following will reveal the benefits derived from offering business incentives.

Department of Economic Development

The City uses tax increment financing (TIF) authorized by the Ohio Revised Code (ORC) Chapter 5709 as a tool to support development in the City. TIFs are often used to support financing to close project funding gaps, without which the project would not be able to move forward. Most TIFs authorized by the City are Non-School TIFs, providing that the Cleveland Metropolitan School District receives its share of the tax revenues generated by the development, approximately 60% of the total taxes. TIFs are analyzed by the Department staff to ensure that the project meets a but-for test, confirming that the development would not proceed without the incentive, as well as to determine that the City receives an adequate return on its investment in the form of other taxes, job creation and retention or policy goals.

TIFs authorized within the last ten years have leveraged over $2.0 billion in investment in the City. As a result of these projects, thousands of jobs have been created, adding millions of dollars to the City in total payroll and income tax revenue generated annually. In addition, TIF projects have resulted in the development of 1,387 hotel rooms in the City, helping to support the City's tourist and convention industries and generating bed and sales tax revenues.

A recent success story involved Casto, a privately held, fully integrated real estate services firm that recently purchased property located on the corner of West 28th Street and Franklin Boulevard. They are developing a mixed use development of approximately 112 market rate and workforce housing apartment units, 8,800 square feet of retail space and indoor parking for residents.

The City is providing a non-school TIF to assist with the Development. The total project investment is expected to exceed approximately $29 million and the project is expected to create approximately 26 new full time jobs with an approximate payroll of $700,000.

Department of Community Development

The Community Reinvestment Area (CRA) Program is a direct incentive tax exemption program benefiting property owners who renovate existing or construct new residential buildings to encourage revitalization of the existing housing stock and the development of new structures. This program permits municipalities or counties to designate areas where housing investment has been discouraged.

The tax abatement process starts with the applicant completing an application with supporting documentation of the completed construction/rehabilitation work.

The City reviews the application to ensure the applicant meets program requirements; if the application is in compliance with the program requirements the City will approve and grant the tax abatement. The City notifies and provides a copy of the instrument granting the tax exemption to the Cleveland Municipal School District. The City forwards the application to the Cuyahoga County Fiscal Officer office for further processing. The Cuyahoga County Appraisal Department under the County Fiscal Officer, assigns taxable values to new construction or remodel residential property.

The tax abatement program is an important and useful tool; for developers as an attractive incentive for promoting home sales; for homebuyers by making homeownership more affordable; and for the City, helping to make it a city of choice.

The City is required by Statute, to file online annually, by March 31^{st}, all CRA tax abatement information with the State of Ohio.

The City, pursuant to various sections (5709 and 3735) under the Ohio Revised Code, established a housing council. This housing council consists of seven members: two are appointed by the Mayor, one member is appointed by the Planning Commission, two members are appointed by City Council and two are appointed from the other members of the housing council. They serve three year terms. Their purpose is to look at the property conditions of the residential properties that have been granted CRA incentives.

Tax abatement is available to both homeowners and developers. Work must be completed under a permit issued by the City's Department of Building and Housing on property located in the City only. During 2016, the length or term of abatement would vary from 10 to 15 years depending on the type of project respectively. For tax abatements processed after August 8, 2017, pursuant to Ordinance No. 244-17 passed May 22, 2017 and effective May 24, 2017, the term for all projects eligible for CRA tax abatement is 15 years.

The Residential Property Tax Abatement Program aims to:

- Stimulate community revitalization
- Retain city residents and attract new residents
- Attract homeowners
- Reduce development costs for homeownership and rental projects

Residents and developers seeking tax abatement for residential projects must meet GBS.

The GBS is designed to save homeowners money on utilities and support local green jobs, while also improving the health of the community and reduce our collective contribution to climate change. GBS also creates direct benefits for developers and builders, including cost savings from efficient operation, a marketing advantage and public recognition for high performance homes. Tax abatement has contributed to the development of 22,749 units of housing dating back to 1994. Since 2010 (the first year of GBS), 4,730 GBS units were completed. In 2018, a total of 784 units met the GBS.

- Single family – 94 new construction, 71 rehabs
- Multi-family – 461 new construction, 164 rehabs

The City has offered tax abatements to various affordable housing development projects. The tax abatement program has made affordable low income housing development projects more affordable to operate and to pass savings on to tenants by providing lower rents. These types of housing development projects are not financially feasible without the total funding package that includes tax abatement.

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, 2019, represents the 39th 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, 2018. 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 35 years (years ended 1984 – 2018). 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

Sharon Dumas	Director, Department of Finance/Interim Chief of Staff
Darnell Brown	Chief Operating Officer
Valarie J. McCall	Chief of Communications, Government & International Affairs
Monyka Price, Ph.D	Chief of Education
Jason Woods	Chief of Sustainability
Natoya J. Walker Minor	Chief of Public Affairs
Edward W. Rybka	Chief of Regional Development
Tracy Martin-Thompson	Chief of Prevention, Intervention and Opportunity for Youth and Young Adults
Barbara Langhenry	Director, Department of Law
Karrie D. Howard	Director, Department of Public Safety

ADMINISTRATION

Mary McNamara	Director, Department of Aging
Ayonna Blue Donald	Director, Department of Building and Housing
Freddy L. Collier, Jr.	Director, City Planning Commission
Michael Spreng	Secretary, Civil Service Commission
Tania Menesse.	Director, Department of Community Development
Grady Stevenson, Jr.	Director, Community Relations Board
David Ebersole	Director, Department of Economic Development
Nycole West	Director, Department of Human Resources
Matthew L. Spronz	Director, Mayor's Office of Capital Projects
Melissa K. Burrows, Ph.D.	Director, Office of Equal Opportunity
Sabra T. Pierce-Scott	Director, Mayor's Office of Quality Control and Performance Management
Robert Kennedy.	Director, Department of Port Control
Merle Gordon	Director, Department of Public Health
Robert L. Davis.	Director, Department of Public Utilities
Michael Cox	Director, Department of Public Works

CITY OF CLEVELAND, OHIO

City Council

Kevin J. Kelley	President of Council / Ward 13
Phyllis E. Cleveland	Majority Leader / Ward 5
Blaine A. Griffin	Majority Whip / Ward 6
Patricia J. Britt	City Clerk, Clerk of Council
Joseph T. Jones	Ward 1
Kevin L. Bishop	Ward 2
Kerry McCormack	Ward 3
Kenneth L. Johnson, Sr.	Ward 4
Basheer S. Jones	Ward 7
Michael D. Polensek	Ward 8
Kevin Conwell	Ward 9
Anthony T. Hairston	Ward 10
Brian Mooney	Ward 11
Anthony Brancatelli	Ward 12
Jasmin Santana	Ward 14
Matt Zone	Ward 15
Brian Kazy	Ward 16
Charles Slife	Ward 17

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland

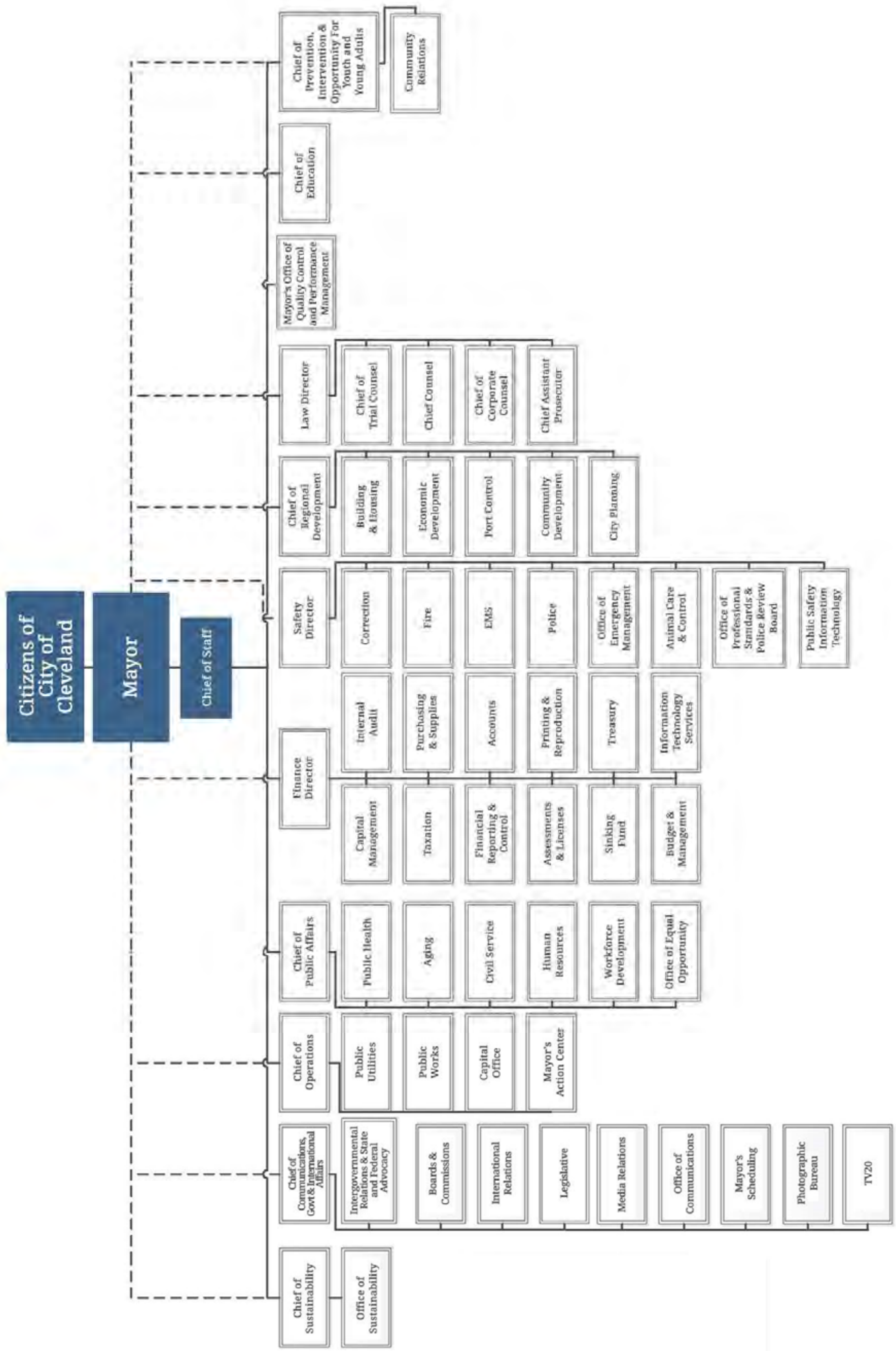
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

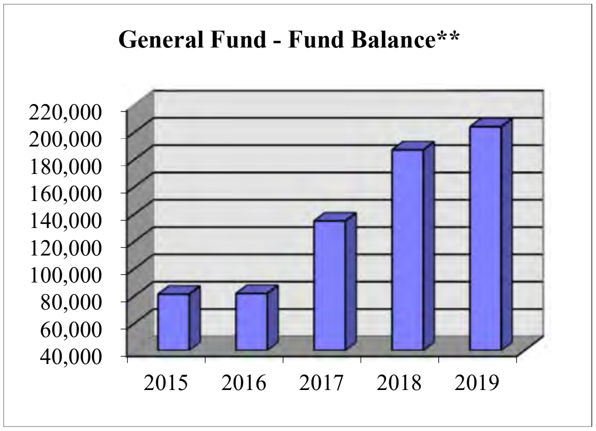
Christopher P. Morrill

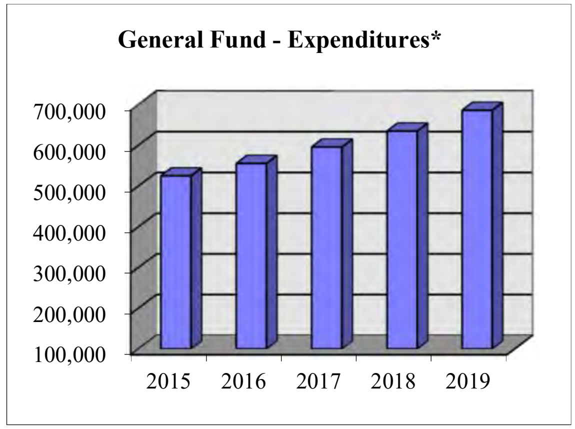
Executive Director/CEO

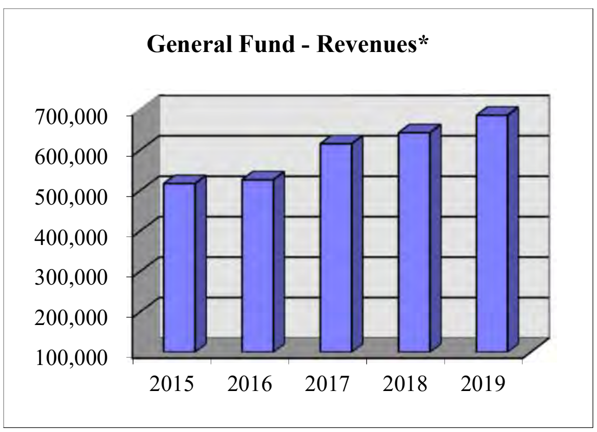

Citizens of City of Cleveland
Mayor
Chief of Staff
Chief of Sustainability
Office of Sustainability
Chief of Communications, Govt & International Affairs
Intergovernmental Relations & State and Federal Advocacy
Boards & Commissions
International Relations
Legislative
Media Relations
Office of Communications
Mayor's Scheduling
Photographic Bureau
TV20
Chief of Operations
Public Utilities
Public Works
Capital Office
Mayor's Action Center
Chief of Public Affairs
Public Health
Aging
Civil Service
Human Resources
Workforce Development
Office of Equal Opportunity
Finance Director
Capital Management
Taxation
Financial Reporting & Control
Assessments & Licenses
Sinking Fund
Budget & Management
Internal Audit
Purchasing & Supplies
Accounts
Printing & Reproduction
Treasury
Information Technology Services
Safety Director
Correction
Fire
EMS
Police
Office of Emergency Management
Animal Care & Control
Office of Professional Standards & Police Review Board
Public Safety Information Technology
Chief of Regional Development
Building & Housing
Economic Development
Port Control
Community Development
City Planning
Law Director
Chief of Trial Counsel
Chief Counsel
Chief of Corporate Counsel
Chief Assistant Prosecutor
Mayor's Office of Quality Control and Performance Management
Chief of Education
Chief of Prevention, Intervention & Opportunity For Youth and Young Adults
Community Relations

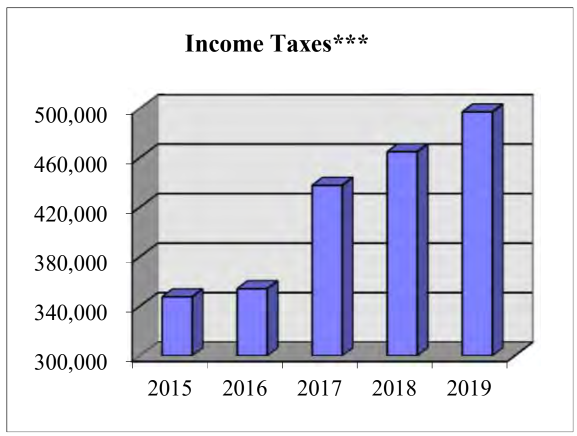
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(Amounts in Thousands)









For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
2015	81,209	516,783	524,938	347,565
2016	81,722	526,199	555,470	354,151
2017	134,860	615,244	595,844	437,676
2018	186,909	642,595	634,937	464,803
2019	203,892	685,652	685,734	496,973

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

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FINANCIAL SECTION

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Subsequent Event Footnote

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. 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 and OPEB liabilities and pension and OPEB 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 introductory section, combining and individual nonmajor fund financial statements, 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 and statistical sections 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 25, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 25, 2020

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CITY OF CLEVELAND, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cleveland (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2019. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 58.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2019 by approximately $2.533 billion (net position).

- Of the approximately $2.533 billion of net position, governmental activities accounted for approximately $253.4 million of net position, while business-type activities net position accounted for approximately $2.280 billion.

- The City's net position increased by $325.5 million as compared to 2018. The governmental activities net position increased by $283.7 million and the business-type activities net position increased by $41.8 million.

- At the end of the current year, unassigned fund balance for the General Fund was $114.9 million, which represents the amount available for spending at the City's discretion. The unassigned fund balance equals 18.2% of the total General Fund expenditures and other financing uses.

- In 2019, the City's total long-term debt and other long-term debt-related obligations, excluding premiums, accreted interest and discounts decreased by $93.1 million. The decrease is due to payments made on debt of $150.2 million offset by a new debt issue for General Obligation bonds of $51.0 million and new loans payable of $6.1 million.

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; sewer; electricity; and airport facilities.

The government-wide financial statements can be found on pages 58-61 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 31 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 and the Public Health Fund, which are considered to be major funds. Data from the other 29 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 62-65 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, Water Pollution Control 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 66-70 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 71 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 73-131 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, 2019 and 2018

	Governmental Activities		Business-Type Activities (Amounts in Thousands)		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Assets:						
Current and other assets	$ 1,058,523	$ 1,021,723	$ 1,222,713	$ 1,228,070	$ 2,281,236	$ 2,249,793
Capital assets	1,252,272	1,237,652	3,032,996	3,039,201	4,285,268	4,276,853
Total assets	2,310,795	2,259,375	4,255,709	4,267,271	6,566,504	6,526,646
Deferred outflows of resources	338,567	194,274	131,067	99,170	469,634	293,444
Liabilities:						
Net pension liability	929,193	631,189	224,015	127,074	1,153,208	758,263
Net OPEB liability	221,047	540,378	105,347	86,570	326,394	626,948
Long-term obligations	969,070	969,452	1,539,753	1,635,759	2,508,823	2,605,211
Other liabilities	161,408	168,394	234,350	233,190	395,758	401,584
Total liabilities	2,280,718	2,309,413	2,103,465	2,082,593	4,384,183	4,392,006
Deferred inflows of resources	115,294	174,607	3,617	45,948	118,911	220,555
Net position:						
Net investment in capital assets	722,633	714,288	1,633,097	1,544,414	2,355,730	2,258,702
Restricted	208,522	188,612	207,837	219,202	416,359	407,814
Unrestricted	(677,805)	(933,271)	438,760	474,284	(239,045)	(458,987)
Total net position	$ 253,350	$ (30,371)	$ 2,279,694	$ 2,237,900	$ 2,533,044	$ 2,207,529

The net pension liability is reported by the City at December 31, 2019 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. For fiscal year 2018, the City adopted GASB Statement No. 75, which significantly revises accounting for costs and liabilities related to OPEB. 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 City is not responsible for certain key factors affecting the balance of these liabilities. 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 ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

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 $2.533 billion at the close of the most recent fiscal year. This represents an increase of 14.7% in 2019. Of the net position from governmental activities, $722.6 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, $208.5 million, represents resources that are subject to external restrictions on how they may be used.

In 2019, the total assets and deferred outflows of resources from governmental activities increased by $195.7 million. This increase is primarily attributed to an increase in cash and cash equivalents of $54.0 million and deferred outflow of resources of $144.3 million. The increase in deferred outflow of resources is related to pension due to investment returns falling short of expectations. The increase in cash and cash equivalents relates to an increase in income taxes due to a stable economy, higher interest rates, and lower unemployment rates.

Also in 2019, the total liabilities and deferred inflows of resources from governmental activities decreased by $88.0 million. This was caused primarily due to a decrease in the OPEB liability due to changes in assumptions and investment returns for pension falling short of expectations.

Of the business-type net position, $1.633 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 $207.8 million of net position is subject to external restrictions on their use. The remaining balance of $438.8 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

In 2019, business-type total assets and deferred outflows of resources increased by $20.3 million. This increase is primarily attributed to an increase in deferred outflow of resources mainly attributed to changes in assumptions and decreases in investment returns in the pension plan.

Business-type total liabilities and deferred inflows of resources decreased by $21.5 million due to a decrease in derivative instrument interest rate swaps of $8.0 million, due to being terminated, and deferred inflow of resources related to pension of $28.2 million. This was offset by an increase in OPEB liability of $18.8 million.

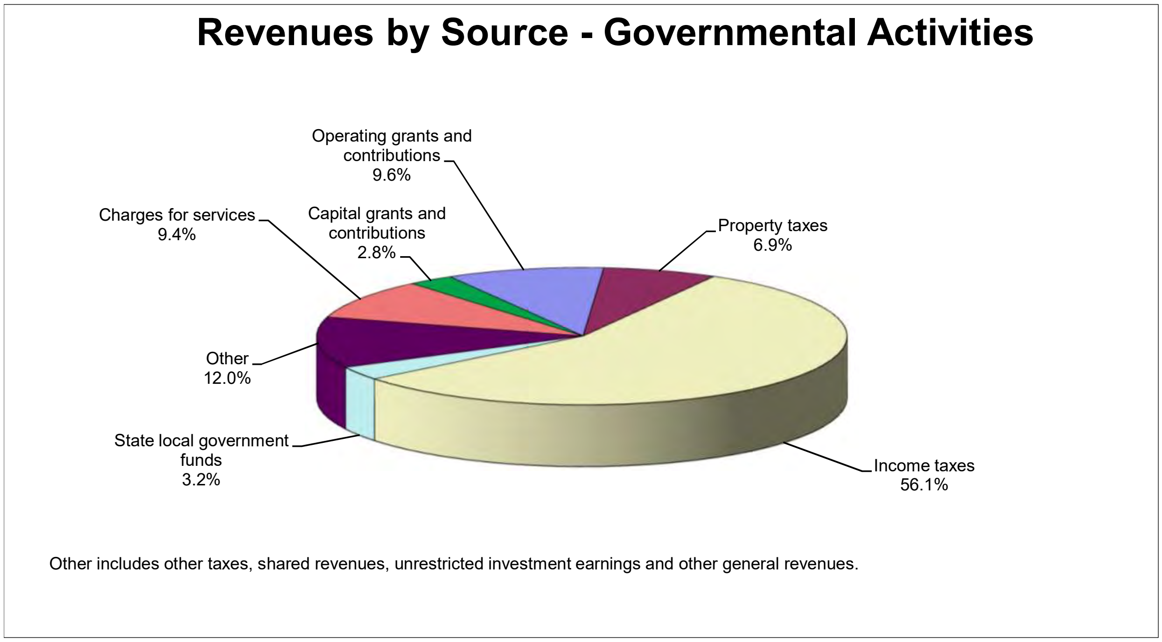
Information regarding government-wide changes in net position is provided below:

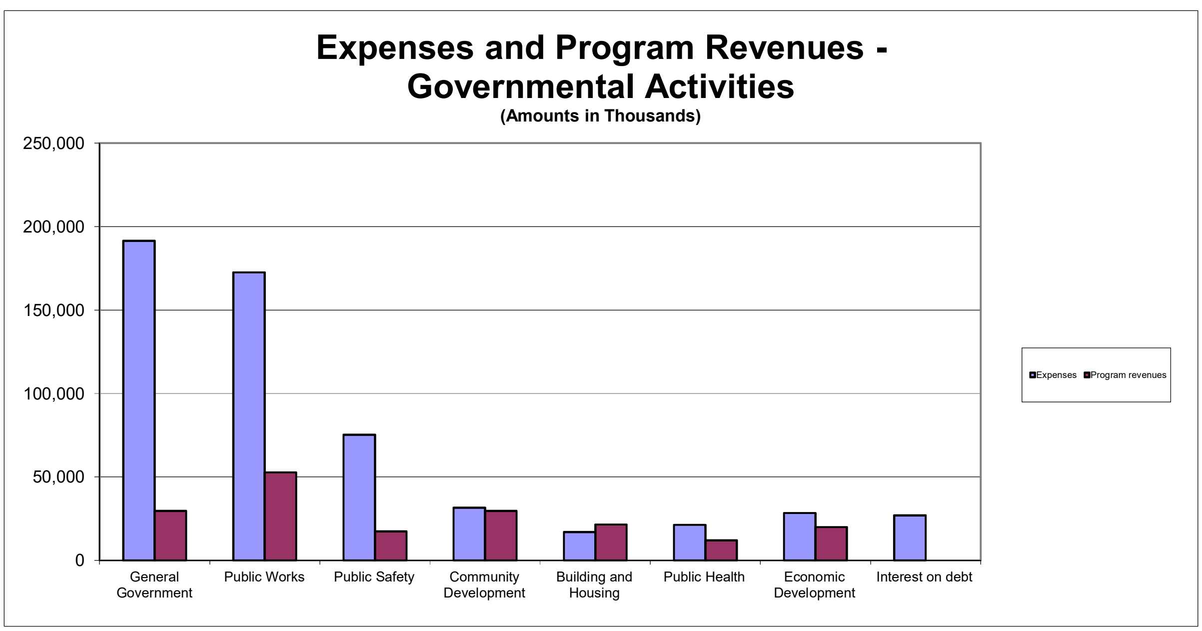
Changes in Net Position
For the Years Ended December 31, 2019 and 2018

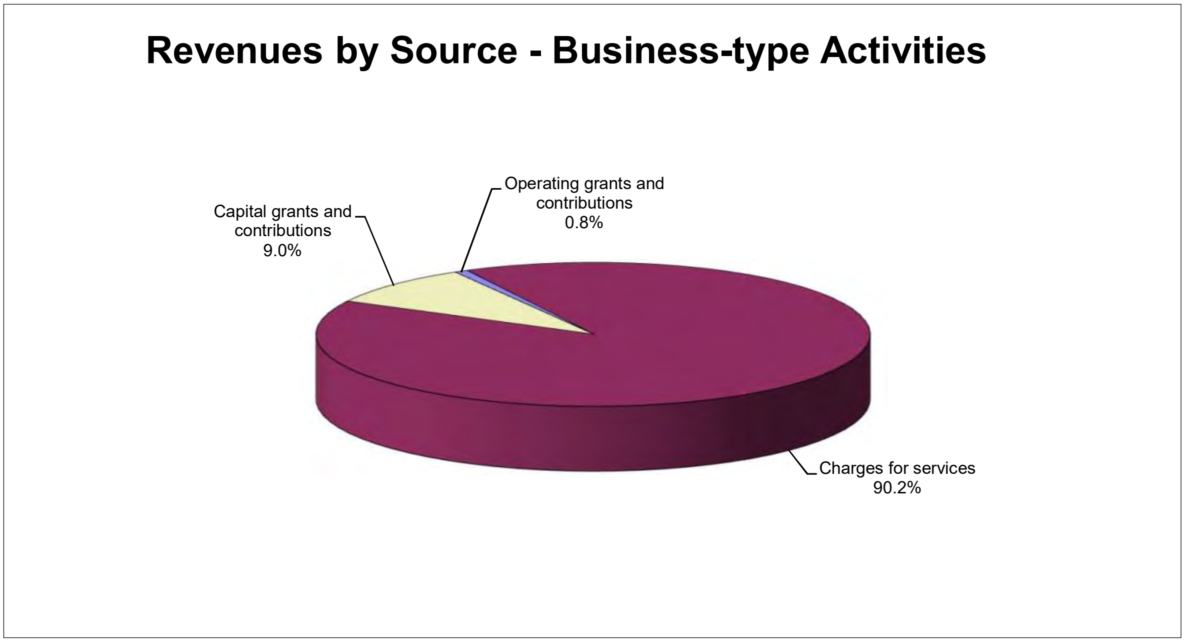
	Governmental Activities		Business-Type Activities		Total	
	(Amounts in Thousands)					
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 79,061	$ 76,726	$ 724,592	$ 714,588	$ 803,653	$ 791,314
Operating grants and contributions	80,294	84,101	6,329	10,742	86,623	94,843
Capital grants and contributions	23,279	21,128	77,512	78,329	100,791	99,457
General revenues:						
Income taxes	487,077	480,966			487,077	480,966
Property taxes	58,252	53,839			58,252	53,839
Other taxes	44,633	45,235			44,633	45,235
Unrestricted shared revenues	20,894	19,338			20,894	19,338
State local government funds	26,658	25,191			26,658	25,191
Unrestricted investment earnings	14,997	10,730	26	24	15,023	10,754
Other	20,210	19,070	625		20,835	19,070
Total revenues	855,355	836,324	809,084	803,683	1,664,439	1,640,007
Expenses:						
General Government	191,388	157,730			191,388	157,730
Public Works	172,526	151,476			172,526	151,476
Public Safety	75,355	415,703			75,355	415,703
Community Development	31,523	33,464			31,523	33,464
Building and Housing	16,974	15,294			16,974	15,294
Public Health	21,269	19,189			21,269	19,189
Economic Development	28,428	27,251			28,428	27,251
Interest on debt	27,059	26,286			27,059	26,286
Water			316,588	302,725	316,588	302,725
Sewer			31,318	29,061	31,318	29,061
Electricity			220,883	218,261	220,883	218,261
Airport facilities			187,779	173,624	187,779	173,624
Nonmajor activities			17,834	15,802	17,834	15,802
Total expenses	564,522	846,393	774,402	739,473	1,338,924	1,585,866
Changes in net position before transfers	290,833	(10,069)	34,682	64,210	325,515	54,141
Transfers	(7,112)	(4,852)	7,112	4,852	-	-
Changes in net position	$ 283,721	$ (14,921)	$ 41,794	$ 69,062	$ 325,515	$ 54,141

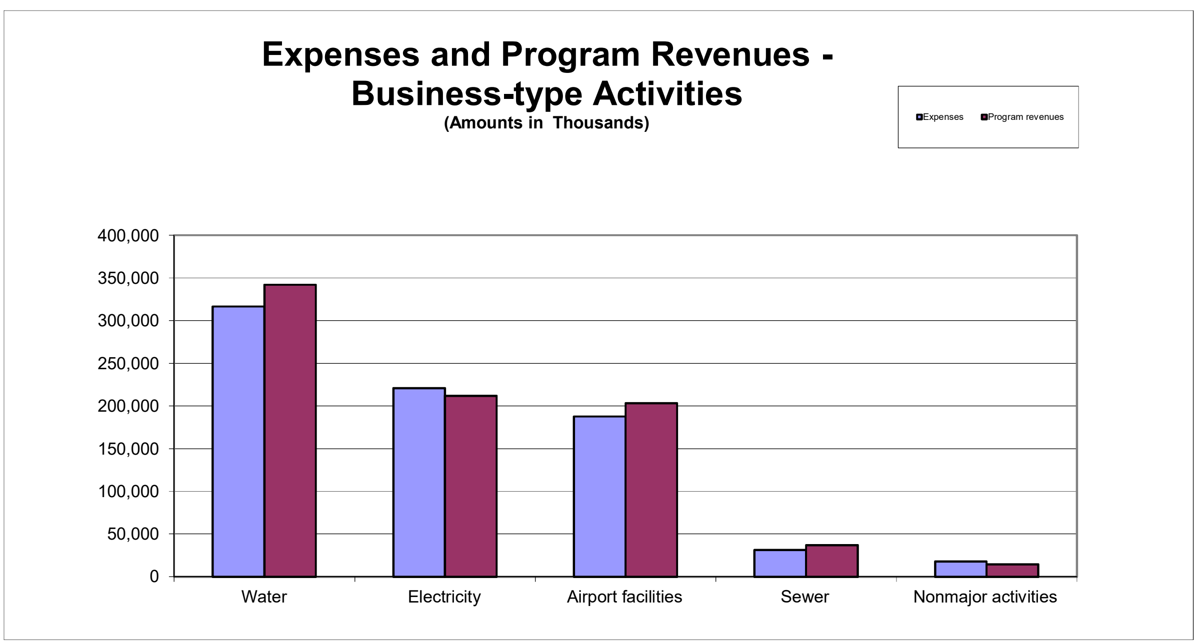
Governmental activities increased the City's net position by $283.7 million as compared to a $15.0 million decrease in 2018. The increase is primarily attributed to a decrease in expenses for Public Safety of $340.3 million due to changes in assumption in the Ohio Police and Fire OPEB Plan. This was offset by an increase in expenses for General Government of $33.7 million and Public Works of $21.1 million mainly due to the increase in pension and OPEB liability.

Business-type activities increased the City's net position by $41.8 million in 2019 compared to $69.1 million increase in 2018. The change from the prior year is mainly attributed to an increase in $13.9 million in expenses for Division of Water due to salary costs related to an increase in pension expense and $14.2 million for Division of Port Control primarily due to increase in repairs and maintenance and pension expense. This decrease was offset by an increase of $10.0 million in charges for services for Division of Water due to an increase in metered service revenue.


Revenues by Source - Governmental Activities
Operating grants and contributions 9.6%
Charges for services 9.4%
Capital grants and contributions 2.8%
Property taxes 6.9%
Other 12.0%
State local government funds 3.2%
Income taxes 56.1%
Other includes other taxes, shared revenues, unrestricted investment earnings and other general revenues.


Expenses and Program Revenues - Governmental Activities
(Amounts in Thousands)
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 0.8%
Capital grants and contributions 9.0%
Charges for services 90.2%


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

Business-type activities are principally accounted for in the City's Enterprise Funds. The City operates four major Enterprise Funds encompassing two airports, a water system, sewer system and an electric distribution system. The City also operates other Enterprise Funds consisting of cemeteries, a public auditorium, municipal parking lots and public market facilities. The City owns two golf courses, with one being managed and operated by an outside entity. 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 tenth largest in the United States that serves not only the City, but also sixty-nine direct service, seven master meter and three emergency standby suburban municipalities in the Cleveland Metropolitan Area. They provide water to approximately 433,000 city and suburban accounts in the Cleveland Metropolitan Area. Operating revenue in 2019 increased to $320.2 million from $306.2 million in 2018. The rise is primarily attributed to an increase in metered service revenue of $12.9 million as a result of a rate increase for the City and suburbs. Operating expenses, exclusive of depreciation, increased approximately 9.9% to $217.4 million compared to $197.9 million in 2018.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 74,000 customers in the City. The Division is responsible for supplying, transmitting and distributing electricity and providing related electrical services to customers within its service area. The Division's 2019 operating revenue decreased by 3.8% to $203.8 million from $211.9 million in 2018. Purchased power expense decreased by 5.3% to $134.2 million in 2018 from $141.7 million in 2018. Operating expenses, exclusive of depreciation and purchased power increased 17.0% to $52.9 million in 2019 compared to $45.2 million in 2018.

Division of Water Pollution Control: The Division was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area. The Division currently has approximately 117,000 customer accounts in the City, of which 95.6% are residential and 4.4% commercial. The Division's 2019 operating revenue increased by 7.3% to $32.2 million from $30.0 million in 2018. The growth is primarily attributed to an increase in fixed fee revenue due to a rate increase. Operating expenses, exclusive of depreciation, increased 9.4% to $24.4 million in 2019 compared to $22.3 million in 2018.

Department of Port Control: The City's Department of Port Control includes the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport. During 2019, 24 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 Divisions' change in net position for 2019 was $15.9 million. Landing fee revenue increased due an increase in landed weight. Terminal and concourse rentals were impacted by the decrease in rental fees. Capital and other contributions decreased related to the completion of the Burke Runway 6R/24L Rehabilitation, Phase II and Upper Level Expansion Joint Rehabilitation, Phase II.

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 $697.8 million, an increase of $31.0 million and approximately 4.7% in comparison with the prior year. The components of the governmental fund balances include an unassigned balance of $114.9 million, which indicates the amount available for spending at the City's discretion. An additional $428.5 million of fund balance is available for expenditures that are legally restricted for a particular purpose. The nonspendable portion of fund balance has $3.2 million of funds that are not in a spendable form, such as pre-paid expenditures. An additional $65.2 million is committed to fund specific purposes and cannot be reassigned without legislative approval. The remaining assigned balance of $86.0 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 $114.9 million and the total fund balance was $203.9 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 18.2% of total General Fund expenditures and other financing uses, while total fund balance represents approximately 32.3% 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

2019 and 2018

(Amounts in Thousands)

	2019	2018
Revenues:		
Income taxes	$ 432,704	$ 420,717
Property taxes	37,905	34,628
State local government funds	26,304	24,970
Other taxes	44,739	45,149
Other shared revenues	17,796	17,314
Licenses and permits	19,490	18,993
Charges for services	32,796	36,316
Fines, forfeits and settlements	10,909	11,323
Investment earnings	6,140	4,474
Grants	707	723
Miscellaneous	18,783	8,483
Total revenues	648,273	623,090
Expenditures:		
General Government	102,500	90,785
Public Works	80,187	74,705
Public Safety	340,573	328,661
Community Development	289	295
Building and Housing	12,270	11,138
Economic Development	1,698	1,538
Other	8,255	9,030
Capital outlay	18,989	9,050
Total expenditures	564,761	525,202
Excess (deficiency) of revenues over (under) expenditures	83,512	97,888
Other financing sources (uses):		
Transfers out	(66,529)	(55,087)
Sale of City assets		9,248
Net change in fund balance	16,983	52,049
Fund balance at beginning of year	186,909	134,860
Fund balance at end of year	$ 203,892	$ 186,909

The City also presents Public Health as a major governmental fund. It includes all public health related activity of the City, including operations and Public Health Department related grant activity. The Public Health's change in fund balance increased by $491,000 in 2019 due to grant related activity.

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $648.3 million in 2019, an increase of approximately $15.9 million from 2018. 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 2016, 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 2.5% rate. By the terms of the 1981 voter approval, as amended in 1985, one-ninth of the receipts of the total 2.5% 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 100% 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 2019, approximately 91% 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 $12.0 million in 2019, primarily due to the increased income tax collection and a decrease in unemployment rate.

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 Thousands)	
2019	$ 4,826,299	$ 436,992	$ 5,263,291
2018	$ 4,312,945	$ 415,800	$ 4,728,745

Property tax revenue increased by $3.3 million 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 by $1.3 million or 5.3% due to economic growth in 2019. Other Taxes decreased by $410,000 or 0.9% from 2018 levels primarily as a result of a decrease in admission tax. Other Shared Revenues increased by $482,000 or 2.8% from 2018 levels primarily as a result of increase in casino revenue money.

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 $631.3 million in 2019, an increase of 8.8% from 2018. 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 2019	% of Total	Restated Actual 2018	% of Total	Increase (Decrease)	% Change
			(Amounts in Thousands)			
Current:						
General Government	$ 102,500	16.24	$ 90,785	15.64	$ 11,715	12.90
Public Works	80,187	12.70	74,705	12.87	5,482	7.34
Public Safety	340,573	53.95	328,661	56.64	11,912	3.62
Community Development	289	0.05	295	0.05	(6)	(2.03)
Building and Housing	12,270	1.94	11,138	1.92	1,132	10.16
Economic Development	1,698	0.27	1,538	0.27	160	10.40
Other	8,255	1.31	9,030	1.56	(775)	(8.58)
Capital Outlay	18,989	3.00	9,050	1.56	9,939	109.82
Transfers Out	66,529	10.54	55,087	9.49	11,442	20.77
Total Expenditures and Other Financing Uses	$ 631,290		$ 580,289		$ 51,001	

The total expenditures and other financing uses increased by $51.0 million. The growth was primarily caused by increases in General Government, Public Safety, capital outlay and transfers out. The increase in Public Safety was due to increases in salaries. The increase in General Government was primarily due to an increase in settlements. Capital outlay increased as a result of capital expenditures related to demolition, vehicles, pedestrian bridge and other related projects. Transfers out grew due to increased transfers to the Division of Streets for additional streets resurfacing.

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, Water Pollution and Control, Cleveland Public Power and the Department of Port Control Funds amounted to $316.8 million, $29.8 million, $3.7 million and $97.2 million, respectively, at December 31, 2019. The change in net position for each of the respective funds amounted to an increase of $27.7 million, an increase of $6.1 million, a decrease of $8.5 million and an increase of $15.9 million during 2019. 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, 2019 and 2018, the City had approximately 7,401 and 7,330 full-time employees, respectively. Of the 7,401 full-time employees, approximately 5,428 full-time employees are represented by 39 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 – 1,127 members; Cleveland Police Patrolmen's Association (CPPA) – 1,333 members; the Association of Cleveland Firefighters – 734 members; Municipal Foreman and Laborers Union, Local 1099 – 542 members; and Local 507 – 308 members.

There have been no significant labor disputes or work stoppages in the City within the last 36 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 ORC (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 Thousands)	
2019	$	494,000
2018	$	475,000

In 2019, there was an increase in salaries and wages payable of 4% from the prior year due to more employees working for the City than in 2018 and a police retroactive salary payment.

GENERAL FUND BUDGETARY ANALYSIS

In 2019, the principal differences between the original and final budgeted expenditures included a $27.9 million increase in Capital Outlay due to the costs associated with vehicles, equipment, demolition and other capital expenditures and an $8.2 million increase in Other as a result of expenditures relating to lead abatement.

The major differences between the final amended budget and the actual total revenues were increases of $14.7 million in miscellaneous, $10.9 million in income taxes, $4.8 million in other taxes and $2.2 million in charges for services. The increase in miscellaneous was due to City's receipt of unclaimed monies and of a Workers' Compensation Refund. Income tax revenue increased due to a lower unemployment rate and stable economy in 2019. The increase in other taxes was primarily attributed to admissions tax, parking tax and hotel tax collections. Charges for services increased mainly due to emergency medical services receipts.

The major differences between the final amended budget and the actual total expenditures were decreases of $6.6 million in General Government and $9.7 million in Public Safety both due to anticipated additional staffing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

***Capital assets*:** The City's capital assets for its governmental and business-type activities as of December 31, 2019, amounts to $4.285 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 0.2% (a 1.2% increase for governmental activities and a 0.2% decrease for business-type activities). A summary of the City's capital assets at December 31, 2019 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
	(Amounts in Thousands)		
Land	$ 68,513	$ 191,625	$ 260,138
Land improvements	75,168	66,848	142,016
Utility plant		1,659,385	1,659,385
Buildings, structures and improvements	351,968	303,668	655,636
Furniture, fixtures, equipment and vehicles	80,381	182,986	263,367
Infrastructure	413,624	269,813	683,437
Construction in progress	262,618	358,671	621,289
Total	$ 1,252,272	$ 3,032,996	$ 4,285,268

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 main additions to construction in progress during 2019 included Southern Transmission Line, High voltage switching equipment, general engineering services, and underground cable reconstruction.

- The Division of Water incurred a net increase of $45.0 million of capital additions related to additional spending on water main renewals, plant enhancement program, secondary site improvements and the automated meter reading implementation.

- The Department of Port Control capital improvements totaled approximately $30.0 million. Major projects included the North Airfield Improvement Projects, Phase II, Burke Runway 6R/24L rehabilitation, Phase II, BKL Taxiway D Overlay, Snow Removal Equipment Acquisition, Upper Level Expansion Joint rehabilitation and Garage Structural.

- The Division of Water Pollution Control had capital improvements of $18.9 million. The major capital additions were East 185th Street and Marcella Road, Rehabilitating and relining sewers, Sewer installations, Motor vehicles.

- Major capital projects for Governmental Activities included land 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 $2.208 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, 2019 is summarized below (excluding unamortized discounts, premiums and accreted interest).

	Balance January 1, 2019	Debt Issued	Debt Refunded or Defeased	Debt Retired	Balance December 31, 2019
	(Amounts in Thousands)				
Governmental Activities:					
General Obligation Bonds	$ 267,135	$ 51,015	$	$ (25,340)	$ 292,810
Subordinated Income Tax Refunding Bonds	28,975			(4,245)	24,730
Subordinate Lien Income Tax Bonds	339,690			(12,430)	327,260
Non-Tax Revenue Bonds	52,971			(3,893)	49,078
Annual Appropriation Bonds	9,145			(325)	8,820
Certificates of Participation	85,160			(7,445)	77,715
Capital Lease Obligations	1,874			(1,386)	488
Note/Loans Payable	1,024	601		(359)	1,266
Total Governmental Activities	785,974	51,616	-	(55,423)	782,167
Business –Type Activities:					
Revenue Bonds	1,439,068	438,835	(438,680)	(86,630)	1,352,593
Loans Payable	75,545	5,395		(8,190)	72,750
Total Business –Type Activities	1,514,613	444,230	(438,680)	(94,820)	1,425,343
Total	$ 2,300,587	$ 495,846	$ (438,680)	$ (150,243)	$ 2,207,510

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 $19.7 million in 2019 which represents approximately 50.9% 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 49.1% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, homestead and rollback reimbursement from the State, premium generated through the issuance of bonds, 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 governmental and revenue bonds are as follows as of December 31, 2019:

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
General Obligation Bonds	A1	AA+	A+
Subordinate Lien Income Tax Bonds***	A1	AA	N/A
Non-tax Revenue Bonds**	A2	AA-	N/A
Stadium Certificates of Participation**	A3	A+	N/A
Waterworks Improvement Revenue Bonds****	Aa2	AA+	N/A
Second Lien Water Revenue Bonds****	Aa3	AA	N/A
Public Power System Revenue Bonds	A3	A-	N/A
Airport System Revenue Bonds	A2	A	A-
Parking Facility Refunding Revenue Bonds (Insured Ratings)*	A2	AA	N/A
Water Pollution Control Revenue Bonds	Aa3	A+	N/A

* Parking Facilities' bonds only carry an insured rating.

** On May 16, 2019, S&P Global Ratings raised its rating on the City's annual appropriation bonds and Certificates of Participation to A+ (stable) from A. S&P also raised its rating on the City's Non-Tax Revenue Bonds to AA- (stable) from A+. These changes were the result of new rating criteria.

*** On May 17, 2019, S&P Global Ratings lowered its rating on the City's Subordinate Lien Income Tax Bonds and Subordinate Lien Unrestricted Income Tax Bonds to AA (stable) from AA+ based upon new rating criteria adopted by the rating agency.

**** Effective July 29, 2019, Moody's Investors Service lowered its rating on the City's Senior Lien Water Revenue Bonds to Aa2 (stable) from Aa1 and lowered its rating on the Second Lien Water Revenue Bonds to Aa3 from Aa2. This stemmed from the rating agency's review of a number of credits nationwide in light of a court ruling in Puerto Rico regarding linkages between a utility and the City.

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, 2019 was:

Net General Bonded Debt:	$305,732,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.81%
Net General Bonded Debt Per Capita:	$770.46

The ORC 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 $552,645,519 and unvoted debt limit (5.50%) is $289,480,986. At December 31, 2019, the City had capacity under the indirect debt limitation calculation per the ORC to issue approximately $140 million in additional unvoted debt. 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 inflow of resources 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, 2019 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

In March 2020, the United States and the State of Ohio declared a state of emergency due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

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

Other Impacting Factors

- Effective February 19, 2020, the City issued $83,580,000 of Public Power System Revenue Refunding Bonds, Series 2020, to refund $83,395,000 of outstanding Series 2014 and Series 2016 Public Power System Bonds series 2014.

- On February 26, 2020 the City issued $69,820,000 of Subordinate Lien Income Tax Refunding Bonds, Series 2020A, to refund $61,885,000 of various series of outstanding Subordinate Lien Income Tax Bonds.

- On June 3, 2020, City Council approved legislation authorizing the issuance of not to exceed $64,050,000 of General Obligation Bonds.

- Also on June 3, 2020 City Council approved legislation in an amount not to exceed $2,500,000 for the issuance of Economic and Community Development Bonds (Core City Fund).

- Effective June 10, 2020, the City issued $15,815,000 Water Revenue Bonds, Series EE, 2020. These bonds were issued to refund $14,565,000 of outstanding Water Revenue Bonds, Series X, 2012.

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.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2019
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 701,239	$ 650,025	$ 1,351,264
Investments	9,713		9,713
Receivables:			
Taxes	156,019		156,019
Accounts	9,173	213,187	222,360
Recoverable costs of purchased power		1,215	1,215
Grants	5,445		5,445
Loans	115,470		115,470
Unbilled revenue		21,081	21,081
Accrued interest	412	39	451
Assessments	51,794		51,794
Less: Allowance for doubtful accounts	(45,406)	(27,188)	(72,594)
Receivables, net	292,907	208,334	501,241
Internal balances	877	(877)	-
Due from other governments	48,948	10,812	59,760
Inventory of supplies	1,133	22,790	23,923
Prepaid expenses and other assets	3,706	4,310	8,016
Restricted assets:			
Cash and cash equivalents		324,591	324,591
Accrued interest receivable		303	303
Accrued passenger facility charge		2,425	2,425
Total restricted assets	-	327,319	327,319
Capital assets:			
Land and construction in progress	331,131	550,296	881,427
Other capital assets, net of accumulated depreciation	921,141	2,482,700	3,403,841
Total capital assets	1,252,272	3,032,996	4,285,268
Total assets	2,310,795	4,255,709	6,566,504
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	12,580	51,738	64,318
Pension	270,030	70,255	340,285
OPEB	55,957	9,074	65,031
Total deferred outflows of resources	338,567	131,067	469,634

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2019
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 26,170	$ 41,338	$ 67,508
Accrued wages and benefits	29,366	9,478	38,844
Claims payable	9,466		9,466
Due to other governments	83,757	154,041	237,798
Accrued interest payable	5,522	20,814	26,336
Unearned revenue	7,130		7,130
Liabilities payable from restricted assets		8,679	8,679
Long-term obligations:			
Due within one year	97,743	103,844	201,587
Due in more than one year	871,324	1,435,909	2,307,233
Net pension liability	929,193	224,015	1,153,208
Net OPEB liability	221,047	105,347	326,394
Total liabilities	2,280,718	2,103,465	4,384,183
DEFERRED INFLOWS OF RESOURCES			
Property tax	58,661		58,661
Special assessment - TIF	14,506		14,506
Derivative instruments-interest rate swaps		14	14
Pension	21,206	3,319	24,525
OPEB	20,921	284	21,205
Total deferred inflows of resources	115,294	3,617	118,911
NET POSITION			
Net investment in capital assets	722,633	1,633,097	2,355,730
Restricted for:			
Capital	77,882	773	78,655
Debt service	47,542	189,225	236,767
Loans	29,962		29,962
Other purposes	53,136	17,839	70,975
Unrestricted	(677,805)	438,760	(239,045)
Total net position	$ 253,350	$ 2,279,694	$ 2,533,044

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
December 31, 2019
(Amounts in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Governmental activities:				
General Government	$ 191,388	$ 19,447	$ 4,293	$ 5,918
Public Works	172,526	19,395	16,228	17,121
Public Safety	75,355	14,262	3,130	
Community Development	31,523	1,072	28,560	
Building and Housing	16,974	20,900	540	
Public Health	21,269	3,827	8,056	
Economic Development	28,428	158	19,487	240
Interest on debt	27,059			
Total governmental activities	564,522	79,061	80,294	23,279
Business-type activities:				
Water	316,588	320,168	3,041	18,635
Sewer	31,318	32,176	741	4,154
Electricity	220,883	209,787	598	1,455
Airport facilities	187,779	148,421	1,750	52,972
Nonmajor activities:				
Public Auditorium	3,488	1,253		
Westside Market	2,412	1,363	17	
Eastside Market	60			
Municipal Parking Lots	7,443	9,621	35	296
Cemeteries	3,167	1,405	131	
Golf Courses	1,264	398	16	
Total business-type activities	774,402	724,592	6,329	77,512
Total	$ 1,338,924	$ 803,653	$ 86,623	$ 100,791

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

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Positon		
Governmental Activities	Business-Type Activities	Total
$ (161,730)	$	$ (161,730)
(119,782)		(119,782)
(57,963)		(57,963)
(1,891)		(1,891)
4,466		4,466
(9,386)		(9,386)
(8,543)		(8,543)
(27,059)		(27,059)
(381,888)	-	(381,888)
	25,256	25,256
	5,753	5,753
	(9,043)	(9,043)
	15,364	15,364
	(2,235)	(2,235)
	(1,032)	(1,032)
	(60)	(60)
	2,509	2,509
	(1,631)	(1,631)
	(850)	(850)
-	34,031	34,031
(381,888)	34,031	(347,857)
487,077		487,077
58,252		58,252
44,633		44,633
20,894		20,894
26,658		26,658
14,997	26	15,023
20,210	625	20,835
(7,112)	7,112	-
665,609	7,763	673,372
283,721	41,794	325,515
(30,371)	2,237,900	2,207,529
$ 253,350	$ 2,279,694	$ 2,533,044

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	General	Public Health	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 190,621	$ 2,858	$ 459,453	$ 652,932
Investments			9,713	9,713
Receivables:				
Taxes	119,640		36,379	156,019
Accounts	9,171		2	9,173
Grants	146	519	4,780	5,445
Loans	52		115,418	115,470
Accrued interest	12		400	412
Assessments	45,722		6,072	51,794
Less: Allowance for doubtful accounts	(45,406)			(45,406)
Receivables, net	129,337	519	163,051	292,907
Due from other funds	3,008	230	7,789	11,027
Due from other governments	22,724	3	26,221	48,948
Prepaid expenditures and other assets	3,069	32	138	3,239
TOTAL ASSETS	$ 348,759	$ 3,642	$ 666,365	$ 1,018,766
LIABILITIES				
Accounts payable	$ 7,205	$ 465	$ 15,957	$ 23,627
Accrued wages and benefits	26,354	222	1,452	28,028
Due to other governments	1,270		80,869	82,139
Unearned revenue	64	1,029	6,037	7,130
Due to other funds	3,820	58	9,591	13,469
Total liabilities	38,713	1,774	113,906	154,393
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow	106,154	3	60,434	166,591
Total deferred inflows of resources	106,154	3	60,434	166,591
FUND BALANCES				
Nonspendable	3,069	32	138	3,239
Restricted		1,446	427,063	428,509
Committed		387	64,813	65,200
Assigned	85,953		11	85,964
Unassigned	114,870			114,870
Total fund balances	203,892	1,865	492,025	697,782
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 348,759	$ 3,642	$ 666,365	

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.	1,248,804
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	93,424
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.	(951,830)
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.	8,190
The net pension liability and net OPEB liability are not due and payable in the current period; (excluding internal service) therefore the liabilities and related deferred inflows/outflows of resources are not reported in governmental funds:	
Pension	(666,227)
OPEB	(176,793)
Net position of governmental activities	$ 253,350

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, 2019

(Amounts in Thousands)

	General	Public Health	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Income taxes	$ 432,704	$	$ 54,088	$ 486,792
Property taxes	37,905		19,675	57,580
State local government funds	26,304			26,304
Other taxes	44,739			44,739
Other shared revenues	17,796		37,523	55,319
Licenses and permits	19,490	1,332	1,070	21,892
Charges for services	32,796	2,186	3,176	38,158
Fines, forfeits and settlements	10,909		3,383	14,292
Investment earnings	6,140	26	8,111	14,277
Grants	707	7,714	44,469	52,890
Contributions			1,787	1,787
Miscellaneous	18,783	681	5,973	25,437
Total revenues	648,273	11,939	179,255	839,467
EXPENDITURES:				
Current:				
General Government	102,500		5,496	107,996
Public Works	80,187		29,425	109,612
Public Safety	340,573		4,452	345,025
Community Development	289		27,568	27,857
Building and Housing	12,270		1,749	14,019
Public Health		18,343		18,343
Economic Development	1,698		26,020	27,718
Other	8,255			8,255
Capital outlay	18,989		94,181	113,170
Debt service:				
Principal retirement			55,423	55,423
Interest			34,968	34,968
General Government			450	450
Other			1,080	1,080
Total expenditures	564,761	18,343	280,812	863,916
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	83,512	(6,404)	(101,557)	(24,449)
OTHER FINANCING SOURCES (USES):				
Transfers in		6,895	116,785	123,680
Transfers out	(66,529)		(60,200)	(126,729)
Issuance of bonds			51,015	51,015
Premium on bonds			5,740	5,740
Sale of City assets			1,185	1,185
Issuance of Loans			601	601
Total other financing sources (uses)	(66,529)	6,895	115,126	55,492
NET CHANGE IN FUND BALANCES	16,983	491	13,569	31,043
FUND BALANCES AT BEGINNING OF YEAR	186,909	1,374	478,456	666,739
FUND BALANCES AT END OF YEAR	$ 203,892	$ 1,865	$ 492,025	$ 697,782

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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in Thousands)

Amounts reported for governmental activities in the statement of activities (pages 62 and 63) are different because:	
Net change in fund balances - total governmental funds (page 63)	$ 31,043
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.	16,636
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,890
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.	3,941
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.	(7,692)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows of resources, except for amounts reported as deferred inflows/outflows of resources, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities:	
Pension	(87,894)
OPEB	320,826
The net revenue of certain activities of internal service funds is reported with governmental activities.	1,971
Change in net position of governmental activities (pages 60 and 61)	$ 283,721

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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual*	Variance-Positive (Negative)
REVENUES:				
Income taxes	$ 424,869	$ 430,869	$ 441,754	$ 10,885
Property taxes	37,973	37,973	37,905	(68)
State local government funds	26,165	26,165	26,073	(92)
Other taxes	40,014	40,014	44,823	4,809
Other shared revenues	13,346	13,346	13,441	95
Licenses and permits	18,154	18,154	19,519	1,365
Charges for services	36,415	36,415	38,601	2,186
Fines, forfeits and settlements	10,936	10,936	11,015	79
Investment earnings	3,500	3,500	5,495	1,995
Grants	417	417	913	496
Miscellaneous	27,636	27,636	42,382	14,746
Total revenues	639,425	645,425	681,921	36,496
EXPENDITURES:				
Current:				
General Government	113,979	111,034	104,448	6,586
Public Works	78,836	80,336	78,925	1,411
Public Safety	367,137	363,472	353,798	9,674
Community Development	2,176	1,931	1,843	88
Building and Housing	13,213	12,788	12,485	303
Public Health	9,814	9,364	8,897	467
Economic Development	1,907	1,757	1,697	60
Other	19,932	28,132	27,336	796
Capital outlay	2,550	30,450	30,450	-
Total expenditures	609,544	639,264	619,879	19,385
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,881	6,161	62,042	55,881
OTHER FINANCING SOURCES (USES):				
Transfers in	10,217	19,432	3,731	(15,701)
Transfers out	(41,591)	(66,300)	(65,855)	445
Sale of City assets	1,600	1,600		(1,600)
Total other financing sources (uses)	(29,774)	(45,268)	(62,124)	(16,856)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	107	(39,107)	(82)	39,025
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			571	571
NET CHANGE IN FUND BALANCE	107	(39,107)	489	39,596
FUND BALANCE AT BEGINNING OF YEAR	43,313	43,313	43,313	-
FUND BALANCE AT END OF YEAR	$ 43,420	$ 4,206	$ 43,802	$ 39,596

* 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, 2019
(Amounts in Thousands)

	Business Type Activities - Enterprise Funds						Governmental
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	$ 405,002	$ 79,530	$ 55,656	$ 99,032	$ 9,422	$ 648,642	$ 49,690
Restricted cash and cash equivalents	3,695	1,222	861	4,123		9,901	
Receivables:							
Accounts	65,295	121,126	20,662	5,898	206	213,187	
Recoverable costs of purchased power			1,215			1,215	
Unbilled revenue	10,191	1,935	2,927	6,028		21,081	
Accrued interest	3	29			7	39	
Less: Allowance for doubtful accounts	(16,810)	(2,483)	(7,143)	(701)	(51)	(27,188)	
Receivables, net	58,679	120,607	17,661	11,225	162	208,334	-
Due from other funds	2,670	40	3,070	14	12	5,806	3,362
Due from other governments		250		10,562		10,812	
Inventory of supplies	10,226	659	9,226	2,674	5	22,790	1,133
Prepaid expenses and other assets	3,097	69	389	630	29	4,214	563
Total current assets	483,369	202,377	86,863	128,260	9,630	910,499	54,748
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	61,088	5,863	4,130	229,340	14,269	314,690	
Accrued interest receivable	65	6	4	217	11	303	
Accrued passenger facility charges				2,425		2,425	
Total restricted assets	61,153	5,869	4,134	231,982	14,280	317,418	-
Capital assets:							
Land	5,443	295	5,574	166,882	13,431	191,625	663
Land improvements	17,808	156	841	94,931	15,481	129,217	179
Utility plant	1,972,905	191,672	622,718			2,787,295	
Buildings, structures and improvements	265,256	11,475	23,499	375,034	109,353	784,617	4,483
Furniture, fixtures, equipment and vehicles	610,807	18,578	91,472	86,877	6,519	814,253	20,272
Infrastructure				1,018,128		1,018,128	
Construction in progress	162,063	25,863	35,462	116,157	19,126	358,671	
Less: Accumulated depreciation	(1,319,641)	(133,571)	(425,805)	(1,088,231)	(84,253)	(3,051,501)	(21,438)
Total capital assets, net	1,714,641	114,468	353,761	769,778	79,657	3,032,305	4,159
Total noncurrent assets	1,775,794	120,337	357,895	1,001,760	93,937	3,349,723	4,159
Total assets	2,259,163	322,714	444,758	1,130,020	103,567	4,260,222	58,907
DEFERRED OUTFLOWS OF RESOURCES							
Loss on refunding	20,167		10,470	20,822	279	51,738	
Pension	35,436	4,121	10,622	13,675	1,944	65,798	11,475
OPEB	4,560	539	1,370	1,797	224	8,490	1,458
Total deferred outflows of resources	60,163	4,660	22,462	36,294	2,447	126,026	12,933

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	
LIABILITIES							
Current liabilities:							
Accounts payable	$ 16,387	$ 3,056	$ 11,679	$ 9,535	$ 939	$ 41,596	$ 2,658
Accrued wages and benefits	9,407	1,149	2,743	3,458	421	17,178	12,008
Claims payable						-	9,466
Due to other funds	1,958	2,688	130	1,725	180	6,681	45
Due to other governments		149,209		4,587	245	154,041	1,618
Accrued interest payable	9,370	190	1,021	10,061	172	20,814	
Current payable from restricted assets	3,695		861	4,123		8,679	
Current portion of long-term obligations	42,716	814	5,925	41,585	3,540	94,580	
Total current liabilities	83,533	157,106	22,359	75,074	5,497	343,569	25,795
Noncurrent liabilities:							
Accrued wages and benefits	1,076	180	355	980	52	2,643	1,050
Construction loans payable	58,878	5,237				64,115	
Accreted interest payable			23,563			23,563	
Revenue bonds payable	482,497	34,426	185,115	633,953	7,816	1,343,807	
Net pension liability	111,359	13,840	36,152	43,538	6,156	211,045	33,721
Net OPEB liability	51,511	6,425	16,597	21,303	2,780	98,616	16,781
Other			1,431			1,431	
Total noncurrent liabilities	705,321	60,108	263,213	699,774	16,804	1,745,220	51,552
Total liabilities	788,854	217,214	285,572	774,848	22,301	2,088,789	77,347
DEFERRED INFLOWS OF RESOURCES							
Derivative instruments-interest rate swaps					14	14	
Pension	1,732	210	535	693	103	3,273	455
OPEB	143	17	43	56	7	266	60
Total deferred inflows of resources	1,875	227	578	749	124	3,553	515
NET POSITION							
Net investment in capital assets	1,154,482	77,238	174,375	154,610	71,701	1,632,406	4,159
Restricted for capital projects	1	250	501	21		773	
Restricted for debt service	57,321	2,657	2,445	121,026	5,776	189,225	
Restricted for passenger facility charges				17,839		17,839	
Unrestricted	316,793	29,788	3,749	97,221	6,112	453,663	(10,181)
Total net position	$ 1,528,597	$ 109,933	$ 181,070	$ 390,717	$ 83,589	2,293,906	$ (6,022)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(14,212)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES						$ 2,279,694	

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

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:							
Charges for services	$ 320,155	$ 32,176	$ 203,778	$ 148,421	$ 14,040	$ 718,570	$ 160,655
Total operating revenue	320,155	32,176	203,778	148,421	14,040	718,570	160,655
OPERATING EXPENSES:							
Operations	142,497	14,297	35,511	85,523	13,701	291,529	160,229
Maintenance	74,855	10,097	17,352	4,620	118	107,042	2,760
Purchased power			134,227			134,227	
Depreciation	72,625	5,861	22,096	55,731	3,239	159,552	557
Total operating expenses	289,977	30,255	209,186	145,874	17,058	692,350	163,546
OPERATING INCOME (LOSS)	30,178	1,921	(5,408)	2,547	(3,018)	26,220	(2,891)
NON-OPERATING REVENUES (EXPENSES):							
Investment income (loss)	2,888	875	648	6,024	479	10,914	740
Interest expense	(23,214)	(694)	(11,159)	(24,024)	(788)	(59,879)	
Passenger facility charges				20,121		20,121	
Gain (loss) on disposal of capital assets	(27)	(2)		625	(3)	593	
Other revenues (expenses)	6,212	307	7,381	(6,346)	16	7,570	
Total non-operating revenues (expenses)	(14,141)	486	(3,130)	(3,600)	(296)	(20,681)	740
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	16,037	2,407	(8,538)	(1,053)	(3,314)	5,539	(2,151)
Capital contributions and other contributions	11,708	3,713	33	16,942	4,579	36,975	353
Transfers in					2,531	2,531	518
Change in net position	27,745	6,120	(8,505)	15,889	3,796	45,045	(1,280)
NET POSITION AT BEGINNING OF YEAR	1,500,852	103,813	189,575	374,828	79,793		(4,742)
NET POSITION AT END OF YEAR	$ 1,528,597	$ 109,933	$ 181,070	$ 390,717	$ 83,589		$ (6,022)
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds						(3,251)	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES						$ 41,794	

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, 2019
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental
	Division of Water	Water Pollution Control	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	$ 319,655	$ 31,764	$ 207,471	$ 143,517	$ 14,067	$ 716,474	$ 160,402
Cash payments to suppliers for goods or services	(110,207)	(9,212)	(23,366)	(48,139)	(7,645)	(198,569)	(129,213)
Cash payments to employees for services	(83,450)	(10,667)	(18,742)	(32,464)	(4,453)	(149,776)	(27,669)
Cash payments for purchased power			(131,024)			(131,024)	
Agency activity on behalf of other sewer authorities		(3,547)				(3,547)	
Other	(135)	(74)	(5,066)			(5,275)	
Net cash provided by (used for) operating activities	125,863	8,264	29,273	62,914	1,969	228,283	3,520
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Cash received through transfers from other funds					2,531	2,531	518
Cash received for royalties					16	16	
Grants			33			33	
Cash received from electric excise tax			6,009			6,009	
Net cash provided by (used for) noncapital financing activities	-	-	6,042	-	2,547	8,589	518
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Cash receipts for passenger facility charges				19,915		19,915	
Proceeds from sale of revenue bonds, loans and notes	108,718	5,369		345,468		459,555	
Acquisition and construction of capital assets	(75,616)	(19,723)	(14,339)	(35,299)		(144,977)	(96)
Principal paid on long-term debt	(45,226)	(614)	(5,640)	(39,970)	(3,370)	(94,820)	
Interest paid on long-term debt	(20,567)	(766)	(7,270)	(28,240)	(760)	(57,603)	
Cash paid to escrow agent for refunding	(107,793)			(351,311)		(459,104)	
Capital grant proceeds		3,721		16,157		19,878	
Net cash provided by (used for) capital and related financing activities	(140,484)	(12,013)	(27,249)	(73,280)	(4,130)	(257,156)	(96)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received on investments	2,914	957	650	6,205	457	11,183	740
Net cash provided by (used for) investing activities	2,914	957	650	6,205	457	11,183	740
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,707)	(2,792)	8,716	(4,161)	843	(9,101)	4,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	481,492	89,407	51,931	336,656	22,848	982,334	45,008
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 469,785	$ 86,615	$ 60,647	$ 332,495	$ 23,691	$ 973,233	$ 49,690

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental
	Division of Water	Water Pollution Control	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)	$ 30,178	$ 1,921	$ (5,408)	$ 2,547	$ (3,018)	$ 26,220	$ (2,891)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	72,625	5,861	22,096	55,731	3,239	159,552	557
(Increase) Decrease in Assets:							
Receivables, net	2,543	(8,517)	6,462	(2,614)	(36)	(2,162)	9
Prepaid expenses and other assets	(1,656)	(3)	5	(139)	(1)	(1,794)	4
Due from other funds	(39)	(13)	337	(6)	17	296	(475)
Inventory of supplies	(540)	(68)	835	128		355	(30)
(Increase) Decrease in Deferred Outflows of Resources:							
Pension	(18,004)	(1,992)	(5,145)	(6,588)	(904)	(32,633)	(5,883)
OPEB	(525)	(32)	(93)	(155)	(21)	(826)	(141)
Increase (Decrease) in Liabilities:							
Accounts payable	(654)	978	(1,567)	1,787	626	1,170	(1,104)
Accrued wages and benefits	710	12	64	452	92	1,330	(195)
Net pension liability	48,470	5,730	14,565	19,102	2,388	90,255	15,999
Net OPEB liability	9,434	1,115	2,835	3,718	465	17,567	2,977
Claims payable						-	(235)
Due to other funds	217	103	(390)	593	(35)	488	(8)
Due to other governments		5,339		(4,654)	5	690	517
Accrued expenses and other liabilities	(36)		(274)	64		(246)	
Increase (Decrease) in Deferred Inflows of Resources:							
Pension	(13,854)	(1,791)	(4,095)	(5,826)	(697)	(26,263)	(4,613)
OPEB	(3,006)	(379)	(954)	(1,226)	(151)	(5,716)	(968)
Total adjustments	95,685	6,343	34,681	60,367	4,987	202,063	6,411
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 125,863	$ 8,264	$ 29,273	$ 62,914	$ 1,969	$ 228,283	$ 3,520
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:							
Contributions and accounts payable related to capital assets	$ 15,403	$ 1,222	$ 861	$ 4,123	$ 4,579	$ 26,188	$ 353

(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, 2019
(Amounts in Thousands)

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 25,290
Taxes receivable	27,550
Due from other governments	2,222
Total assets	$ 55,062
LIABILITIES	
Due to other governments	$ 37,321
Due to others	17,741
Total liabilities	$ 55,062

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

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NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

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

Reporting Entity: The accompanying financial statements as of December 31, 2019 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, 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, a sewer 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 Executive and six appointed by the City of Cleveland.

Cleveland Metropolitan School District (Schools) – In September 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 Cuyahoga County and one joint appointment confirmed by both the City and Cuyahoga County.

The following entity is a blended component unit of the City:

Public Health Department - Beginning 2019, the Auditor of the State of Ohio determined that the City's Public Health Department was a legally separate entity. It is being reported as a blended component unit. Previously the City reported the Public Health Department activity in the General Fund and Special Revenue Funds. The City's Public Health Department is managed by the City's Director of Public Health, which is appointed by the Mayor. The City's Public Health Department is governed and budgeted just like all other Departments of the City. Since the City's Public Health Department provides services entirely and only to the City, it is reported as a blended component unit. It is included as a major fund in the governmental statements.

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, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* 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 of resources, liabilities, deferred inflows of resources, 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 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 Funds are the General and Public Health Funds. Of the City’s business-type activities, the Division of Water Fund, Division of Water Pollution Control, 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; Community Development; and Economic Development. General Fund resources are also transferred annually to support other services which are accounted for in other separate funds.

   Public Health Fund is for all public health activity for the City including operating and grant activity.

   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 Division of Water Pollution Control Fund is a segment of the Department of Public Utilities of the City. The Division of Water Pollution Control was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area.

   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’s pension and other post-employment liabilities 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 of resources, liabilities, deferred inflows of resources, 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 expenditures 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, unrestricted 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 unrestricted 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, recorded as unearned revenue 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 forfeits 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 2019 which reallocated appropriations and increased the budget by 3.17% 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, including the Public Health Fund, certain Debt Service 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 2019 reported on the budget basis versus the GAAP basis is as follows:

		(Amounts in Thousands)
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses (Budget Basis)	$	(82)
Adjustments:		
Revenue Accruals		(37,379)
Expenditure and other financing sources (uses) Accruals		257
Encumbrances and Pre-Encumbrances		54,187
Net Change in Fund Balance	$	16,983

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 (STAR Ohio); 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 follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application,* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs.

The City has invested funds in the STAR Ohio during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* for the purpose of measuring the value of shares in STAR Ohio. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

***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 enterprise and internal service 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. Inventory purchased by governmental funds are treated as expenditures when acquired.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in both government-wide and fund financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expenditure is reported in the year in which services are 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 acquisition 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 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, Water Pollution Control 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 average of the highest three years of pay, 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 two swap agreements outstanding at December 31, 2019, one for its Subordinated Income Tax Variable Rate Refunding Bonds and one on the Parking Facilities Refunding Revenue Bonds.

Grants Revenues**:** Grants and assistance awards made on the basis of entitlement programs are recorded as grant receivables and revenues when entitlement occurs. Reimbursement-type grants are recorded as grant 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. 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.

Net Pensions/OPEB Liabilities: For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expenses, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

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 $951.8 million difference are as follows:

		(Amounts in Thousands)
Bonds and notes payable	$	(781,679)
Other payable		(18,000)
Unamortized bond premium/discount		(62,446)
Accrued interest payable		(5,522)
Capital leases payable		(488)
Claims and adjustments		(18,551)
Loss on refunding		12,580
Compensated absences		(77,724)
Net adjustment to *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(951,830)

Another element of that reconciliation states that net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and the related deferred outflows of resources and deferred inflows of resources are not reported in the governmental funds. The details of differences are as follows:

		(Amounts in Thousands)
Deferred outflows of resources - pension	$	263,012
Deferred inflows of resources - pension		(20,797)
Net pension liability		(908,442)
Net adjusment to *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(666,227)

		(Amounts in Thousands)
Deferred outflows of resources - OPEB	$	55,083
Deferred inflows of resources - OPEB		(20,879)
Net OPEB liability		(210,997)
Net adjusment to *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(176,793)

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 $16.6 million difference are as follows:

		(Amounts in Thousands)
Capital outlay	$	76,083
Contributed Capital		8,296
Depreciation expense		(67,340)
Capital asset disposal		(403)
Net adjustment to *changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	16,636

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 $4.9 million difference are as follows:

		(Amounts in Thousands)
Reversal of prior year deferred inflows of resources	$	(88,534)
Current year deferred inflows of resources		93,424
Net adjustment to *changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	4,890

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 $3.9 million which is detailed as follows:

		(Amounts in Thousands)
Debt issued or incurred:		
Issuance of general obligation bonds and other obligations	$	(51,616)
Accrued interest		5,868
Interest rate swap		6
Premium on debt		(5,740)
Principal repayments:		
General obligation debt and other obligations		54,037
Payment on capital lease		1,386
Net adjustment to *changes in fund balances - total* governmental funds to arrive at *change in net position of governmental activities*	$	3,941

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 $7.7 million difference are as follows:

		(Amounts in Thousands)
Compensated absences	$	179
Claims judgements		(7,871)
Net adjustment to *changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	(7,692)

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, Public Health 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 $124,767,000 and the actual bank balance totaled $134,209,000. 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 Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $134,209,000 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 (STAR Ohio); 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. Fair values of securities fluctuate based on the magnitude of changing market conditions; therefore, significant changes in market conditions could materially affect portfolio value.

The following is a summary of the fair value hierarchy of the fair value of investments of the City (excluding STAR Ohio and money market mutual funds) as of December 31, 2019:

Type of Investment	Fair Value	Fair Value Measurements Using Level 1	Level 2
	(Amounts in Thousands)		
U.S. Treasury Bills	$ 9,506	$ 9,506	$
U.S. Treasury Notes	207	207	
Commercial Paper	47,641		47,641
Manuscript Debt	5,078		5,078
Other	183		183
Total Investments	$ 62,615	$ 9,713	$ 52,902

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, 2019 include U.S. Treasury Bills, U.S. Treasury Notes STAR Ohio, 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. Treasury Bills carry a Moody's rating of Aaa, the highest rating given by Moody. Investments in the Dreyfus Government Cash Management Mutual Fund, First American Government Obligations Fund, Federated Government Obligations Fund, Government Obligations Fund, Morgan Stanley Government Institutional Mutual Funds, Zion Bank Federal Government Obligation Funds and STAR Ohio carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio 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:

			Investment Maturities	
			Less than	5 Years
Type of Investment	Value	Cost	One Year	or More
		(Amounts in Thousands)		
U.S. Treasury Bills	$ 9,506	$ 9,506	$ 9,506	$
U.S. Treasury Notes	207	207	207	
STAR Ohio	840,729	840,729	840,729	
Commercial Paper	47,641	47,641	47,641	
Money Market Mutual Funds	682,747	682,747	682,747	
Manuscript Debt	5,078	5,078		5,078
Other	183	183	183	
Total Investments	1,586,091	1,586,091	1,581,013	5,078
Total Deposits	124,767	124,767	124,767	
Total Deposits and Investments	$ 1,710,858	$ 1,710,858	$ 1,705,780	$ 5,078

STAR Ohio 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 STAR Ohio 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 U.S. Bank, as trustees.

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, 2019, the investments in U.S. Treasury Bills, U.S. Treasury Notes, STAR Ohio, commercial paper, money market mutual funds, manuscript debt and other are approximately 0.60%, 0.01%, 53.01%, 3.00%, 43.05%, 0.32%, and 0.01%, respectively, of the City's total investments.

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

		(Amounts in Thousands)
Government-Wide Financial Statements		
Unrestricted:		
Cash and cash equivalents	$	1,351,264
Investments		9,713
Restricted:		
Cash and cash equivalents		324,591
Total	$	1,685,568
Fund Financial Statements		
Balance Sheet – Governmental Funds:		
Unrestricted:		
Cash and cash equivalents	$	652,932
Investments		9,713
		662,645
Statement of Net Position – Proprietary Funds:		
Enterprise Funds:		
Unrestricted:		
Cash and cash equivalents		648,642
Restricted:		
Cash and cash equivalents		324,591
Internal Service Funds:		
Unrestricted:		
Cash and cash equivalents		49,690
Subtotal		1,022,923
Statement of Fiduciary Assets and Liabilities:		
Unrestricted:		
Cash and cash equivalents		25,290
Total	$	1,710,858

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, 2019, are as follows:

	Balance January 1, 2019	Additions	(Reductions)	Balance December 31, 2019	Due Within One Year
			(Amounts in Thousands)		
Governmental Long-Term Obligations and Notes					
General Obligation Bonds due through 2046	$ 267,135	$ 51,015	$ (25,340)	$ 292,810	$ 25,590
Other Obligations:					
Subordinated Income Tax Refunding Bonds due through 2024, 5.00%	28,975		(4,245)	24,730	4,465
Subordinate Lien Income Tax Bonds due through 2046, 1.68% to 6.34%	339,690		(12,430)	327,260	12,685
Non-Tax Revenue Bonds:					
Stadium due through 2020, 5.00%	3,025		(1,475)	1,550	1,550
Taxable Economic and Community Dev. (Core City) due through 2033, 2.19% to 3.75%	44,650		(2,200)	42,450	2,280
Lower Euclid Ave. TIF 2003A due through 2032, 2.00% to 4.00%	5,296		(218)	5,078	226
Annual Appropriation Bonds - Flats East Bank due through 2035, 5.75% to 6.00%	9,145		(325)	8,820	345
Certificates of Participation-Stadium due through 2028, 1.67% to 5.00%	85,160		(7,445)	77,715	7,815
State Infrastructure Bank Loan	281		(281)	-	
West 150th Street Improvement Loan	728		(64)	664	63
Ohio Water Development Authority and Public Works Commission Loans due through 2028, 2.40%	15	601	(14)	602	15
Capital Lease Obligations, due through 2020, 1.39% to 1.41%	1,874		(1,386)	488	488
Cleveland Browns Stadium	20,000		(2,000)	18,000	2,000
Accrued wages and benefits	44,055	39,887	(39,789)	44,153	30,141
Net pension liability:					
Ohio Public Employees Retirement System	182,135	141,828		323,963	
Ohio Police and Fire Pension Fund	449,054	156,176		605,230	
Net OPEB liability:					
Ohio Public Employees Retirement System	125,828	27,698		153,526	
Ohio Police and Fire Pension Fund	414,550		(347,029)	67,521	
Police and fire overtime	41,671	10,444	(10,562)	41,553	4,854
Fire deferred vacation	2,254	121	(215)	2,160	138
Estimated claims payable	10,682	15,796	(7,890)	18,588	5,088
	2,076,203	443,566	(462,908)	2,056,861	97,743
Unamortized (discount)/premium - net	64,816	5,740	(8,110)	62,446	
Total Governmental Activities, Net	$ 2,141,019	$ 449,306	$ (471,018)	$ 2,119,307	$ 97,743

(Continued)

Business-Type Activities (Enterprise Funds)	Balance January 1, 2019	Additions	(Reductions)	Balance December 31, 2019	Due Within One Year
		(Amounts in Thousands)			
Airport System Revenue Bonds:					
Series 2006A due through 2021, 5.25%	$ 32,195		$ (9,660)	$ 22,535	$ 10,055
Series 2007B due through 2027, 5.0%	5,935		(730)	5,205	765
Series 2008D due through 2024, Variable Rate	5,975		(5,975)	-	
Series 2009C due through 2019, 4.00% to 5.00%	9,230		(9,230)	-	
Series 2009D due through 2024, Variable Rate	23,550		(23,550)	-	
Series 2011A due through 2024, 4.00% to 5.00%	34,360		(8,185)	26,175	8,575
Series 2012A due through 2031, 5.00%	235,150		(235,150)	-	
Series 2013A due through 2033, Variable Rate	54,120		(54,120)	-	
Series 2014A&B due through 2027, Variable Rate	23,635		(21,845)	1,790	1,790
Series 2016A due through 2031, 5.00%	105,185		(2,970)	102,215	3,295
Series 2016B due through 2024, 5.00%	36,235			36,235	
Series 2018A due through 2048, 5.00%	87,940			87,940	8,680
Series 2018B due through 2048, 3.50% to 5.00%	21,745			21,745	
Series 2019A due through 2033, 2.18% to 2.98%		301,665		301,665	2,940
Series 2019B due through 2027, 5.00%		34,605		34,605	5,485
Series 2019C due through 2024, 5.00%		5,405		5,405	
	675,255	341,675	(371,415)	645,515	41,585
Public Power System Revenue Bonds:					
Series 2008 due through 2038, 5.13% to 5.40%	27,903			27,903	
Series 2008 Accreted Interest Payable	20,937	2,626		23,563	
Series 2014 due through 2038, 5.50%	76,885			76,885	
Series 2016 due through 2024, 5.00%	37,245		(4,640)	32,605	4,860
Series 2018 due through 2038, 5.00%	47,245		(1,000)	46,245	1,065
	210,215	2,626	(5,640)	207,201	5,925
Water Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	35,550		(11,225)	24,325	11,840
Series T 2009 due through 2021, 5.00%	37,065		(37,065)	-	
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 4.00%	1,380		(1,380)	-	
Series X 2012 due through 2042, 3.63% to 5.00%	27,575			27,575	
Series Y 2015 due through 2037, 4.00% to 5.00%	116,205			116,205	1,245
Series Z 2015 due through 2019, 5.00%	995		(995)	-	
Series AA 2015 due through 2033, Variable Rate	90,800			90,800	
Series BB 2017 due through 2032, 5.00%	15,715			15,715	
Series CC 2017 due through 2028, 5.00%	54,730		(5,780)	48,950	6,070
Series DD 2019 due through 2033, 2.00% to 5.00%		97,160		97,160	8,385
Series A Sec. Lien 2012 due through 2022, 4.00% to 5.00%	24,755		(6,420)	18,335	6,745
Series B Sub. Lien 2017 due through 2027, 5.00%	42,495			42,495	
	528,695	97,160	(144,295)	481,560	34,285
Water Pollution Control Revenue Bonds:					
Series 2016 due through 2045, 4.00% to 5.00%	31,270		(590)	30,680	610
Ohio Water Development Authority and Public Works Commission loans due through 2032, 0.00% to 3.00%	75,545	5,395	(8,190)	72,750	8,635
Parking Facilities Refunding Revenue Bonds:					
Series 2006 due through 2022, 5.25%	14,570		(3,370)	11,200	3,540
Public Power System Other (See Note 7)	2,021	58	(398)	1,681	250
Accrued Wages and Benefits	11,410	12,593	(12,082)	11,921	8,927
Net pension liability:					
Ohio Public Employees Retirement System	127,074	96,941		224,015	
Net OPEB liability:					
Ohio Public Employees Retirement System	86,570	18,777		105,347	
Estimated claims payable	496	532	(941)	87	87
	1,763,121	575,757	(546,921)	1,791,957	103,844
Unamortized (discount)/premium - net	86,282	15,351	(24,475)	77,158	
Total Business-Type Activities, Net	$ 1,849,403	$ 591,108	$ (571,396)	$ 1,869,115	$ 103,844
Total Debt and Other Long-Term Obligations	$ 3,990,422	$ 1,040,414	$(1,042,414)	$ 3,988,422	$ 201,587

(Concluded)

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, 2019, $1,572,000, $20,751,000 and $10,050,000 of the Internal Service Funds, except for Utilities Administration Fund, compensated absences, net pension and net OPEB liabilities, 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, 2019, $1,040,000, $12,970,000 and $6,731,000 of the Utilities Administration Fund compensated absences, net pension and net OPEB liabilities, 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, net pension and net OPEB liabilities 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 2019:

	Original Issue Amount	Balance January 1, 2019	Additions	(Reductions)	Balance December 31, 2019
	(Amounts in Thousands)				
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	$ 55,390	$ 21,620	$ 17,350	$ (2,140)	$ 36,830
Bridges and Roadways	138,675	96,800	22,480	(4,100)	115,180
Parks & Recreation	35,510	21,435	11,185	(605)	32,015
Refunding Bonds	214,655	127,280		(18,495)	108,785
Total Governmental Activities	$ 444,230	$ 267,135	$ 51,015	$ (25,340)	$ 292,810
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	$ 1,492,180	$ 675,255	$ 341,675	$ (371,415)	$ 645,515
Public Power	194,058	189,278		(5,640)	183,638
Waterworks	1,031,115	528,695	97,160	(144,295)	481,560
Parking Facilities	57,520	14,570		(3,370)	11,200
Water Pollution Control	32,390	31,270		(590)	30,680
Loans					
Waterworks	152,767	75,475		(8,166)	67,309
Water Pollution Control	16,319	70	5,395	(24)	5,441
Total Business-Type Activities	$ 2,976,349	$ 1,514,613	$ 444,230	$ (533,500)	$ 1,425,343

The following is a summary of the City's future debt service requirements as of December 31, 2019:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Construction Loan Principal	Construction Loan Interest	Subordinated Income Tax Bonds Principal	Subordinated Income Tax Bonds Interest
			(Amounts in Thousands)			
2020	$ 25,590	$ 13,178	$ 15	$ 14	$ 17,150	$ 16,539
2021	22,680	11,998	15	14	16,210	15,817
2022	21,645	10,999	15	14	18,300	15,118
2023	21,845	10,006	16	13	19,075	14,245
2024	19,505	8,952	16	13	19,695	13,313
2025-2029	84,225	31,583	525	48	101,145	53,850
2030-2034	46,155	15,856			81,200	29,308
2035-2039	28,275	8,373			51,620	13,059
2040-2044	20,945	2,950			25,595	3,414
2045-2046	1,945	106			2,000	121
	$ 292,810	$ 114,001	$ 602	$ 116	$ 351,990	$ 174,784

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
			(Amounts in Thousands)			
2020	$ 4,056	$ 1,765	$ 345	$ 528	$ 7,815	$ 2,468
2021	4,934	1,606	365	508	8,035	2,097
2022	5,140	1,451	385	487	8,275	1,856
2023	5,303	1,296	410	463	8,520	1,608
2024	5,493	1,113	435	439	8,780	1,352
2025-2029	13,799	3,277	2,590	1,771	36,290	2,695
2030-2034	10,353	1,059	3,465	896		
2035-2039			825	50		
2040-2044						
2045-2046						
	$ 49,078	$ 11,567	$ 8,820	$ 5,142	$ 77,715	$ 12,076

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
			(Amounts in Thousands)			
2020	$ 488	$ 2	$ 63	$	$ 55,522	$ 34,494
2021			63		52,302	32,040
2022			63		53,823	29,925
2023			63		55,232	27,631
2024			63		53,987	25,182
2025-2029			315		238,889	93,224
2030-2034			34		141,207	47,119
2035-2039					80,720	21,482
2040-2044					46,540	6,364
2045-2046					3,945	227
	$ 488	$ 2	$ 664	$ -	$ 782,167	$ 317,688

Year Ending December 31	Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Construction Loans Principal	Construction Loans Interest
	(Amounts in Thousands)			
2020	$ 85,945	$ 53,256	$ 8,635	$ 1,937
2021	93,055	51,464	8,577	1,892
2022	94,255	46,917	8,849	1,653
2023	91,400	42,336	9,120	1,407
2024	96,130	37,865	8,995	1,153
2025-2029	467,585	150,610	24,325	2,977
2030-2034	279,718	79,231	5,075	1,417
2035-2039	100,240	43,106	2,712	1,040
2040-2044	30,210	7,015	3,067	686
2045-2049	14,055	1,341	3,467	286
2050			371	4
	$ 1,352,593	$ 513,141	$ 83,193	$ 14,452

Year Ending December 31	Business-Type Activities Total Principal	Business-Type Activities Total Interest
	(Amounts in Thousands)	
2020	$ 94,580	$ 55,193
2021	101,632	53,356
2022	103,104	48,570
2023	100,520	43,743
2024	105,125	39,018
2025-2029	491,910	153,587
2030-2034	284,793	80,648
2035-2039	102,952	44,146
2040-2044	33,277	7,701
2045-2049	17,522	1,627
2050	371	4
	$ 1,435,786	$ 527,593

OWDA completed an interest rate buy-down in 2015 which resulted in interest rate savings on the current loans. Market rate loans with interest rates higher than 4.0% saw a reduction in rates to 4.0% while rates over 3.0% on OWDA loans were reduced to 3.0%. The buy-down commenced retroactively to the January 1, 2016 payment.

The schedule of principal and interest payments for construction loans above includes the amortization for a loan provided by the Ohio Water Development Authority to the Division of Water Pollution Control in 2019. This amortization is based upon the full amount expected to be financed, regardless of whether the City has received all the loan proceeds. At December 31, 2019, the amount financed on the loan, which is reflected in the amortization schedule, exceeds the actual loan balance shown on long-term debt outstanding and changes in long-term debt obligations by $10,443,000.

General Obligation Bonds

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

Effective June 19, 2019, the City issued $51,015,000 Various Purpose General Obligation Bonds, Series 2019A. The proceeds of these bonds will be used to pay costs of permanent improvements to roads and bridges, to parks and recreation facilities and to various other public facilities.

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue $289,480,986 of additional unvoted debt at December 31, 2019.

Other Governmental Obligations

***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.

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 was 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 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 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 $24,500,000 at December 31, 2019, 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 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 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, 2019 as reported by JPM was approximately $250 which would be payable by the City.

Subordinate Lien Income Tax Bonds**:** Effective July 19, 2018, the City issued $55,245,000 Subordinate Lien Income Tax Bonds, Series 2018A. These bonds were issued for public facility improvements and specifically for the purchase and rehabilitation or construction of a new police headquarters.

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 was 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. The principal and interest on 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. This refunding resulted in $1,248,000 of debt service savings and an economic gain of $1,219,000 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 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 remained variable rate bonds and were privately placed with KeyBank National Association for a period of five years. In May 2018, the City entered into a new three year direct placement on the Series 2013A Bonds with PNC Bank, National Association upon the expiration of the old direct placement. 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 makes 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 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. 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. 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. Effective March 1, 2018, the City entered into an amended and restated Continuing Covenants Agreement with Wells Fargo Municipal Capital Strategies, LLC on the 2010B Stadium COPS. The agreement extended to March 2021 the period of time during which Wells Fargo Municipal Capital Strategies, LLC will be the owner of the COPS.

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.

On June 5, 2012, the City entered into a 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. The final lease payment on the 2012 agreement was made in May 2019. Effective June 20, 2013, the City entered into a $6,535,000 vehicle lease agreement with Huntington Public Capital Corporation. The funds were again used to purchase a variety of vehicles including police cars, EMS ambulances and waste collection equipment. Payments on 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, 2019:

	Governmental Activities (Amounts in Thousands)
Furniture, fixtures and equipment	$ 42,022
Less – accumulated depreciation	(34,282)
Net book value	$ 7,740

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 was $2,100,000. The loan was payable over 10 years to the Ohio Treasurer of State on a bi-annual basis. The final payment on the loan was made in 2019.

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.

***Ohio Water Development Authority Loan*:** This loan is payable from Economic Development revenues secured by a separate loan agreement, a promissory note and loan guarantee, as well as other departmental resources.

***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, 2019, follow:

	Overtime		Deferred Vacation	
Division	Hours	Dollars	Hours	Dollars
	(Amounts in Thousands)			
Police	1,042	$ 37,188		$
Fire	119	4,365	58	2,160
Total	1,161	$ 41,553	58	$ 2,160

Business-Type (Enterprise Fund) Obligations

Airport System Revenue Bonds**:** These bonds are secured by the pledge of airport revenues and moneys in the special funds which include, among others, the bond service fund, bond service reserve fund, the renewal and replacement fund and the airport development fund, 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.

On October 1, 2019, the City issued $341,675,000 Airport System Revenue Bonds, Series 2019A-C. The $301,665,000 Series 2019A Taxable Bonds were issued to advance refund the $235,150,000 Series 2012A Bonds and to currently refund the outstanding $52,050,000 of Series 2013A Bonds. Bond proceeds in the amount of $248,355,650 along with $3,694,402 released from the debt service reserve fund and $2,965,914 released from the Series 2012A Bond Fund, were placed in an irrevocable escrow account for the payment of the principal and interest on the Series 2012A Bonds. The $34,605,000 Series 2019B AMT Bonds currently refunded the variable rate $20,100,000 Series 2009D Bonds and the $18,170,000 Series 2014A Bonds. Finally, the $5,405,000 Series 2019C Non-AMT Bonds currently refunded the outstanding variable rate $5,975,000 Series 2008D Bonds. 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 $22,494,000 of net present value debt service savings or 6.8% while also eliminating all of Port Control's remaining variable rate bonds and terminating its letters of credit and direct placements on those bonds.

Effective March 1, 2019, the Airport System Revenue Bonds, Series 2013A, which had been directly purchased by PNC Bank National Association in 2016 were again purchased by PNC. The bonds remained in a variable rate mode with the Airport System again paying on a monthly basis an amount equal to one month LIBOR plus a spread. The Series 2013A Bonds were refunded by the Series 2019A Bonds.

Effective February 1, 2017, the City entered into an amendment to extend the period of time during which U.S. Bank National Association will be the holder of the Airport System Revenue Bonds, Series 2014A & 2014B. The bonds remained in a variable rate mode with the Airport System again paying on a monthly basis an amount equal to SIFMA plus a spread on the 2014A Bonds and an amount equal to one month LIBOR plus a spread on the 2014B Bonds. The Series 2014A Bonds were refunded by the Series 2019B 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.

On June 27, 2018, the City issued $47,245,000 Public Power System Revenue Refunding Bonds, Series 2018. These bonds were issued to currently refund $14,860,000 of outstanding Series 2008A Public Power System Bonds and $37,575,000 of outstanding Series 2008B-1 Public Power System Bonds. Bond proceeds in the amount of $52,923,299 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on July 27, 2018. The refunded bonds are considered to be 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 $5,323,000 and an economic gain (the difference between the present values of the old and new debt service) of $5,039,000 or 9.6%.

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 April 25, 2019, Water Revenue Bonds, Series DD, 2019, were issued in the amount of $97,160,000. The bonds were issued to currently refund $24,575,000 of outstanding Series T Bonds, $54,935,000 of Series U Bonds, $26,495,000 of Series V Bonds and $1,230,000 of Series W Bonds. As part of this bond deal, the City also terminated all interest rate swaps entered into with Morgan Stanley and JP Morgan and made a termination payment of $7,328,000 on the Series U and Series V swaps from the proceeds of the bonds. In addition, the Division used cash on hand in the amount of $570,500 to terminate the swaps associated with the Series AA Bonds. Through this refunding, the City was able to eliminate the risk associated with most of the Division's variable rate debt by refunding them with fixed rate bonds and by terminating all existing swaps. Additionally, the Division achieved present value debt service savings of $995,000.

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 December 1, 2016, the $54,935,000 Water Series U Bonds and the $26,495,000 Water Series V Bonds were directly purchased by PNC Bank, National Association. The City paid an interest rate equal to

65.001% of one month LIBOR plus a spread for three years ending December 1, 2019. The Series U and Series V Bonds were refunded in 2019 by the Water Series DD Bonds.

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:

In conjunction with the issuance of the Water Revenue Bonds, Series DD, described above, the City terminated all the Division's swaps with JPMorgan Chase Bank, N.A. and Morgan Stanley Capital Services Inc., which were associated with the Series U, Series V and Series AA Bonds. Bond proceeds in the amount of $7,328,000 and cash on hand of $570,000 were used to make termination payments to the counterparties.

Water Pollution Control Revenue Bonds: On April 14, 2016, the City issued $32,390,000 Water Pollution Control Revenue Bonds, Series 2016 (Green Bonds). This was the first series of revenue bonds issued by the Division, with the bonds being issued under and secured by a newly created Master Trust Agreement. The proceeds of these bonds have been used to pay capital costs related to the acquisition, construction and improvement of the system along with funding the debt service reserve requirement and paying the costs of issuing the bonds.

In conjunction with the issuance of the Series 2016 Water Pollution Control Revenue Bonds, the City entered into a Master Trust Agreement for the Series 2016 Bonds and any future series of revenue bonds. Under the terms of the Trust Agreement, the Bonds are special obligations payable solely from and secured by a pledge of and lien on the net revenues of the Division and the Special Funds. The Special Funds include the construction fund, the debt service fund, the debt service reserve fund, the rate stabilization fund, the contingency fund and the balance subfund.

***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 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 was 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, AG (UBS) which is described below.

On April 16, 2013, the City entered into a novation agreement with UBS 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 or lower 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. From 2013 to early 2016, the SIFMA/LIBOR relationship was significantly lower than 67%. In this case, payments received from the counterparty were greater than the amount owed to the counterparty which resulted in a net decrease in debt service. In addition, a reduction in federal income tax rates, such as the one that was approved in late 2017, might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of the financing. However, in 2019, payments received from the counterparty exceeded payments owed by the City to the counterparty.

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, 2019 as reported by PNC totaled $14,000, which would be payable by the City.

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

Defeasance of Debt

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

The aggregate amount of defeased debt outstanding at December 31, 2019 is as follows:

(Amounts in Thousands)

Bond Issue			Bond Issue		
Parking Facilities Bonds:			Subordinate Lien Income Tax Bonds:		
Series 2006	$	5,305	Series 2012	$	2,915
			Series 2013A		12,745
Water Revenue Bonds:			Series 2014A		10,040
Series X, 2012	$	16,835	Series 2014B		17,055
Second Lien Series A, 2012		45,850	Series 2015A		40,490

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 (now United Continental Holdings, Inc.) 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. In January 2016, United Airlines deposited funds with the trustee sufficient to pay off the Airport Special Revenue Refunding Bonds, Series 1999. 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 $645,515,000 in various Airport System Revenue Bonds issued in various years since 2006. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport net revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 60% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $821,835,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $64,848,000 and $108,093,000 respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay $183,638,000 in Public Power System Revenue Bonds issued in various years since 2008. 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 58% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $336,486,000. Principal and interest paid for the current year and total net revenues were $14,093,000 and $24,309,000, respectively.

The City has pledged future water system revenues, net of specified operating expenses, to repay $481,560,000 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 44% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $639,557,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were $44,670,000 and $105,691,000, respectively.

The City has pledged future water pollution control revenues to repay $30,680,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds were used to pay capital costs relating to the acquisition, construction and improvement of the system. The bonds are payable from water pollution control net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 20% of net revenues. The total principal and interest remaining to be paid on the Water Pollution Control Revenue Bonds is $55,459,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $2,135,000 and $11,214,000 respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses and other operating revenues to repay $11,200,000 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 $12,396,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,131,000 and $5,227,000, respectively.

In 2019, 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, 2019, the Division 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 derivative instruments are classified as Level 2 inputs of the fair value hierarchy and are considered to be significant other observable inputs. The derivative instruments are calculated using the zero-coupon discounting method which takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and assumes that the current forward rate implied by the yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the swaps, where future amounts are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money.

The table below presents the fair value balances and notional amounts of the City's derivative instruments outstanding at December 31, 2019, classified by type and the changes in fair value of these derivatives during fiscal year 2019 as reported in the 2019 financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2019 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. In 2019, the City terminated its swaps associated with the Division of Water's Series U, Series V and Series AA Bonds.

	Changes in Fair Value		Fair Value at December 31, 2019		
	Classification	Amount	Classification	Amount	Notional
		(Amounts in Thousands)			
Investment Derivatives:					
Governmental Activities:					
Fixed to floating interest rate swap					
2003 Subordinated Income Tax Swaption	Investment Revenue	$ 6	Debt	$	$ 24,500
Business-Type Activities:					
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	22	Debt	(14)	11,200

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2019, 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	$ 24,500,000	2/7/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa2/A+/AA
2006 Parking Bonds	Basis Swap - Pay Floating/Receive Floating	Exchange floating rate payments on Series 2006	$ 11,200,000	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

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, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, 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, 2019 and 2018 were as follows:

	2019	2018
	(Amounts in Thousands)	
Estimated claims payable, January 1	$ 11,178	$ 11,535
Current year claims (including IBNRs) and changes in estimates	16,328	4,044
Claim payments	(8,831)	(4,401)
Estimated claims payable, December 31	$ 18,675	$ 11,178

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 2019. There was no significant decrease in any insurance coverage in 2019. In addition, there were no insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of two separate health insurance plans to its employees. 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. 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, 2019 and 2018 were as follows:

	2019	2018
	(Amounts in Thousands)	
Estimated claims payable, January 1	$ 9,701	$ 8,805
Current year claims (including IBNRs) and changes in estimates	97,099	96,248
Claim payments	(97,334)	(95,352)
Estimated claims payable, December 31	$ 9,466	$ 9,701

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, 2019 was $14,424,000. Of this amount, $5,268,000 was recorded as a fund liability within each respective fund. The remaining $9,156,000 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, 2019, the City had $10,921,200 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, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel Corporation (Bechtel). 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, classified as Plant Held for Future Use (PHFU), 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.

In late 2016, AMP reached a settlement in the Bechtel litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share. Since March 31, 2014, the City has made payments of $2,106,620 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 $167,972 and interest expense incurred on AMP's line-of-credit of $266,199. As part of the Bechtel Settlement, the City received a credit of $394,149 against its stranded cost liability, resulting in a net impaired cost estimate at December 31, 2019, of $1,681,383.

The City does have a potential PHFU liability of $4,017,584 resulting in a net total potential liability of $5,698,967, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) has no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items like revenue from leases or sale of all or a portion of the Meigs County site property.

The City intends to recover these costs and repay AMP over the next 10 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, *Items Previously Reported as Assets and Liabilities*. 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, the Healthy Start Initiative, Federal HOME Program, Youth Opportunity Area Grant, Workforce Innovation and Opportunity Act (WIOA) 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.

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:

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, 2019, transfers consisted of the following:

	Transfers In					
Transfers Out	Total	Public Health Fund	Other Governmental Funds	Total Governmental Funds	Enterprise Funds	Internal Service Funds
	(Amounts in Thousands)					
Governmental Funds:						
General	$ 66,529	$ 6,895	$ 56,585	$ 63,480	$ 2,531	$ 518
Other Governmental	60,200		60,200	60,200		
Total Governmental Funds	126,729	6,895	116,785	123,680	2,531	518
Total	$ 126,729	$ 6,895	$ 116,785	$ 123,680	$ 2,531	$ 518

Interfund Balances: Interfund balances at December 31, 2019 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.

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

Interfund receivable and payable balances as of December 31, 2019 are as follows:

		Due From										
Due To	Total	General Fund	Public Health Fund	Other Govern-mental Funds	Total Govern-mental Funds	Division of Water Fund	Division of Water Polution Control Fund	Cleveland Public Power Fund	Department of Port Control Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
						(Amounts in Thousands)						
Governmental Funds:												
General	$ 3,820	$	$ 4	$ 112	$ 116	$	$ 2	$ 1,520	$ 14	$ 9	$ 1,545	$ 2,159
Public Health	58	26		11	37		1	14			15	6
Other Governmental	9,591	1,406	226	7,666	9,298			4			4	289
Total Governmental	$ 13,469											
Enterprise Funds:												
Division of Water	$ 1,958	8			8		7	1,416			1,423	527
Division of Water Polution Control	2,688					2,637	2	12			2,651	37
Cleveland Public Power	130	7			7	33	24				57	66
Department of Port Control	1,725	1,503			1,503			22			22	200
Other Enterprise	180	56			56		4	75		1	80	44
Total Enterprise	$ 6,681											
Internal Service Funds	45	2			2			7		2	9	34
Total Due To/Due From	$ 20,195	$ 3,008	$ 230	$ 7,789	$ 11,027	$ 2,670	$ 40	$ 3,070	$ 14	$ 12	$ 5,806	$ 3,362

NOTE 9 – INCOME TAXES

Effective January 1, 2017, the City income tax rate increased to 2.5% from 2.0% and the credit provided to City residents for income taxes paid to other municipalities increased to 100% with a maximum credit limited to 2.5%. 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 2018 levy for collection in 2019 was based upon an assessed valuation of approximately $5.3 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 update was completed in 2018. 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 24 and July 15 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 24 and July 15 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 relating to property taxes and unavailable revenue. Unavailable revenues and property taxes levied to finance 2019 operations have been reported as deferred inflows of resources in the governmental fund balance sheet for the following:

	Governmental Type Funds			
	General	Public Health Funds	Other Governmental Funds	Totals
	(Amounts in Thousands)			
Income taxes receivable	$ 27,816	$	$ 3,475	$ 31,291
Property taxes receivable	54,107		28,187	82,294
Special assessments receivable	7,219		20,616	27,835
Local government receivable	8,947			8,947
Homestead rollback	3,267		1,702	4,969
Emergency medical service receivable	934			934
Motor vehicle taxes receivable			1,528	1,528
Municipal gas tax receivable			1,046	1,046
State gasoline tax receivable			3,466	3,466
Due from other governments	3,203	3	414	3,620
Accounts receivable	661			661
Total deferred inflows of resources	$ 106,154	$ 3	$ 60,434	$ 166,591

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 (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): City employees, other than full-time police and firefighters, participate in 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 COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 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 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 3.0% 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 (CPI), capped at 3.0%.

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10.0% of salary and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $41,346,000 for 2019. All required payments have been made.

Ohio Police & Fire Pension Fund (OP&F): City full-time police and firefighters participate in OP&F, a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual COLA 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 ORC. 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 OP&F 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, 2.0% 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 72.0% 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 COLA. 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 3.0% or the percent increase, if any, in the 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 3.0% of their base pension or disability benefit.

Funding Policy: The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25	12.25
2019 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	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 $37,704,000 for 2019. 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, 2018 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, 2018 and was determined by rolling forward the total pension liability as of January 1, 2018 to December 31, 2018. 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 Thousands)		
Proportionate Share of the Net Pension Liability	$ 547,978	$ 605,230	$ 1,153,208
Proportion of the Net Pension Liability	2.008996%	7.414638%	
Change in Proportion	0.020762%	0.098010%	
Pension Expense	$ 126,190	$ 79,172	$ 205,362

At December 31, 2019, 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 Thousands)		
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 25	$ 24,867	$ 24,892
Net difference between projected and actual earnings on pension plan investments	75,135	74,564	149,699
Change in assumptions	48,374	16,045	64,419
Change in City's proportionate share and difference in employer contributions	9,039	13,186	22,225
Contributions subsequent to the measurement date	41,346	37,704	79,050
Total Deferred Outflows of Resources	$ 173,919	$ 166,366	$ 340,285
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 8,106	$ 565	$ 8,671
Change in City's proportionate share and difference in employer contributions	1,607	14,247	15,854
Total Deferred Inflows of Resources	$ 9,713	$ 14,812	$ 24,525

The $79,050,000 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, 2020. 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 Thousands)		
Year Ending December 31:			
2020	$ 56,348	$ 34,538	$ 90,886
2021	25,789	18,233	44,022
2022	6,760	25,058	31,818
2023	34,705	34,154	68,859
2024	(213)	1,867	1,654
Thereafter	(529)		(529)
Total	$ 122,860	$ 113,850	$ 236,710

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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25 to 10.75%
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 3%, simple through 2018, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 2.94% for 2018.

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board 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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 contractually required rates, as actuarially determined. 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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
		(Amounts in Thousands)	
City's proportionate share of the net pension liability	$ 811,999	$ 547,978	$ 328,731

Actuarial Assumptions – OP&F: OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018 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, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, 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, 2018, are presented below:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75%-10.50%
Payroll Increases	3.25%
Inflation Assumptions	2.75%
Cost of Living Adjustments	2.20% and 3.00%

The most recent experience study was completed January 1, 2018.

Health Mortality: Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120.0%.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Disabled Mortality: Mortality for disabled retirees is based on the RP-2014 Disabled Morality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	**Police**	**Fire**
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

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, 2018 are summarized below:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash and Cash Equivalents	%	0.80 %
Domestic Equity	16	5.50
Non-US Equity	16	5.90
Private Markets	8	8.40
Core Fixed Income *	23	2.60
High Yield Fixed Income	7	4.80
Private Credit	5	7.50
U.S. Inflation Linked Bonds *	17	2.30
Master Limited Partnerships	8	6.40
Real Assets	8	7.00
Private Real Estate	12	6.10
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 8.0%. 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 earnings were calculated using the long-term assumed investment rate of return 8.0%. 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 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0%), or one percentage point higher (9.0%) than the current rate.

	1% Decrease 7.0%	Current Discount Rate 8.0%	1% Increase 9.0%
		(Amounts in Thousands)	
City's proportionate share of the net pension liability	$ 795,534	$ 605,230	$ 446,205

NOTE 13 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability: The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB is 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

The ORC limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB is financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – OPERS: OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the OPERS Board, 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 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board 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 0.0% 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to the OPEB plan.

Plan Description – OP&F: The City contributes to the OP&F sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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 OPEB as described in GASB Statement No. 75.

The ORC 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 is codified in Chapter 742 of the ORC.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. The report is also available on the OP&F's website at www.op-f.org.

Funding Policy: The ORC 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 24.0% of covered payroll for police and fire employer units, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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. For 2018, the portion of employer contributions allocated to health care was 0.5% of covered payroll. 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 is also 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 contractually required contribution to OP&F was $929,000 for 2019. All required payments have been made.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date as of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018 and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	1.985567 %	7.414638 %	
Prior Measurement Date	1.955919	7.316628	
Change in Proportionate Share	0.029648 %	0.098010 %	
	(Amounts in Thousands)		
Proportionate Share of the Net			
OPEB Liability	$ 258,873	$ 67,521	$ 326,394
OPEB Expense	$ 29,166	$ (337,099)	$ (307,933)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources	**(Amounts in Thousands)**		
Differences between expected and actual economic experience	$ 88	$	$ 88
Changes in assumptions	8,346	35,000	43,346
Net difference between projected and actual earnings on pension plan investments	11,868	2,286	14,154
Changes in proportion and differences between City contributions and proportionate share of contributions	2,159	4,355	6,514
Contributions subsequent to the measurement date		929	929
Total Deferred Outflows of Resources	$ 22,461	$ 42,570	$ 65,031
Deferred Inflows of Resources			
Differences between expected and actual economic experience	$ 703	$ 1,809	$ 2,512
Changes of assumptions		18,693	18,693
Total Deferred Inflows of Resources	$ 703	$ 20,502	$ 21,205

The $929,000 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:	**(Amounts in Thousands)**		
2020	$ 10,341	$ 3,716	$ 14,057
2021	3,451	3,716	7,167
2022	1,987	3,716	5,703
2023	5,979	4,407	10,386
2024		3,318	3,318
Thereafter		2,266	2,266
Total	$ 21,758	$ 21,139	$ 42,897

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date as of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases Including Inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00%, initial
	3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care Portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate: A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date as of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
	(Amounts in Thousands)		
City's proportionate share of the net OPEB liability	$ 331,183	$ 258,873	$ 201,351

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
		(Amounts in Thousands)	
City's proportionate share of the net OPEB liability	$ 248,824	$ 258,873	$ 270,427

Actuarial Assumptions – OP&F: OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single Discount Rate:	
Currrent Measurement Date	4.66%
Prior Measurement Date	3.24%
Cost of Living Adjustments	3.00%; 2.20% Simple for increased based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120.0%.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB 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 expected. 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, 2018, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	%	0.80 %
Domestic Equity	16	5.50
Non-US Equity	16	5.90
Private Markets	8	8.40
Core Fixed Income *	23	2.60
High Yield Fixed Income	7	4.80
Private Credit	5	7.50
U.S. Inflation Lined Bonds *	17	2.30
Master Limited Partnerships	8	6.40
Real Assets	8	7.00
Private Real Estate	12	6.10
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 the 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 OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State Statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 4.66%. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: Net OPEB liability is sensitive to changes in the discount rate and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.66%), or one-percentage-point higher (5.66%) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
		(Amounts in Thousands)	
City's proportionate share of the net OPEB liability	$ 82,259	$ 67,521	$ 55,150

NOTE 14 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
		(Amounts in Thousands)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 67,996	$ 617	$ (100)	$ 68,513
Construction in progress	238,492	61,197	(37,071)	262,618
Total capital assets, not being depreciated	306,488	61,814	(37,171)	331,131
Capital assets, being depreciated:				
Land improvements	215,281	12,994	(148)	228,127
Buildings, structures and improvements	691,408	22,568		713,976
Furniture, fixtures, equipment and vehicles	274,417	13,426	(6,319)	281,524
Infrastructure	818,443	11,559	(791)	829,211
Total capital assets, being depreciated	1,999,549	60,547	(7,258)	2,052,838
Less accumulated depreciation for:				
Land improvements	(144,737)	(8,355)	133	(152,959)
Buildings, structures and improvements	(345,522)	(16,486)		(362,008)
Furniture, fixtures, equipment and vehicles	(192,229)	(15,164)	6,250	(201,143)
Infrastructure	(385,897)	(30,469)	779	(415,587)
Total accumulated depreciation	(1,068,385)	(70,474)	7,162	(1,131,697)
Total capital assets being depreciated, net	931,164	(9,927)	(96)	921,141
Governmental activities capital assets, net	$ 1,237,652	$ 51,887	$ (37,267)	$ 1,252,272

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
		(Amounts in Thousands)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 192,202	$	$ (577)	$ 191,625
Construction in progress	303,028	137,736	(82,093)	358,671
Total capital assets, not being depreciated	495,230	137,736	(82,670)	550,296
Capital assets, being depreciated:				
Land improvements	125,052	4,165		129,217
Utility plant	2,751,725	42,814	(7,244)	2,787,295
Buildings, structures and improvements	754,118	30,816		784,934
Furniture, fixtures, equipment and vehicles	806,902	23,711	(14,444)	816,169
Infrastructure	1,016,148	1,980		1,018,128
Total capital assets, being depreciated	5,453,945	103,486	(21,688)	5,535,743
Less accumulated depreciation for:				
Land improvements	(59,047)	(3,322)		(62,369)
Utility plant	(1,062,784)	(72,348)	7,222	(1,127,910)
Buildings, structures and improvements	(465,426)	(15,840)		(481,266)
Furniture, fixtures, equipment and vehicles	(615,634)	(31,955)	14,406	(633,183)
Infrastructure	(707,083)	(41,232)		(748,315)
Total accumulated depreciation	(2,909,974)	(164,697)	21,628	(3,053,043)
Total capital assets being depreciated, net	2,543,971	(61,211)	(60)	2,482,700
Business-Type activities capital assets, net	$ 3,039,201	$ 76,525	$ (82,730)	$ 3,032,996

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 Thousands)
Governmental Activities:		
General Government	$	26,903
Public Works		29,862
Public Safety		8,477
Building and Housing		97
Community Development		1,517
Public Health		356
Economic Development		128
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		443
Total depreciation expense charged to governmental activities	$	67,783
Business-Type Activities:		
Water	$	72,625
Sewer		5,861
Electricity		22,096
Airport Facilities		55,731
Nonmajor activities		3,239
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		114
Total depreciation expense charged to business-type activities	$	159,666

Capital Commitments: Significant commitments of the City as of December 31, 2019 are composed of the following:

Project Description		Spent-to-Date		Remaining Commitment
		(Amounts in Thousands)		
Governmental Activities:				
Police Headquarters Building	$	115	$	54,885
LED Lighting		9,999		18,401
East 105 SR 10 Quebec to Chester		8,286		17,566
Ward 1 Recreation Center		555		15,580
Demo 2020				14,000
Demo 2018		4,554		9,446
Pedestrian Bridge				9,363
Vehicles 2020				8,470
Vehicles 2019		3,061		6,939
Kovacic Roof and Locker Room		816		6,656
Northcoast Pedestrian Bridge		7,605		5,471

Project Description		Spent-to-Date		Remaining Commitment
		(Amounts in Thousands)		
Business-Type Activities:				
Nottingham Sedimentation Basins	$		$	18,656
North Airfield Construction Phase II		2,657		18,009
East 185 and Marcella Road		5,459		9,090
Trunk Main Renewal 2016		1,172		7,828
Secondary Site Improvements		5,650		7,100
Suburban Water Main Renewal		7,995		7,005
Sanitary Sewer System Relocation				7,000
Kirtland Crib		106		6,894
Post PEP		255		6,703
Secondary Station Improvements Cycle H				6,420
Crown Residuals		598		5,947
Post PEP Plant		7,798		5,690
Watermain Renewal		3,940		5,087
Billing Upgrades 2018		1,988		4,830

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. During 2019, the State funded $6,871,937 of road and bridge improvement projects.

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 2019, interest expense incurred for the Enterprise Funds was $63,986,000 of which $3,755,000 was capitalized net of $352,000 of interest income capitalized.

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 vest in the City. Cleveland Metroparks 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 $2,793,000 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
- Water Pollution 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
Assets:		
Current assets	$	7,705
Restricted assets		8,919
Capital assets, net		37,557
Total assets		54,181
Deferred outflows of resources		853
Liabilities:		
Current liabilities		4,699
Long-term liabilities		10,243
Total liabilities		14,942
Deferred inflows of resources		42
Net position:		
Net investment in capital assets		29,601
Restricted for debt service		5,776
Unrestricted		4,673
Total net position	$	40,050

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

		Municipal Parking Lots
Charges for services	$	9,621
Depreciation (expense)		(1,581)
Other operating (expenses)		(5,079)
Operating income (loss)		2,961
Non-operating revenues (expenses):		
Investment income (loss)		331
Interest expense		(788)
Capital contibutions		463
Change in net position		2,967
Net position at beginning of year		37,083
Net position at end of year	$	40,050

Condensed Statement of Cash Flows Information

	Municipal Parking Lots
Net cash provided by (used for):	
Operating activities	$ 5,466
Capital and related financing activities	(4,130)
Investing activities	309
Net increase (decrease) in cash and cash equivalents	1,645
Beginning cash and cash equivalents	14,927
Ending cash and cash equivalents	$ 16,572

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 Thousands)			
Construction activities	$ 7,462	$ 2,546	$ 43,681	$ 3,132	$	$ 4,428
Debt retirement	57,321	2,445	121,026	5,776		2,657
Accrued passenger facility charges			17,839			
Other	65	4	53,559	11	5,361	6
Total	$ 64,848	$ 4,995	$ 236,105	$ 8,919	$ 5,361	$ 7,091

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. To establish, modify or rescind committed fund balances legislation must go before administration with passage 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. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. 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, 2019:

	General Fund	Public Health	Other Governmental	Total Governmental
		(Amounts in Thousands)		
Fund Balances				
Nonspendable				
Prepaid expenses and other assets	$ 3,069	$ 32	$ 138	$ 3,239
Nonspendable Total	3,069	32	138	3,239
Restricted				
Debt Service			103,220	103,220
Recreation capital expenditures			45,914	45,914
Public Facilities capital expenditures			79,259	79,259
Road & Bridges capital expenditures			93,379	93,379
Cemetery capital expenditures			106	106
Stadium capital expenditures			7,859	7,859
Other capital expenditures			6,899	6,899
Repair & building of streets			17,799	17,799
Health & wellness		1,446		1,446
Protection & enforcement			3,927	3,927
Housing, community & economic development			53,636	53,636
Parks, properties & recreational services			488	488
Municipal Court			7,072	7,072
Casino			4,971	4,971
Neighborhood & sidewalk maintenance			2,168	2,168
Utilities programs			69	69
General governance			297	297
Restricted Total	-	1,446	427,063	428,509
Committed				
Health & wellness		387		387
Protection & enforcement			1,210	1,210
Parks, properties & recreational services			759	759
Housing, community & economic development			53,747	53,747
Municipal Court			1,480	1,480
Neighborhood & sidewalk maintenance			4,094	4,094
Lakefront management			2,754	2,754
Utilities programs			90	90
General governance			679	679
Committed Total	-	387	64,813	65,200
Assigned				
Debt Service			11	11
General governance	8,746			8,746
Protection & enforcement	6,072			6,072
Parks, properties & recreational services	1,724			1,724
Housing, community & economic development	1,925			1,925
Other purpose	67,486			67,486
Assigned Total	85,953	-	11	85,964
Unassigned	114,870			114,870
Total Fund Balances	$ 203,892	$ 1,865	$ 492,025	$ 697,782

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 is 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). The Rainy Day's goal is to accumulate at least 5% for budget stabilization and up to 5% for self-insurance claims liabilities. 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.

In 2019, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $896,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $54,286,000 at December 31, 2019. 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, 2019, the City pledged $3,316,553.

NOTE 19 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2019, the following funds had a net position deficiency. These deficiencies are the result of changes in accounting for net pension and net OPEB liabilities for which there are no repayment schedules.

	Amount (Amounts in Thousands)	
Utilities Administration	$	14,212
Sinking Fund Administration		592
Municipal Income Tax Administration		10,118
Telephone Exchange		716

NOTE 20 – TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board Statement No. 77, the City is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the City or the citizens of the City. The City has entered into such agreements. A description of each of the City's abatement programs where the City has promised to forgo taxes follows:

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code 3735, the City established a Community Reinvestment Area which includes all land within the boundaries of the City. The City authorizes abatements through passage of public ordinances, based on residential investment criteria and through an application process, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill.

The establishment of the Community Reinvestment Area gave the City the ability to provide incentives for the development of safe and affordable housing in Cleveland's neighborhoods. The City's tax abatement program provides incentives for current residents to rehabilitate their homes and to attract new residents into the City.

Taxes are abated on the improved value of a parcel, where new construction occurs, or on the structure where remodeling applies. The collection of taxes continues on the land and unimproved portion of a remodeled structure. The tax abatement is revoked when the tax abated property has code violations and the property is not maintained and/or when the portion of taxes on a property or parcel that was not abated becomes delinquent.

Ohio Enterprise Zone Program

Pursuant to Ohio Revised Code 5709, the City established an Enterprise Zone in 1995, which included all land within the boundaries of the City. The City authorizes incentives through passage of public ordinances, based upon each project's criteria and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals a percentage of the additional real property tax resulting from the increase in real property tax bill. Abated taxes may be recouped if the project is not completed and/or required job creation is not met. The establishment of the Enterprise Zone gave the City the ability to retain and expand businesses located in the City and create new jobs by partially abating real property taxes of new or improved business real estate including mixed-use and commercial improvements.

The City has offered tax incentives including Enterprise Zone tax abatements of up to 60% for a period of ten years to businesses making a substantial investment in the City with new development or redevelopment of commercial real property. To qualify, the City considers projects where the enterprise must meet one of the following conditions:

- An investment in an expansion must equal at least 10% of the market value of the facility prior to the expenditure.

- The renovation of an existing facility requires expenditures totaling at least 50% of the market value of the subject facility.

- When occupying a vacant facility or site an enterprise must incur expenditures to renovate or expand the facility equal to at least 20% of the market value of the subject facility.

- Establishing a new facility in an Enterprise Zone.

Businesses which submit applications for tax abatement must be willing and able to attest that without abatement, the proposed investment would not take place in the City. The business must justify this statement documenting that the investment would not be cost effective without abatement or that they are considering a more economically advantageous location outside the City. Additionally, to address the existence of food deserts, the City recertified its Enterprise Zone to extend the term of the tax abatement to the maximum allowable amount. Accordingly and pursuant to Ohio Revised Code 5709.62, the City offers a 15-year, 75% tax abatement to business improving real property with a grocery store.

Tax Increment Financing (TIF)

The City uses tax increment financing authorized by the Ohio Revised Code (ORC) Chapter 5709 as a tool to support development in the City and are often used to support financing to close project funding gaps, without which the project would not be able to move forward. TIFs are analyzed by Department of Economic Development staff to ensure that the project meets a "but-for" test, confirming that the development would not proceed without the incentive, as well as to determine that the City receives an adequate return on its investment in the form of other taxes or policy goals.

A TIF works by locking in the taxable worth of real property at the value it holds at the time the authorizing legislation was approved by City Council. Payments derived from a percentage of the increased assessed value of any improvement to real property beyond that amount are directed towards a separate fund to finance construction of public infrastructure defined within the TIF legislation. While the property holders continue to pay their full property taxes, the incremental payments above the base value are called paid-in-lieu of taxes (PILOT).

Most TIFs authorized by the City are "Non-School" TIFs, providing that the Cleveland Metropolitan School District receives its share of the tax revenues generated by the development, approximately 60% of the total taxes.

TIFs authorized within the last ten years have leveraged over $2.0 billion in investment in the City. As a result of these projects, thousands of jobs have been created, adding millions of dollars to the City in total payroll and income tax revenue generated annually. In addition, TIF projects have resulted in the development of 1,387 hotel rooms in the City, helping to support the City's tourist and convention industries and generating bed and sales tax revenues.

Below is the information relevant to the disclosure of these programs for the year ended December 31, 2019.

Tax Abatement Program	Total Amount of Taxes Abated For the year 2019 (Amounts in Thousands)	
Community Reinvestment Area (CRA)	$	4,830
Enterprise Zone Program		174
Tax Increment Financing (TIF)		2,700

NOTE 21 – SUBSEQUENT EVENTS

Effective February 19, 2020, the City issued $83,580,000 of Public Power System Revenue Refunding Bonds, Series 2020, to refund $83,395,000 of outstanding Series 2014 and Series 2016 Public Power System Bonds series 2014. The City issued the $63,100,000 Series 2020A Bonds as tax exempt bonds and the $20,470,000 Series 2020B Bonds as federally taxable bonds. As a result of this refunding, the City achieved net present value debt service savings of approximately $11,900,000 or 14.3%.

On February 26, 2020 the City issued $69,820,000 of Subordinate Lien Income Tax Refunding Bonds, Series 2020A, to refund $61,885,000 of various series of outstanding Subordinate Lien Income Tax Bonds. These bonds were issued on a federally taxable basis. As a result of this refunding, the City achieved $8.5 million of net present value debt service savings or 13.7%.

In March 2020, the United States and the State of Ohio declared a state of emergency due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

On June 3, 2020, City Council approved legislation authorizing the issuance of not to exceed $64,050,000 of General Obligation Bonds. These bonds will be issued to fund park and recreation improvements, public facility improvements, road and bridge improvements and housing and neighborhood improvements.

Also on June 3, 2020 City Council approved legislation in an amount not to exceed $2,500,000 for the issuance of Economic and Community Development Bonds (Core City Fund). These bonds will be paid with non-tax revenues of the City and will fund loans for the acquisition, construction, equipping or improvement of multi-unit housing and commercial development for creating or preserving jobs.

Effective June 10, 2020, the City issued $15,815,000 Water Revenue Bonds, Series EE, 2020. These bonds were issued to refund $14,565,000 of outstanding Water Revenue Bonds, Series X, 2012. As a result of this refunding, the City achieved net present value debt service savings of $2.725 million or 18.7%. The Series EE Bonds were issued as federally taxable bonds. On June 11, 2020, the City issued $70,270,000 Water Revenue Bonds, Series FF, 2020. These tax-exempt bonds refunded the variable rate $90,800,000 Water Revenue Bonds, Series AA, 2015. The bonds were refunded as fixed rate bonds to take advantage of low interest rates. The Series FF Bonds were issued at a rate of 1.54%.

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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 Six Measurement Years (1), (2)

	2019	2018	2017	2016	2015	2014
			(Amounts in Thousands)			
City's Proportion of the Net Pension Liability	2.008996%	1.988234%	1.918603%	1.991565%	2.005665%	2.005665%
City's Proportionate Share of the Net Pension Liability	$ 547,978	$ 309,209	$ 434,615	$ 343,995	$ 241,132	$ 236,084
City's Covered Payroll	$ 287,186	$ 265,054	$ 254,500	$ 253,925	$ 250,992	$ 227,331
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.81%	116.66%	170.77%	135.47%	96.07%	103.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information presented for each year was determined as of the City's measurement date, which is the prior year end.
(2) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:
Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%.

CITY OF CLEVELAND, OHIO

Required Supplementary Information (Continued)

Schedule of Contributions - Net Pension Liability
Ohio Public Employees Retirement System
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
				(Amounts in Thousands)			
Contractually Required Contributions	$ 41,346	$ 40,206	$ 34,457	$ 30,540	$ 30,471	$ 30,119	$ 29,553
Contributions in Relation to the Contractually Required Contributions	(41,346)	(40,206)	(34,457)	(30,540)	(30,471)	(30,119)	(29,553)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 295,329	$ 287,186	$ 265,054	$ 254,500	$ 253,925	$ 250,992	$ 227,331
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

Required Supplementary Information (Continued)

Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Six Measurement Years (1), (2)

	2019	2018	2017	2016	2015	2014
			(Amounts in Thousands)			
City's Proportion of the Net Pension Liability	7.414638%	7.316628%	7.413054%	7.121475%	7.672388%	7.672388%
City's Proportionate Share of the Net Pension Liability	$ 605,230	$ 449,054	$ 469,535	$ 458,129	$ 397,462	$ 373,669
City's Covered Payroll	$ 168,650	$ 156,994	$ 157,731	$ 160,828	$ 154,514	$ 187,096
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	358.87%	286.03%	297.68%	284.86%	257.23%	199.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Information presented for each year was determined as of the City's measurement date, which is the prior year end.
(2) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:
Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ending December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.00%, a reduction in the wage inflation rate from 3.75% to 3.25% and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF CLEVELAND, OHIO

Required Supplementary Information (Continued)

Schedule of Contributions - Net Pension Liability
Ohio Police and Fire Pension Fund
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
				(Amounts in Thousands)			
Contractually Required Contributions	$ 37,704	$ 34,978	$ 32,482	$ 32,808	$ 33,420	$ 32,108	$ 31,956
Contributions in Relation to the Contractually Required Contributions	(37,704)	(34,978)	(32,482)	(32,808)	(33,420)	(32,108)	(31,956)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 182,586	$ 168,650	$ 156,994	$ 157,731	$ 160,828	$ 154,514	$ 187,096
Contributions as a Percentage of Covered Payroll	20.65%	20.74%	20.69%	20.80%	20.78%	20.78%	17.08%

(1) Represents City'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 (Continued)

Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Three Measurement Years (1), (2)

	2019	2018	2017
	(Amounts in Thousands)		
City's Proportion of the Net OPEB Liability	1.985567%	1.955919%	1.884621%
City's Proportionate Share of the Net OPEB Liability	$ 258,873	$ 212,398	$ 190,355
City's Covered Payroll	$ 287,186	$ 287,186	$ 265,054
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	90.14%	73.96%	71.82%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Information presented for each year was determined as of the City's measurement date, which is the prior year end.

(2) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:
For 2019, the single discount rate changed from 3.85% to 3.96%.

CITY OF CLEVELAND, OHIO

Required Supplementary Information (Continued)

Schedule of Contributions - Net OPEB Liability
Ohio Public Employees Retirement System
Last Four Years (1), (2), (3)

	2019	2018	2017	2016
	(Amounts in Thousands)			
Contractually Required Contributions	$	$	$ 2,651	$ 5,090
Contributions in Relation to the Contractually Required Contributions			(2,651)	(5,090)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 295,329	$ 287,186	$ 265,054	$ 254,500
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member Directed Plan.

(3) Represents City's calendar year. Information prior to 2016 is 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 (Continued)

Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Three Measurement Years (1), (2)

	2019	2018	2017
	(Amounts in Thousands)		
City's Proportion of the Net OPEB Liability	7.414638%	7.316628%	7.413054%
City's Proportionate Share of the Net OPEB Liability	$ 67,521	$ 414,550	$ 351,881
City's Covered Payroll	$ 168,650	$ 168,650	$ 156,994
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.04%	245.80%	224.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Information presented for each year was determined as of the City's measurement date, which is the prior year end.

(2) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:
For 2019, the single discount rate changed from 3.24% to 4.66%

CITY OF CLEVELAND, OHIO

Required Supplementary Information (Continued)

Schedule of Contributions - Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Four Years (1)

	2019	2018	2017	2016
	(Amounts in Thousands)			
Contractually Required Contributions	$ 929	$ 866	$ 801	$ 789
Contributions in Relation to the Contractually Required Contributions	(929)	(866)	(801)	(789)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 182,586	$ 168,650	$ 156,994	$ 157,731
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(1) Represents City's calendar year. Information prior to 2016 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Income taxes	$ 424,869	$ 430,869	$ 441,754	$ 10,885
Property taxes	37,973	37,973	37,905	(68)
State local government funds	26,165	26,165	26,073	(92)
Other taxes	40,014	40,014	44,823	4,809
Other shared revenues	13,346	13,346	13,441	95
Licenses and permits	18,154	18,154	19,519	1,365
Charges for services	36,415	36,415	38,601	2,186
Fines, forfeits and settlements	10,936	10,936	11,015	79
Investment earnings	3,500	3,500	5,495	1,995
Grants	417	417	913	496
Miscellaneous	27,636	27,636	42,382	14,746
TOTAL REVENUES	639,425	645,425	681,921	36,496
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	5,545	5,545	5,433	112
Other	2,232	2,232	1,617	615
Total council and clerk of council	7,777	7,777	7,050	727
Municipal court-judicial division:				
Personnel	21,515	19,516	18,693	823
Other	3,753	3,953	3,840	113
Total municipal court-judicial division	25,268	23,469	22,533	936
Municipal court-clerks division:				
Personnel	10,797	10,397	9,927	470
Other	1,779	1,779	1,779	-
Total municipal court-clerks division	12,576	12,176	11,706	470
Municipal court-housing division:				
Personnel	4,520	4,520	4,181	339
Other	324	324	315	9
Total municipal court-housing division	4,844	4,844	4,496	348
Office of the mayor:				
Personnel	3,549	2,399	2,071	328
Other	121	121	86	35
Total office of the mayor	3,670	2,520	2,157	363
Office of capital projects:				
Personnel	6,421	5,771	5,574	197
Other	648	648	497	151
Total office of capital projects	7,069	6,419	6,071	348

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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Office of quality control and performance management:				
Personnel	$ 1,137	$ 836	$ 755	$ 81
Other	194	194	45	149
Total office of quality control and performance management	1,331	1,030	800	230
Landmarks commission:				
Personnel	198	198	197	1
Other	12	12	6	6
Total landmarks commission	210	210	203	7
Board of building standards and appeals:				
Personnel	140	140	133	7
Other	25	25	15	10
Total board of building standards and appeals	165	165	148	17
Board of zoning appeals:				
Personnel	225	225	205	20
Other	23	23	18	5
Total board of zoning appeals	248	248	223	25
Civil service commission:				
Personnel	805	655	568	87
Other	995	995	920	75
Total civil service commission	1,800	1,650	1,488	162
Community relations board:				
Personnel	1,658	1,533	1,492	41
Other	63	63	36	27
Total community relations board	1,721	1,596	1,528	68
City planning commission:				
Personnel	2,088	1,738	1,550	188
Other	342	217	125	92
Total city planning commission	2,430	1,955	1,675	280
Boxing and wrestling commission:				
Personnel	26	26	17	9
Total boxing and wrestling commission	26	26	17	9
Office of sustainability:				
Personnel	664	664	584	80
Other	403	303	283	20
Total office of sustainability	1,067	967	867	100

(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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Office of equal opportunity:				
Personnel	$ 743	$ 743	$ 635	$ 108
Other	148	148	17	131
Total office of equal opportunity	891	891	652	239
Office of budget and management:				
Personnel	845	745	718	27
Other	51	51	11	40
Total office of budget and management	896	796	729	67
Department of aging:				
Personnel	1,246	1,246	1,101	145
Other	319	344	321	23
Total department of aging	1,565	1,590	1,422	168
Office of personnel:				
Personnel	1,633	1,483	1,413	70
Other	1,579	1,579	1,564	15
Total office of personnel	3,212	3,062	2,977	85
Department of law:				
Personnel	7,744	7,094	6,876	218
Other	6,060	11,560	11,177	383
Total department of law	13,804	18,654	18,053	601
Finance administration:				
Personnel	1,162	987	900	87
Other	3,531	3,556	3,555	1
Total finance administration	4,693	4,543	4,455	88
Division of accounts:				
Personnel	1,367	1,367	1,292	75
Other	849	849	841	8
Total division of accounts	2,216	2,216	2,133	83
Division of assessments and licenses:				
Personnel	3,624	3,074	2,991	83
Other	1,456	956	814	142
Total division of assessments and licenses	5,080	4,030	3,805	225
Division of treasury:				
Personnel	813	713	649	64
Other	123	123	119	4
Total division of treasury	936	836	768	68

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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Division of purchases and supplies:				
Personnel	$ 732	$ 732	$ 644	$ 88
Other	32	32	19	13
Total division of purchases and supplies	764	764	663	101
Bureau of internal audit:				
Personnel	789	664	590	74
Other	685	285	243	42
Total bureau of internal audit	1,474	949	833	116
Division of financial reporting and control:				
Personnel	1,548	1,248	1,154	94
Other	27	32	27	5
Total division of financial reporting and control	1,575	1,280	1,181	99
Division of information system services:				
Personnel	3,292	2,992	2,756	236
Other	3,379	3,379	3,059	320
Total division of information system services	6,671	6,371	5,815	556
TOTAL GENERAL GOVERNMENT	113,979	111,034	104,448	6,586
Public Health:				
Public health administration:				
Personnel	1,203	1,203	1,098	105
Other	425	425	413	12
Total public health administration	1,628	1,628	1,511	117
Division of health:				
Personnel	2,696	2,446	2,319	127
Other	2,452	2,452	2,409	43
Total division of health	5,148	4,898	4,728	170
Division of environment:				
Personnel	1,636	1,536	1,498	38
Other	484	484	353	131
Total division of environment	2,120	2,020	1,851	169
Division of air quality:				
Personnel	584	484	482	2
Other	334	334	325	9
Total division of air quality	918	818	807	11
TOTAL PUBLIC HEALTH	9,814	9,364	8,897	467

(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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Safety:				
Public safety administration:				
Personnel	$ 3,849	$ 3,749	$ 3,630	$ 119
Other	2,697	2,397	2,255	142
Total public safety administration	6,546	6,146	5,885	261
Division of police:				
Personnel	195,433	198,433	194,637	3,796
Other	12,201	12,651	11,930	721
Total division of police	207,634	211,084	206,567	4,517
Division of fire:				
Personnel	97,298	96,548	95,267	1,281
Other	4,329	4,579	4,346	233
Total division of fire	101,627	101,127	99,613	1,514
Division of emergency medical services:				
Personnel	29,036	26,036	24,694	1,342
Other	3,702	3,927	3,827	100
Total division of emergency medical services	32,738	29,963	28,521	1,442
Division of animal control services:				
Personnel	2,209	2,209	2,071	138
Other	662	837	780	57
Total division of animal control services	2,871	3,046	2,851	195
Division of correction:				
Personnel	662	537	309	228
Other	7,806	5,306	4,891	415
Total division of correction	8,468	5,843	5,200	643
Office of Professional Standards:				
Personnel	1,229	1,229	1,145	84
Other	466	466	292	174
Total office of professional standards	1,695	1,695	1,437	258
Police Review Board:				
Personnel	147	158	153	5
Other	12	12	3	9
Total police review board	159	170	156	14
Community Police Commission:				
Personnel	417	417	322	95
Other	342	167	71	96
Total community police commission	759	584	393	191

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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Police Inspector General:				
Personnel	$ 223	$ 98	$ 41	$ 57
Other	11	11	4	7
Total police inspector general	234	109	45	64
Department of Justice:				
Personnel	2,225	1,724	1,490	234
Other	2,181	1,981	1,640	341
Total department of justice	4,406	3,705	3,130	575
TOTAL PUBLIC SAFETY	367,137	363,472	353,798	9,674
Public Works:				
Division of public works administration:				
Personnel	3,153	3,053	3,003	50
Other	204	204	197	7
Total division of public works administration	3,357	3,257	3,200	57
Division of recreation:				
Personnel	10,552	10,277	10,197	80
Other	4,650	4,650	4,628	22
Total division of recreation	15,202	14,927	14,825	102
Division of parking facilities:				
Personnel	1,168	1,168	1,108	60
Other	75	100	90	10
Total division of parking facilities	1,243	1,268	1,198	70
Division of property management:				
Personnel	6,030	6,130	6,129	1
Other	2,237	2,137	2,136	1
Total division of property management	8,267	8,267	8,265	2
Division of park maintenance and properties:				
Personnel	10,529	10,829	10,718	111
Other	5,987	6,487	6,440	47
Total division of park maintenance and properties	16,516	17,316	17,158	158
Division of waste collection and disposal:				
Personnel	17,299	16,899	16,701	198
Other	12,947	14,447	13,741	706
Total division of waste collection and disposal	30,246	31,346	30,442	904

(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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Division of traffic engineering:				
Personnel	$ 3,003	$ 3,003	$ 2,953	$ 50
Other	1,002	952	884	68
Total division of traffic engineering	4,005	3,955	3,837	118
TOTAL PUBLIC WORKS	78,836	80,336	78,925	1,411
Community Development:				
Director's office:				
Personnel	645	395	315	80
Other	1,531	1,536	1,528	8
Total director's office	2,176	1,931	1,843	88
TOTAL COMMUNITY DEVELOPMENT	2,176	1,931	1,843	88
Building and Housing:				
Director's office:				
Personnel	1,992	1,992	1,969	23
Other	711	961	960	1
Total director's office	2,703	2,953	2,929	24
Division of code enforcement:				
Personnel	8,382	7,957	7,780	177
Other	310	310	310	-
Total division of code enforcement	8,692	8,267	8,090	177
Division of construction permitting:				
Personnel	1,793	1,543	1,441	102
Other	25	25	25	-
Total division of construction permitting	1,818	1,568	1,466	102
TOTAL BUILDING AND HOUSING	13,213	12,788	12,485	303
Economic Development:				
Economic development administration:				
Personnel	1,888	1,738	1,683	55
Other	19	19	14	5
Total economic development administration	1,907	1,757	1,697	60
TOTAL ECONOMIC DEVELOPMENT	1,907	1,757	1,697	60

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, 2019

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Non-Departmental Expenditures:				
Other	$ 19,932	$ 28,132	$ 27,336	$ 796
TOTAL NON-DEPARTMENTAL EXPENDITURES	19,932	28,132	27,336	796
Capital outlay	2,550	30,450	30,450	-
TOTAL EXPENDITURES	609,544	639,264	619,879	19,385
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,881	6,161	62,042	55,881
OTHER FINANCING SOURCES (USES):				
Transfers in	10,217	19,432	3,731	(15,701)
Transfers out	(41,591)	(66,300)	(65,855)	445
Sale of City assets	1,600	1,600		(1,600)
TOTAL OTHER FINANCING SOURCES (USES)	(29,774)	(45,268)	(62,124)	(16,856)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			571	571
NET CHANGE IN FUND BALANCE	107	(39,107)	489	39,596
FUND BALANCE AT BEGINNING OF YEAR	43,313	43,313	43,313	-
FUND BALANCE AT END OF YEAR	$ 43,420	$ 4,206	$ 43,802	$ 39,596

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CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Division of Streets	To account for motor vehicle license tax and gasoline excise tax used for the repair and building of streets.
Restricted Income Tax	To account for one-ninth of the City's income tax collections. Monies are to be used for capital improvement purposes, 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.
Workforce Innovation and Opportunity Act (WIOA)	To account for revenue and expenditures from the State of Ohio under the Workforce Innovation and Opportunity Act.
General Government Funds	To account for revenue earmarked for general government activities.
Public Works Funds	To account for specific revenue earmarked for the public works activity.
Public Safety Funds	To account for revenue earmarked for public safety activities.

SPECIAL REVENUE FUNDS (Continued)

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.
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.

DEBT SERVICE FUNDS (Continued)

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.
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, 2019
(Amounts in Thousands)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
ASSETS				
Cash and cash equivalents	$ 17,302	$ 24,370	$ 29,760	$ 71,432
Investments				-
Receivables:				
Taxes		8,192		8,192
Accounts	2			2
Grants				-
Loans				-
Accrued interest			34	34
Assessments				-
Receivables, net	2	8,192	34	8,228
Due from other funds		2,277		2,277
Due from other governments	8,858			8,858
Prepaid expenditures and other assets	128			128
TOTAL ASSETS	$ 26,290	$ 34,839	$ 29,794	$ 90,923
LIABILITIES				
Accounts payable	$ 943	$ 423	$	$ 1,366
Accrued wages and benefits	1,098			1,098
Due to other governments			782	782
Unearned revenue				-
Due to other funds	282			282
Total liabilities	2,323	423	782	3,528
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	6,040	3,475		9,515
Total deferred inflows of resources	6,040	3,475	-	9,515
FUND BALANCES				
Nonspendable	128			128
Restricted	17,799	30,941	29,012	77,752
Committed				-
Assigned				-
Total fund balances	17,927	30,941	29,012	77,880
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 26,290	$ 34,839	$ 29,794	$ 90,923

Special Revenue Funds - Non-Budgeted						
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	WIOA Grants	General Government Funds
$	$ 2,535	$ 698	$ 16,523	$ 18,273	$	$ 24,629
	2,422	331		206	227	213
5,895	6,955		16,352	58,528		
1,703	1,015	3,325				29
7,598	10,392	3,656	16,352	58,734	227	242
598	295	567				156
				14,506		857
	2					6
$ 8,196	$ 13,224	$ 4,921	$ 32,875	$ 91,513	$ 227	$ 25,890
$ 54	$ 62	$ 501	$ 1	$ 33	$ 14	$ 1,029
255	13				20	50
51	345			53,459	94	287
3,856	363	277		1,032		215
2,384	392	868	2,455	1,048	99	181
6,600	1,175	1,646	2,456	55,572	227	1,762
1,596	999	3,261		14,506		448
1,596	999	3,261	-	14,506	-	448
	2					6
	9,375	2		18,806		14,577
	1,673	12	30,419	2,629		9,097
-	11,050	14	30,419	21,435	-	23,680
$ 8,196	$ 13,224	$ 4,921	$ 32,875	$ 91,513	$ 227	$ 25,890

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	Special Revenue Funds - Non-Budgeted		
	Public Works Funds	Public Safety Funds	Gateway Shared Income Tax Funds
ASSETS			
Cash and cash equivalents	$ 1,155	$ 4,668	$ 3,196
Investments			
Receivables:			
Taxes			
Accounts			
Grants		726	
Loans			
Accrued interest			
Assessments			
Receivables, net	-	726	-
Due from other funds	356	31	
Due from other governments			299
Prepaid expenditures and other assets		2	
TOTAL ASSETS	$ 1,511	$ 5,427	$ 3,495
LIABILITIES			
Accounts payable	$ 124	$ 121	$
Accrued wages and benefits		16	
Due to other governments	122	11	1,877
Unearned revenue	18	122	
Due to other funds		18	1,398
Total liabilities	264	288	3,275
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow			220
Total deferred inflows of resources	-	-	220
FUND BALANCE			
Nonspendable		2	
Restricted	488	3,927	
Committed	759	1,210	
Assigned			
Total fund balances	1,247	5,139	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,511	$ 5,427	$ 3,495

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$ 3,761	$ 18,703	$ 9,766	$ 103,907	$ 175,339
			-	-
			-	8,192
			-	2
			4,125	4,125
2,499	14,617	10,572	115,418	115,418
	19		19	53
			6,072	6,072
2,499	14,636	10,572	125,634	133,862
		3,503	5,506	7,783
			15,662	24,520
			10	138
$ 6,260	$ 33,339	$ 23,841	$ 250,719	$ 341,642
$	$	$	$ 1,939	$ 3,305
			354	1,452
		23,841	80,087	80,869
			5,883	5,883
			8,843	9,125
-	-	23,841	97,106	100,634
			21,030	30,545
-	-	-	21,030	30,545
			10	138
	20,585		67,760	145,512
6,260	12,754		64,813	64,813
			-	-
6,260	33,339	-	132,583	210,463
$ 6,260	$ 33,339	$ 23,841	$ 250,719	$ 341,642

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	Debt Service Funds - Budgeted				
	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Lower Euclid Avenue TIF	Core City Bonds
ASSETS					
Cash and cash equivalents	$ 3,451	$ 11	$ 3,262	$ 1,800	$ 3,518
Investments	9,713				
Receivables:					
Taxes	28,187				
Accounts					
Grants					
Loans					
Accrued interest	17		4	2	3
Assessments					
Receivables, net	28,204	-	4	2	3
Due from other funds					
Due from other governments	1,701				
Prepaid expenditures and other assets					
TOTAL ASSETS	$ 43,069	$ 11	$ 3,266	$ 1,802	$ 3,521
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	29,889				
Total deferred inflows of resources	29,889	-	-	-	-
FUND BALANCE					
Nonspendable					
Restricted	13,180		3,266	1,802	3,521
Committed					
Assigned		11			
Total fund balances	13,180	11	3,266	1,802	3,521
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 43,069	$ 11	$ 3,266	$ 1,802	$ 3,521

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
$ 12,443	$ 24,485	$ 9,030	$	$	$ 9,030	$ 33,515
	9,713				-	9,713
	28,187				-	28,187
	-				-	-
	-				-	-
	-				-	-
13	39	12			12	51
	-				-	-
13	28,226	12	-	-	12	28,238
	-				-	-
	1,701				-	1,701
	-				-	-
$ 12,456	$ 64,125	$ 9,042	$ -	$ -	$ 9,042	$ 73,167
$	$ -	$	$	$	$ -	$ -
	-				-	-
	-				-	-
	-				-	-
	-				-	-
-	-	-	-	-	-	-
	29,889				-	29,889
-	29,889	-	-	-	-	29,889
	-				-	-
12,456	34,225	9,042			9,042	43,267
	-				-	-
	11				-	11
12,456	34,236	9,042	-	-	9,042	43,278
$ 12,456	$ 64,125	$ 9,042	$ -	$ -	$ 9,042	$ 73,167

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	Capital Projects Funds Non-Budgeted			
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Cleveland Stadium Construction
ASSETS				
Cash and cash equivalents	$ 228,070	$	$ 14,671	$ 7,858
Investments				
Receivables:				
Taxes				
Accounts				
Grants		655		
Loans				
Accrued interest	291			5
Assessments				
Receivables, net	291	655	-	5
Due from other funds		6		
Due from other governments				
Prepaid expenditures and other assets				
TOTAL ASSETS	$ 228,361	$ 661	$ 14,671	$ 7,863
LIABILITIES				
Accounts payable	$ 7,687	$ 47	$ 3,588	$ 1,330
Accrued wages and benefits				
Due to other governments				
Unearned revenue		154		
Due to other funds	6	460		
Total liabilities	7,693	661	3,588	1,330
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow				
Total deferred inflows of resources	-	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	220,668		11,083	6,533
Committed				
Assigned				
Total fund balances	220,668	-	11,083	6,533
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 228,361	$ 661	$ 14,671	$ 7,863

Total Capital Projects Funds	Total Nonmajor Governmental Funds
$ 250,599	$ 459,453
-	9,713
-	36,379
-	2
655	4,780
-	115,418
296	400
-	6,072
951	163,051
6	7,789
-	26,221
-	138
$ 251,556	$ 666,365
$ 12,652	$ 15,957
-	1,452
-	80,869
154	6,037
466	9,591
13,272	113,906
-	60,434
-	60,434
-	138
238,284	427,063
-	64,813
-	11
238,284	492,025
$ 251,556	$ 666,365

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
REVENUES:				
Income taxes	$	$ 54,088	$	$ 54,088
Property taxes				-
Other shared revenues	15,871		4,699	20,570
Licenses and permits	1,048			1,048
Charges for services	41		250	291
Fines, forfeits and settlements				-
Investment earnings	43	442	505	990
Grants				-
Contributions				-
Miscellaneous	166			166
Total revenues	17,169	54,530	5,454	77,153
EXPENDITURES:				
Current:				
General Government				-
Public Works	28,253		963	29,216
Public Safety				-
Community Development				-
Building and Housing				-
Economic Development				-
Capital outlay	5,553	6,923		12,476
Debt service:				
Principal retirement		2,056		2,056
Interest		600		600
General Government				-
Other		1,080		1,080
Total expenditures	33,806	10,659	963	45,428
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,637)	43,871	4,491	31,725
OTHER FINANCING SOURCES (USES):				
Transfers in	27,675		10,598	38,273
Transfers out		(36,507)	(12,859)	(49,366)
Issuance of bonds				
Premium on bonds				-
Sale of City assets				-
Issuance of Loans				-
Total other financing sources (uses)	27,675	(36,507)	(2,261)	(11,093)
NET CHANGE IN FUND BALANCES	11,038	7,364	2,230	20,632
FUND BALANCES AT BEGINNING OF YEAR	6,889	23,577	26,782	57,248
FUND BALANCES AT END OF YEAR	$ 17,927	$ 30,941	$ 29,012	$ 77,880

Special Revenue Funds - Non-Budgeted						
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	WIOA Grants	General Government Funds
$	$	$	$	$	$	$
				13,143		1,670
						2
450	191	333				1,772
144						2,086
7	49			17		240
19,864	8,517	1,416	271	810	1,371	1,029
						2
176	3		79	669	7	758
20,641	8,760	1,749	350	14,639	1,378	7,559
					1,378	4,118
20,581	6,987					
		1,749				
			5,034	17,503		
60						3,087
				14		
				15		
20,641	6,987	1,749	5,034	17,532	1,378	7,205
-	1,773		(4,684)	(2,893)	-	354
	170		6,000	1,805		133
			(866)	(560)		
				1,185		
				601		
-	170	-	5,134	3,031	-	133
-	1,943	-	450	138	-	487
	9,107	14	29,969	21,297		23,193
$ -	$ 11,050	$ 14	$ 30,419	$ 21,435	$ -	$ 23,680

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Special Revenue Funds - Non-Budgeted		
	Public Works Funds	Public Safety Funds	Gateway Shared Income Tax Funds
REVENUES:			
Income taxes	$	$	$
Property taxes			
Other shared revenues			
Licenses and permits	20		
Charges for services	139		
Fines, forfeits and settlements		1,153	
Investment earnings	12	92	
Grants	191	2,354	
Contributions		12	
Miscellaneous		57	
Total revenues	362	3,668	-
EXPENDITURES:			
Current:			
General Government			
Public Works	209		
Public Safety		4,452	
Community Development			
Building and Housing			
Economic Development			
Capital outlay		719	
Debt service:			
Principal retirement			
Interest			
General Government			
Other			
Total expenditures	209	5,171	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	153	(1,503)	-
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out			
Issuance of bonds			
Premium on bonds			
Sale of City assets			
Issuance of Loans			
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	153	(1,503)	-
FUND BALANCES AT BEGINNING OF YEAR	1,094	6,642	
FUND BALANCES AT END OF YEAR	$ 1,247	$ 5,139	$ -

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$	$	$	$ -	$ 54,088
			-	-
56	165	16	15,050	35,620
			22	1,070
			2,885	3,176
			3,383	3,383
	426	43	886	1,876
		728	36,551	36,551
			14	14
2,160	100	1,342	5,351	5,517
2,216	691	2,129	64,142	141,295
			5,496	5,496
			209	29,425
			4,452	4,452
			27,568	27,568
			1,749	1,749
1,043	311	2,129	26,020	26,020
			3,866	16,342
			-	-
			14	2,070
			15	615
			-	-
			-	1,080
1,043	311	2,129	69,389	114,817
1,173	380	-	(5,247)	26,478
			8,108	46,381
(1,109)	(2,078)		(4,613)	(53,979)
			-	-
			-	-
			1,185	1,185
			601	601
(1,109)	(2,078)	-	5,281	(5,812)
64	(1,698)	-	34	20,666
6,196	35,037		132,549	189,797
$ 6,260	$ 33,339	$ -	$ 132,583	$ 210,463

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in Thousands)

	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	19,675				
Other shared revenues	1,663				
Licenses and permits					
Charges for services					
Fines, forfeits and settlements					
Investment earnings	573	13	56	31	80
Grants					
Contributions					
Miscellaneous					
Total revenues	21,911	13	56	31	80
EXPENDITURES:					
Current:					
General Government					
Public Works					
Public Safety					
Community Development					
Building and Housing					
Economic Development					
Capital outlay					
Debt service:					
Principal retirement	25,340	1,475	4,245	218	2,200
Interest	13,311	151	1,343	145	1,356
General Government					
Other					
Total expenditures	38,651	1,626	5,588	363	3,556
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,740)	(1,613)	(5,532)	(332)	(3,476)
OTHER FINANCING SOURCES (USES):					
Transfers in	18,280	1,615	5,679	560	4,113
Transfers out					
Issuance of bonds					
Premium on bonds					
Sale of City assets					
Issuance of Loans					
Total other financing sources (uses)	18,280	1,615	5,679	560	4,113
NET CHANGE IN FUND BALANCES	1,540	2	147	228	637
FUND BALANCES AT BEGINNING OF YEAR	11,640	9	3,119	1,574	2,884
FUND BALANCES AT END OF YEAR	$ 13,180	$ 11	$ 3,266	$ 1,802	$ 3,521

		Debt Service Funds Non-Budgeted				
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
$	$ -	$	$	$	$ -	$ -
	19,675				-	19,675
	1,663				-	1,663
	-				-	-
	-				-	-
	-				-	-
359	1,112	190	4		194	1,306
	-				-	-
	-				-	-
456	456				-	456
815	22,906	190	4	-	194	23,100
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
12,430	45,908	7,445			7,445	53,353
15,837	32,143	2,210			2,210	34,353
	-			1	1	1
	-				-	-
28,267	78,051	9,655	-	1	9,656	87,707
(27,452)	(55,145)	(9,465)	4	(1)	(9,462)	(64,607)
23,507	53,754	9,869			9,869	63,623
	-		(735)	(206)	(941)	(941)
	-				-	-
	-				-	-
	-				-	-
	-				-	-
23,507	53,754	9,869	(735)	(206)	8,928	62,682
(3,945)	(1,391)	404	(731)	(207)	(534)	(1,925)
16,401	35,627	8,638	731	207	9,576	45,203
$ 12,456	$ 34,236	$ 9,042	$ -	$ -	$ 9,042	$ 43,278

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in Thousands)

	Capital Projects Funds		
	Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
REVENUES:			
Income taxes	$	$	$
Property taxes			
Other shared revenues			240
Licenses and permits			
Charges for services			
Fines, forfeits and settlements			
Investment earnings	4,763		74
Grants		7,918	
Contributions			1,773
Miscellaneous			
Total revenues	4,763	7,918	2,087
EXPENDITURES:			
Current:			
General Government			
Public Works			
Public Safety			
Community Development			
Building and Housing			
Economic Development			
Capital outlay	64,463	7,918	2,070
Debt service:			
Principal retirement			
Interest			
General Government	449		
Other			
Total expenditures	64,912	7,918	2,070
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(60,149)	-	17
OTHER FINANCING SOURCES (USES):			
Transfers in			941
Transfers out	(5,280)		
Issuance of bonds	51,015		
Premium on bonds	5,740		
Sale of City assets			
Issuance of Loans			
Total other financing sources (uses)	51,475	-	941
NET CHANGE IN FUND BALANCES	(8,674)	-	958
FUND BALANCES AT BEGINNING OF YEAR	229,342		10,125
FUND BALANCES AT END OF YEAR	$ 220,668	$ -	$ 11,083

Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$ -	$ 54,088
	-	19,675
	240	37,523
	-	1,070
	-	3,176
	-	3,383
92	4,929	8,111
	7,918	44,469
	1,773	1,787
	-	5,973
92	14,860	179,255
	-	5,496
	-	29,425
	-	4,452
	-	27,568
	-	1,749
	-	26,020
3,388	77,839	94,181
	-	55,423
	-	34,968
	449	450
	-	1,080
3,388	78,288	280,812
(3,296)	(63,428)	(101,557)
5,840	6,781	116,785
	(5,280)	(60,200)
	51,015	51,015
	5,740	5,740
	-	1,185
	-	601
5,840	58,256	115,126
2,544	(5,172)	13,569
3,989	243,456	478,456
$ 6,533	$ 238,284	$ 492,025

(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, 2019

(Amounts in Thousands)

	Division of Streets			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues	13,626	15,476	15,123	(353)
Licenses and permits	890	1,250	1,046	(204)
Charges for services	4,435	213	205	(8)
Investment earnings	10	18	43	25
Miscellaneous		3	3	-
Total revenues	18,961	16,960	16,420	(540)
EXPENDITURES:				
Current:				
Public Works:				
Personnel	18,688	19,388	18,775	613
Other	8,945	9,646	9,614	32
Capital outlay	7,373	7,373	7,359	14
Principal retirement				-
Interest				-
Total expenditures	35,006	36,407	35,748	659
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,045)	(19,447)	(19,328)	119
OTHER FINANCING SOURCES (USES):				
Transfers in	11,444	27,846	27,675	(171)
Transfers out				-
Total other financing sources (uses)	11,444	27,846	27,675	(171)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(4,601)	8,399	8,347	(52)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			106	106
FUND BALANCES AT BEGINNING OF YEAR	4,601	4,601	4,601	-
FUND BALANCES AT END OF YEAR	$ -	$ 13,000	$ 13,054	$ 54

Restricted Income Tax				Rainy Day Reserve Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$ 53,109	$ 53,859	$ 55,219	$ 1,360	$	$	$	$ -
			-				-
			-				-
			-				-
300	300	442	142	500	500	630	130
			-				-
53,409	54,159	55,661	1,502	500	500	630	130
			-				-
			-				-
13,659	13,635	13,635	-				-
3,136	3,140	3,136	4				-
596	596	600	(4)				-
17,391	17,371	17,371	-	-	-	-	-
36,018	36,788	38,290	1,502	500	500	630	130
			-		5,000	5,000	-
(36,488)	(36,507)	(36,507)	-				-
(36,488)	(36,507)	(36,507)	-	-	5,000	5,000	-
(470)	281	1,783	1,502	500	5,500	5,630	130
			-				-
470	470	470	-	31,443	31,443	31,443	-
$ -	$ 751	$ 2,253	$ 1,502	$ 31,943	$ 36,943	$ 37,073	$ 130

(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, 2019

(Amounts in Thousands)

	Schools Recreation and Cultural Activities			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues				-
Licenses and permits				-
Charges for services				-
Investment earnings				-
Miscellaneous				-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public Works:				
Personnel				-
Other	1,125	1,125	1,125	-
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	1,125	1,125	1,125	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,125)	(1,125)	(1,125)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	1,125	1,125	1,125	-
Transfers out				-
Total other financing sources (uses)	1,125	1,125	1,125	-
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)
$	$	$	$ -	$ 53,109	$ 53,859	$ 55,219	$ 1,360
4,333	4,333	4,699	366	17,959	19,809	19,822	13
			-	890	1,250	1,046	(204)
250	250	250	-	4,685	463	455	(8)
		498	498	810	818	1,613	795
			-	-	3	3	-
4,583	4,583	5,447	864	77,453	76,202	78,158	1,956
			-	18,688	19,388	18,775	613
1,149	1,149	944	205	11,219	11,920	11,683	237
			-	21,032	21,008	20,994	14
			-	3,136	3,140	3,136	4
			-	596	596	600	(4)
1,149	1,149	944	205	54,671	56,052	55,188	864
3,434	3,434	4,503	1,069	22,782	20,150	22,970	2,820
10,598	10,598	10,598	-	23,167	44,569	44,398	(171)
(12,369)	(12,859)	(12,859)	-	(48,857)	(49,366)	(49,366)	-
(1,771)	(2,261)	(2,261)	-	(25,690)	(4,797)	(4,968)	(171)
1,663	1,173	2,242	1,069	(2,908)	15,353	18,002	2,649
			-	-	-	106	106
27,518	27,518	27,518	-	64,032	64,032	64,032	-
$ 29,181	$ 28,691	$ 29,760	$ 1,069	$ 61,124	$ 79,385	$ 82,140	$ 2,755

(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, 2019

(Amounts in Thousands)

	Unvoted Tax Supported Obligations Fund			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Property taxes	$ 19,588	$ 19,588	$ 19,675	$ 87
Other shared revenues	1,889	1,889	1,663	(226)
Investment earnings	325	325	603	278
Miscellaneous				-
Total revenues	21,802	21,802	21,941	139
EXPENDITURES:				
Principal retirement	25,340	25,340	25,340	-
Interest	13,435	13,405	13,311	94
Total expenditures	38,775	38,745	38,651	94
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,973)	(16,943)	(16,710)	233
OTHER FINANCING SOURCES (USES):				
Transfers in:				
From other subfunds			5,280	5,280
Restricted income tax fund	13,000	13,000	13,000	-
Total other financing sources (uses)	13,000	13,000	18,280	5,280
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,973)	(3,943)	1,570	5,513
FUND BALANCES AT BEGINNING OF YEAR	11,591	11,591	11,591	-
FUND BALANCES AT END OF YEAR	$ 7,618	$ 7,648	$ 13,161	$ 5,513

Stadium Bond Fund				Subordinated Income Tax Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$	$	$	$ -
			-				-
8	8	13	5	15	15	57	42
			-				-
8	8	13	5	15	15	57	42
1,475	1,475	1,475	-	4,245	4,245	4,245	-
151	151	151	-	1,343	1,343	1,343	-
1,626	1,626	1,626	-	5,588	5,588	5,588	-
(1,618)	(1,618)	(1,613)	5	(5,573)	(5,573)	(5,531)	42
1,626	1,626	1,615	(11)	5,679	5,679	5,679	-
			-				-
1,626	1,626	1,615	(11)	5,679	5,679	5,679	-
8	8	2	(6)	106	106	148	42
9	9	9	-	3,114	3,114	3,114	-
$ 17	$ 17	$ 11	$ (6)	$ 3,220	$ 3,220	$ 3,262	$ 42

(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, 2019

(Amounts in Thousands)

	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			30	30	55	55	81	26
Miscellaneous				-				-
Total revenues	-	-	30	30	55	55	81	26
EXPENDITURES:								
Principal retirement	218	218	218	-	2,200	2,200	2,200	-
Interest	145	145	145	-	1,365	1,395	1,356	39
Total expenditures	363	363	363	-	3,565	3,595	3,556	39
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(363)	(363)	(333)	30	(3,510)	(3,540)	(3,475)	65
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	363	363	560	197	3,595	3,595	4,113	518
Restricted income tax fund				-				-
Total other financing sources (uses)	363	363	560	197	3,595	3,595	4,113	518
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	227	227	85	55	638	583
FUND BALANCES AT BEGINNING OF YEAR	1,572	1,572	1,572	-	2,880	2,880	2,880	-
FUND BALANCES AT END OF YEAR	$ 1,572	$ 1,572	$ 1,799	$ 227	$ 2,965	$ 2,935	$ 3,518	$ 583

Subordinate Lien Income Tax Bonds				Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$ 19,588	$ 19,588	$ 19,675	$ 87
			-	1,889	1,889	1,663	(226)
211	211	373	162	614	614	1,157	543
456	456	456	-	456	456	456	-
667	667	829	162	22,547	22,547	22,951	404
12,430	12,430	12,430	-	45,908	45,908	45,908	-
15,837	15,837	15,837	-	32,276	32,276	32,143	133
28,267	28,267	28,267	-	78,184	78,184	78,051	133
(27,600)	(27,600)	(27,438)	162	(55,637)	(55,637)	(55,100)	537
			-	11,263	11,263	17,247	5,984
23,507	23,507	23,507	-	36,507	36,507	36,507	-
23,507	23,507	23,507	-	47,770	47,770	53,754	5,984
(4,093)	(4,093)	(3,931)	162	(7,867)	(7,867)	(1,346)	6,521
16,374	16,374	16,374	-	35,540	35,540	35,540	-
$ 12,281	$ 12,281	$ 12,443	$ 162	$ 27,673	$ 27,673	$ 34,194	$ 6,521

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CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

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, one of the City golf courses is being leased out. Seneca is being leased by Cleveland Metroparks.

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	Public Auditorium	West Side Market	East Side Market
ASSETS			
Current assets:			
Cash and cash equivalents	$ 35	$ 758	$
Receivables:			
Accounts	191		
Accrued interest			
Less: Allowance for doubtful accounts	(51)		
Receivables, net	140	-	-
Due from other funds			
Inventory of supplies			
Prepaid expenses and other assets	11	3	
Total current assets	186	761	-
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents			
Accrued interest receivable			
Total restricted assets	-	-	-
Capital assets:			
Land	4,261	198	413
Land improvements		848	484
Buildings, structures and improvements	25,847	15,213	2,400
Furniture, fixtures, equipment and vehicles	1,071	1,809	450
Construction in progress	2,646	111	5,841
Less: Accumulated depreciation	(22,033)	(11,677)	(2,824)
Total capital assets, net	11,792	6,502	6,764
Total noncurrent assets	11,792	6,502	6,764
Total assets	11,978	7,263	6,764
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding			
Pension	751	181	
OPEB	67	22	
Total deferred outflows of resources	818	203	-

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 7,664	$ 23	$ 942	$ 9,422
15			206
7			7
			(51)
22	-	-	162
12			12
	5		5
7	8		29
7,705	36	942	9,630
8,908	5,361		14,269
11			11
8,919	5,361	-	14,280
5,478	1,259	1,822	13,431
4,374	5,692	4,083	15,481
56,483	7,445	1,965	109,353
2,213	642	334	6,519
4,478	6,050		19,126
(35,469)	(6,839)	(5,411)	(84,253)
37,557	14,249	2,793	79,657
46,476	19,610	2,793	93,937
54,181	19,646	3,735	103,567
279			279
507	505		1,944
67	68		224
853	573	-	2,447

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	Public Auditorium	West Side Market	East Side Market
LIABILITIES			
Current liabilities:			
Accounts payable	$ 82	$ 194	$
Accrued wages and benefits	115	86	
Due to other funds	67	24	
Due to other governments			
Accrued interest payable			
Current portion of long-term obligations			
Total current liabilities	264	304	-
Long-term liabilities:			
Accrued wages and benefits	21	11	
Revenue bonds payable			
Net pension liability	2,320	548	
Net OPEB liability	967	259	
Total liabilities	3,572	1,122	-
DEFERRED INFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps			
Pension	43	8	
OPEB	2	1	
Total deferred inflows of resources	45	9	-
NET POSITION			
Net investment in capital assets	11,792	6,502	6,764
Restricted for debt service			
Unrestricted	(2,613)	(167)	
Total net position	$ 9,179	$ 6,335	$ 6,764

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 559	$ 9	$ 95	$ 939
107	113		421
76	13		180
245			245
172			172
3,540			3,540
4,699	135	95	5,497
6	14		52
7,816			7,816
1,644	1,644		6,156
777	777		2,780
14,942	2,570	95	22,301
14			14
26	26		103
2	2		7
42	28	-	124
29,601	14,249	2,793	71,701
5,776			5,776
4,673	3,372	847	6,112
$ 40,050	$ 17,621	$ 3,640	$ 83,589

(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, 2019
(Amounts in Thousands)

	Public Auditorium	West Side Market	East Side Market
OPERATING REVENUES:			
Charges for services	$ 1,253	$ 1,363	$
Total operating revenue	1,253	1,363	-
OPERATING EXPENSES:			
Operations	3,182	1,797	
Maintenance	10	18	
Depreciation	296	601	60
Total operating expenses	3,488	2,416	60
OPERATING INCOME (LOSS)	(2,235)	(1,053)	(60)
NON-OPERATING REVENUE (EXPENSES):			
Investment income (loss)		17	
Interest expense			
Gain (Loss) on disposal of capital assets	(3)		
Other revenues (expenses)			
Total non-operating revenues (expenses)	(3)	17	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,238)	(1,036)	(60)
Capital contributions	2,642	75	210
Transfers in	1,485		
CHANGE IN NET POSITION	1,889	(961)	150
NET POSITION AT BEGINNING OF YEAR	7,290	7,296	6,614
NET POSITION AT END OF YEAR	$ 9,179	$ 6,335	$ 6,764

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 9,621	$ 1,405	$ 398	$ 14,040
9,621	1,405	398	14,040
4,991	2,570	1,161	13,701
88	2		118
1,581	598	103	3,239
6,660	3,170	1,264	17,058
2,961	(1,765)	(866)	(3,018)
331	131		479
(788)			(788)
			(3)
		16	16
(457)	131	16	(296)
2,504	(1,634)	(850)	(3,314)
463	1,189		4,579
	117	929	2,531
2,967	(328)	79	3,796
37,083	17,949	3,561	79,793
$ 40,050	$ 17,621	$ 3,640	$ 83,589

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Public Auditorium	West Side Market	East Side Market
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,202	$ 1,361	$
Cash payments to suppliers for goods or services	(1,427)	(1,097)	
Cash payments to employees for services	(1,500)	(515)	
Net cash provided by (used for) operating activities	(1,725)	(251)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds	1,485		
Cash received for royalties			
Net cash provided by (used for) noncapital financing activities	1,485	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on long-term debt			
Interest paid on long-term debt			
Net cash provided by (used for) capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments		17	
Net cash provided by (used for) investing activities	-	17	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(240)	(234)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	275	992	
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 35	$ 758	$ -

	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
	$ 9,699	$ 1,406	$ 399	$ 14,067
	(3,077)	(939)	(1,105)	(7,645)
	(1,156)	(1,282)		(4,453)
	5,466	(815)	(706)	1,969
		117	929	2,531
			16	16
	-	117	945	2,547
	(3,370)			(3,370)
	(760)			(760)
	(4,130)	-	-	(4,130)
	309	131		457
	309	131	-	457
	1,645	(567)	239	843
	14,927	5,951	703	22,848
	$ 16,572	$ 5,384	$ 942	$ 23,691

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Public Auditorium	West Side Market	East Side Market
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (2,235)	$ (1,053)	$ (60)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	296	601	60
(Increase) Decrease in Assets:			
Receivables, net	(51)		
Prepaid expenses and other assets		(1)	
Due from other funds			
(Increase) Decrease in Deferred Outflows of Resources:			
Pension	(295)	(93)	
OPEB	(6)	(2)	
Increase (Decrease) in Liabilities:			
Accounts payable	(17)	73	
Accrued wages and benefits	21	49	
Net pension liability	717	239	
Net OPEB liability	139	46	
Due to other funds	(40)	(25)	
Due to other governments			
Increase (Decrease) in Deferred Inflows of Resources:			
Pension	(209)	(70)	
OPEB	(45)	(15)	
Total adjustments	510	802	60
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (1,725)	$ (251)	$ -
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions and accounts payable related to capital assets	$ 2,642	$ 75	$ 210

	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
	$ 2,961	$ (1,765)	$ (866)	$ (3,018)
	1,581	598	103	3,239
	15			(36)
				(1)
	16	1		17
	(260)	(256)		(904)
	(6)	(7)		(21)
	516	(3)	57	626
	5	17		92
	716	716		2,388
	140	140		465
	31	(1)		(35)
	5			5
	(209)	(209)		(697)
	(45)	(46)		(151)
	2,505	950	160	4,987
	$ 5,466	$ (815)	$ (706)	$ 1,969
	$ 463	$ 1,189	$	$ 4,579

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INTERNAL SERVICE FUNDS

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

Motor Vehicle Maintenance	The Division of Motor Vehicle Maintenance was established to provide centralized maintenance, repairs and fueling of certain City vehicles.
Printing and Reproduction	The Division of Printing and Reproduction was established to provide printing and reproduction services for all City divisions.
City Storeroom and Warehouse	The City's Storeroom and Warehouse Division provides centralized mailroom service.
Utilities Administration	The Division of Utilities Administration was established to provide administrative assistance to the Department of Public Utilities.
Sinking Fund Administration	The Sinking Fund Administration Fund was established to account for personnel and other operating expenditures related to the administration of the Debt Service Fund.
Municipal Income Tax Administration	The Municipal Income Tax Administration Fund was established to account for operating expenditures related to the collection of municipal income tax for 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, 2019
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,859	$ 525	$ 103	$ 1,383
Due from other funds	1,478	138	41	
Inventory of supplies	1,048	85		
Prepaid expenses and other assets	46	29	1	96
Total current assets	9,431	777	145	1,479
Noncurrent assets:				
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	3,170	884		317
Furniture, fixtures, equipment and vehicles	15,843	1,497		1,916
Less: Accumulated depreciation	(17,538)	(1,634)		(1,542)
Total capital assets, net	2,284	747	-	691
Total noncurrent assets	2,284	747	-	691
TOTAL ASSETS	11,715	1,524	145	2,170
DEFERRED OUTFLOWS OF RESOURCES				
Pension	2,475	472	6	4,457
OPEB	314	45		584
Total deferred outflows of resources	2,789	517	6	5,041

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 82	$ 2,448	$ 1,014	$ 2,088	$ 14,678	$ 17,804	$ 2,706	$ 49,690
30		1,456	219				3,362
							1,133
2	46	223	120				563
114	2,494	2,693	2,427	14,678	17,804	2,706	54,748
							663
			33				179
			112				4,483
	525	131	360				20,272
	(355)	(131)	(238)				(21,438)
-	170	-	267	-	-	-	4,159
-	170	-	267	-	-	-	4,159
114	2,664	2,693	2,694	14,678	17,804	2,706	58,907
137	3,136	553	239				11,475
22	382	88	23				1,458
159	3,518	641	262	-	-	-	12,933

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2019
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities:				
Accounts payable	$ 1,077	$ 101	$	$ 78
Accrued wages and benefits	604	111	8	1,230
Claims payable				
Due to other funds	23	3		2
Due to other governments				
Total current liabilities	1,704	215	8	1,310
Long-term liabilities:				
Accrued wages and benefits	351	80	1	348
Net pension liability	7,672	1,096		12,970
Net OPEB liability	3,624	518		6,731
Total liabilities	13,351	1,909	9	21,359
DEFERRED INFLOWS OF RESOURCES				
Pension	120	17		46
OPEB	10	1		18
Total deferred inflows of resources	130	18	-	64
NET POSITION				
Net investment in capital assets	2,284	747		691
Unrestricted	(1,261)	(633)	142	(14,903)
Total net position	$ 1,023	$ 114	$ 142	$ (14,212)

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 15	$ 117	$ 1,101	$ 169	$	$	$	$ 2,658
23	718	104	54	9,156			12,008
					9,109	357	9,466
	13	1	3				45
	1,605		13				1,618
38	2,453	1,206	239	9,156	9,109	357	25,795
11	211	25	23				1,050
548	9,072	1,712	651				33,721
259	4,401	989	259				16,781
856	16,137	3,932	1,172	9,156	9,109	357	77,347
9	151	100	12				455
	12	18	1				60
9	163	118	13	-	-	-	515
	170		267				4,159
(592)	(10,288)	(716)	1,504	5,522	8,695	2,349	(10,181)
$ (592)	$ (10,118)	$ (716)	$ 1,771	$ 5,522	$ 8,695	$ 2,349	$ (6,022)

(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, 2019
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
OPERATING REVENUES:				
Charges for services	$ 20,892	$ 2,245	$ 518	$ 13,777
Total operating revenue	20,892	2,245	518	13,777
OPERATING EXPENSES:				
Operations	19,887	2,451	496	16,682
Maintenance	1,069	89		258
Depreciation	252	70		114
Total operating expenses	21,208	2,610	496	17,054
OPERATING INCOME (LOSS)	(316)	(365)	22	(3,277)
NON-OPERATING REVENUES (EXPENSES):				
Investment income	115	11	1	26
Total non-operating revenues (expenses)	115	11	1	26
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(201)	(354)	23	(3,251)
Capital contributions	353			
Transfers in				
CHANGE IN NET POSITION	152	(354)	23	(3,251)
NET POSITION AT BEGINNING OF YEAR	871	468	119	(10,961)
NET POSITION AT END OF YEAR	$ 1,023	$ 114	$ 142	$ (14,212)

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 198	$ 9,404	$ 9,295	$ 3,057	$ 829	$ 85,251	$ 15,189	$ 160,655
198	9,404	9,295	3,057	829	85,251	15,189	160,655
921	11,712	8,690	2,056		82,596	14,738	160,229
	144	20	1,180				2,760
	59	1	61				557
921	11,915	8,711	3,297	-	82,596	14,738	163,546
(723)	(2,511)	584	(240)	829	2,655	451	(2,891)
	529	17	41				740
-	529	17	41	-	-	-	740
(723)	(1,982)	601	(199)	829	2,655	451	(2,151)
							353
518							518
(205)	(1,982)	601	(199)	829	2,655	451	(1,280)
(387)	(8,136)	(1,317)	1,970	4,693	6,040	1,898	(4,742)
$ (592)	$ (10,118)	$ (716)	$ 1,771	$ 5,522	$ 8,695	$ 2,349	$ (6,022)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 20,474	$ 2,255	$ 513	$ 13,777
Cash payments to suppliers for goods or services	(13,839)	(1,300)	(420)	(2,438)
Cash payments to employees for services	(6,354)	(1,022)	(74)	(11,326)
Net cash provided by (used for) operating activities	281	(67)	19	13
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	(1)			(21)
Net cash provided by (used for) capital and related financing activities	(1)	-	-	(21)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	115	11	1	26
Net cash provided by (used for) investing activities	115	11	1	26
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	395	(56)	20	18
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,464	581	83	1,365
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,859	$ 525	$ 103	$ 1,383

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 183	$ 9,921	$ 9,222	$ 3,083	$ 524	$ 85,259	$ 15,191	$ 160,402
(576)	(3,032)	(7,645)	(2,393)		(82,864)	(14,706)	(129,213)
(208)	(6,917)	(1,205)	(563)				(27,669)
(601)	(28)	372	127	524	2,395	485	3,520
518							518
518	-	-	-	-	-	-	518
	(74)						(96)
-	(74)	-	-	-	-	-	(96)
	529	17	41				740
-	529	17	41	-	-	-	740
(83)	427	389	168	524	2,395	485	4,682
165	2,021	625	1,920	14,154	15,409	2,221	45,008
$ 82	$ 2,448	$ 1,014	$ 2,088	$ 14,678	$ 17,804	$ 2,706	$ 49,690

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ (316)	$ (365)	$ 22	$ (3,277)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	252	70		114
(Increase) Decrease in Assets:				
Receivables, net				
Prepaid expenses and other assets	(3)	(6)	6	3
Due from other funds	(418)	10	(4)	
Inventory of supplies	(20)	(10)		
(Increase) Decrease in Deferred Outflows of Resources:				
Pension	(1,243)	(192)	(6)	(2,453)
OPEB	(30)	(5)		(57)
Increase (Decrease) in Liabilities:				
Accounts payable	(774)	26		35
Accrued wages and benefits	29	4	1	103
Net pension liability	3,343	478		6,686
Net OPEB liability	651	93		1,210
Claims Payable				
Due to other funds				(1)
Due to other governments				
Increase (Decrease) in Deferred Inflows of Resources:				
Pension	(979)	(140)		(1,956)
OPEB	(211)	(30)		(394)
Total adjustments	597	298	(3)	3,290
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 281	$ (67)	$ 19	$ 13
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Contributions and accounts payable related to capital assets	$ 353			

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ (723)	$ (2,511)	$ 584	$ (240)	$ 829	$ 2,655	$ 451	$ (2,891)
	59	1	61				557
					7	2	9
	3		1				4
(15)		(74)	26				(475)
							(30)
(68)	(1,623)	(254)	(44)				(5,883)
(2)	(37)	(7)	(3)				(141)
4	(63)	(453)	121				(1,104)
3	(7)	(27)	4	(305)			(195)
239	4,298	716	239				15,999
47	790	139	47				2,977
					(267)	32	(235)
	(8)	1					(8)
	517						517
(70)	(1,189)	(209)	(70)				(4,613)
(16)	(257)	(45)	(15)				(968)
122	2,483	(212)	367	(305)	(260)	34	6,411
$ (601)	$ (28)	$ 372	$ 127	$ 524	$ 2,395	$ 485	$ 3,520
							$ 353

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CITY OF CLEVELAND, OHIO

AGENCY FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	$ 1,682	$ 13,342	$ 13,089	$ 1,935
Total assets	$ 1,682	$ 13,342	$ 13,089	$ 1,935
LIABILITIES				
Due to others	$ 1,682	$ 13,342	$ 13,089	$ 1,935
Total liabilities	$ 1,682	$ 13,342	$ 13,089	$ 1,935
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	$ 6,317	$ 7,549	$ 6,317	$ 7,549
Taxes receivable	20,300	27,550	20,300	27,550
Due from other governments	1,704	2,222	1,704	2,222
Total assets	$ 28,321	$ 37,321	$ 28,321	$ 37,321
LIABILITIES				
Due to other governments	$ 28,321	$ 37,321	$ 28,321	$ 37,321
Total liabilities	$ 28,321	$ 37,321	$ 28,321	$ 37,321

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	$ 23,882	$ 305,495	$ 313,571	$ 15,806
Total assets	$ 23,882	$ 305,495	$ 313,571	$ 15,806
LIABILITIES				
Due to others	$ 23,882	$ 305,495	$ 313,571	$ 15,806
Total liabilities	$ 23,882	$ 305,495	$ 313,571	$ 15,806
TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 31,881	$ 326,386	$ 332,977	$ 25,290
Taxes receivable	20,300	27,550	20,300	27,550
Due from other governments	1,704	2,222	1,704	2,222
Total assets	$ 53,885	$ 356,158	$ 354,981	$ 55,062
LIABILITIES				
Due to other governments	$ 28,321	$ 37,321	$ 28,321	$ 37,321
Due to others	25,564	318,837	326,660	17,741
Total liabilities	$ 53,885	$ 356,158	$ 354,981	$ 55,062

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY TYPE*
DECEMBER 31, 2019
(Amounts in Thousands)

Governmental Funds Capital Assets:	
Land	$ 67,850
Land improvements	227,948
Buildings, structures and improvements	709,810
Furniture, fixtures, equipment and vehicles	263,168
Infrastructure	829,211
Construction in progress	262,618
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,360,605

* 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, 2019
(Amounts in Thousands)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Construction In Progress
General Government:							
General government	$ 353,564	$ 208	$ 2,188	$ 306,831	$ 32,154	$ 6,942	$ 5,241
City Hall	28,724	877		26,004		1,347	496
Engineering and construction	512,799		28,083		1,789	482,622	305
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	944,769	1,988	70,072	337,793	34,004	493,908	7,004
Public Works:							
Waste collection	42,163	499		9,761	30,117	1,460	326
Streets	551,645	1,540	11,602	14,393	26,620	305,006	192,484
Traffic engineering	5,490			813	2,320	2,200	157
Park maintenance and properties	183,024	38,660	70,407	27,361	17,496	316	28,784
Recreation	153,963	847	64,138	77,654	2,676		8,648
Other	133,843	2,669		115,673	4,029	74	11,398
Total public works	1,070,128	44,215	146,147	245,655	83,258	309,056	241,797
Public Safety:							
Police	148,524	4,575	1,183	52,597	86,572	162	3,435
Fire	79,679	1,663		36,597	39,936		1,483
Emergency medical service	20,536			1,168	12,490	5,614	1,264
Correction	7,627	249		6,570	785	23	
Dog pound	8,751			7,977	771		3
Other	2,423				1,318		1,105
Total public safety	267,540	6,487	1,183	104,909	141,872	5,799	7,290
Public Health:							
Health and environment	14,272	1,112	208	10,846	2,050	56	
Total public health	14,272	1,112	208	10,846	2,050	56	-
Community Development:							
Community development	47,096	7,130	7,376	9,467	1,517	15,807	5,799
Total community development	47,096	7,130	7,376	9,467	1,517	15,807	5,799
Economic Development:							
Economic development	12,302	6,918	2,962	740		1,004	678
Total economic development	12,302	6,918	2,962	740	-	1,004	678
Building and Housing:							
Building and housing	4,498			400	467	3,581	50
Total building and housing	4,498	-	-	400	467	3,581	50
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,360,605	$ 67,850	$ 227,948	$ 709,810	$ 263,168	$ 829,211	$ 262,618

* 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, 2019
(Amounts in Thousands)

	Balance January 1, 2019	Additions	Deductions	Transfers	Balance December 31, 2019
General Government:					
General government	$ 352,629	$ 878	$ (14)	$ 71	$ 353,564
City Hall	28,724				28,724
Engineering and construction	512,947		(148)		512,799
Research, planning and development	49,035				49,035
Charles V. Carr Municipal Center	647				647
Total general government	943,982	878	(162)	71	944,769
Public Works:					
Waste collection	41,710	2,860	(1,953)	(454)	42,163
Streets	501,260	51,416	(1,368)	337	551,645
Traffic engineering	5,422	140	(122)	50	5,490
Park maintenance and properties	170,724	12,666	(565)	199	183,024
Recreation	148,086	5,884	(14)	7	153,963
Other	133,824	19			133,843
Total public works	1,001,026	72,985	(4,022)	139	1,070,128
Public Safety:					
Police	145,371	4,050	(819)	(78)	148,524
Fire	78,690	1,261	(51)	(221)	79,679
Emergency medical service	20,231	704	(399)		20,536
Correction	7,627				7,627
Dog pound	8,435	316			8,751
Other	2,423				2,423
Total public safety	262,777	6,331	(1,269)	(299)	267,540
Public Health:					
Health and environment	14,148	124			14,272
Total public health	14,148	124	-	-	14,272
Community Development:					
Community development	46,702	394			47,096
Total community development	46,702	394	-	-	47,096
Economic Development:					
Economic development	10,793	1,609	(100)		12,302
Total economic development	10,793	1,609	(100)	-	12,302
Building and Housing:					
Building and housing	4,427	71			4,498
Total building and housing	4,427	71	-	-	4,498
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,283,855	$ 82,392	$ (5,553)	$ (89)	$ 2,360,605

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

STATISTICAL SECTION

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CITY OF CLEVELAND, OHIO
Statistical Section

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents **Page**

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 Thousands)

	2019	2018	2017	2016
Governmental Activities				
Net investment in capital assets	$ 722,633	$ 714,288	$ 719,579	$ 722,785
Restricted	208,522	188,612	161,003	155,224
Unrestricted	(677,805)	(933,271)	(433,843)	(459,804)
Total Governmental Activities Net Position	$ 253,350	$ (30,371)	$ 446,739	$ 418,205
Business-Type Activities				
Net investment in capital assets	$ 1,633,097	$ 1,544,414	$ 1,482,861	$ 1,367,544
Restricted	207,837	219,202	214,161	236,772
Unrestricted	438,760	474,284	548,411	532,257
Total Business-Type Activities Net Position	$ 2,279,694	$ 2,237,900	$ 2,245,433	$ 2,136,573
Primary Government				
Net investment in capital assets	$ 2,355,730	$ 2,258,702	$ 2,202,440	$ 2,090,329
Restricted	416,359	407,814	375,164	391,996
Unrestricted	(239,045)	(458,987)	114,568	72,453
Total Primary Government Net Position	$ 2,533,044	$ 2,207,529	$ 2,692,172	$ 2,554,778

Note:

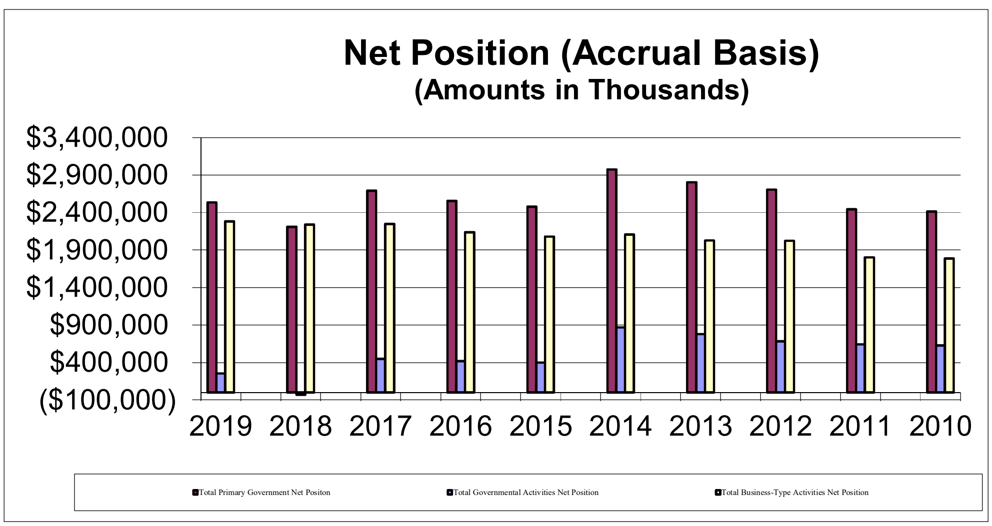
GASB issued Statement No. 65 effective for periods beginning after December 15, 2012. This statement changed the treatment of bond issuance costs to expense in the period incurred. Previously, the costs were recorded as assets and amortized over the life of the related debt issued. This change is reflected in the 2013 net position figures. The City did not restate prior years in this statistical 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.

GASB issued Statement No. 68 and 71 effective for periods beginning after June 15, 2014. These statements 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.

GASB issued Statement No. 75 effective for periods after June 15, 2017. This statement established standards for measuring and recognizing OPEB liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. The City did not restate prior years in this statistical table.

2015	2014	2013	2012	2011	2010
$ 653,925	$ 828,002	$ 686,794	$ 572,213	$ 543,460	$ 557,804
167,042	152,360	145,729	122,488	117,765	159,942
(422,125)	(110,650)	(53,448)	(12,383)	(19,771)	(90,565)
$ 398,842	$ 869,712	$ 779,075	$ 682,318	$ 641,454	$ 627,181
$ 1,354,871	$ 1,335,195	$ 1,307,661	$ 1,303,584	$ 1,130,178	$ 1,080,332
240,979	244,937	244,196	227,826	234,050	243,511
482,852	525,970	474,185	492,956	438,767	462,397
$ 2,078,702	$ 2,106,102	$ 2,026,042	$ 2,024,366	$ 1,802,995	$ 1,786,240
$ 2,008,796	$ 2,163,197	$ 1,994,455	$ 1,875,797	$ 1,673,638	$ 1,638,136
408,021	397,297	389,925	350,314	351,815	403,453
60,727	415,320	420,737	480,573	418,996	371,832
$ 2,477,544	$ 2,975,814	$ 2,805,117	$ 2,706,684	$ 2,444,449	$ 2,413,421



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

	2019 (3)	2018	2017	2016
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government (1)	$ 19,447	$ 20,408	$ 19,573	$ 18,636
Public Works (1)	19,395	17,973	18,408	18,301
Public Service (1)				
Public Safety	14,262	15,123	17,803	18,075
Community Development (1)	1,072	359	777	952
Building and Housing	20,900	19,008	16,377	17,717
Public Health	3,827	3,715	3,091	3,463
Parks, Recreation and Properties (1)				
Economic Development	158	140	103	103
Subtotal - Charges for Services	79,061	76,726	76,132	77,247
Operating Grants and Contributions:				
General Government (1)	4,293	4,450	3,343	3,468
Public Works (1)	16,228	14,729	24,106	14,802
Public Service (1)				
Public Safety	3,130	5,067	6,144	46,421
Community Development	28,560	30,325	26,173	28,950
Building and Housing	540	2,360	2,413	4,380
Public Health	8,056	8,327	8,809	8,122
Parks, Recreation and Properties (1)				
Economic Development	19,487	18,843	3,023	8,614
Subtotal - Operating Grants and Contributions	80,294	84,101	74,011	114,757
Capital Grants and Contributions:				
General Government	5,918	1,259	34	134
Public Works (1)	17,121	19,561	35,744	87,304
Public Service (1)				
Public Safety		0	97	6
Economic Development	240	308		
Subtotal - Capital Grants and Contributions	23,279	21,128	35,875	87,444
Total Governmental Activities Program Revenues	182,634	181,955	186,018	279,448
Business-Type Activities:				
Charges for Services:				
Water	320,168	306,159	301,621	310,111
Sewer	32,176			
Electricity	209,787	218,096	194,904	192,967
Airport facilities	148,421	145,981	145,206	142,433
Nonmajor activities	14,040	44,352	42,643	42,133
Subtotal - Charges for Services	724,592	714,588	684,374	687,644
Operating Grants and Contributions:				
Water	3,041	8,346	4,087	1,678
Sewer	741			
Electricity	598	409	4,105	3,340
Airport facilities	1,750	1,399	314	191
Nonmajor activities	199	588	648	218
Subtotal - Operating Grants and Contributions	6,329	10,742	9,154	5,427
Capital Grants and Contributions:				
Water	18,635	17,686	50,693	4,326
Sewer	4,154			
Electricity	1,455	1,458	189	354
Airport facilities	52,972	53,867	56,757	32,280
Nonmajor activities	296	5,318	4,452	1,092
Subtotal - Capital Grants and Contributions	77,512	78,329	112,091	38,052
Total Business-Type Activities Program Revenues	808,433	803,659	805,619	731,123
Total Primary Government Program Revenues	$ 991,067	$ 985,614	$ 991,637	$ 1,010,571

	2015	2014	2013	2012 (2)	2011	2010
	$ 23,007	$ 31,589	$ 29,983	$ 30,696	$ 32,336	$ 31,570
	17,587	17,706	17,561	18,369	16,271	
						12,024
	13,032	15,318	17,078	15,049	15,034	13,839
	844	1,483				
	16,408	11,984	11,734	5,757	18,072	7,327
	2,544	2,754	2,917	2,967	2,931	3,033
						8,047
	103	101	377	100	37	1,469
	73,525	80,935	79,650	72,938	84,681	77,309
	4,349	4,351	5,601	4,345	3,673	1,348
	14,753	20,373	29,770	28,342	27,364	
						13,821
	3,806	7,315	9,180	13,805	12,497	8,647
	32,729	35,673	42,608	69,004	68,887	73,563
	3,609	2,804	9,133	6,679	5,698	9,064
	8,974	11,040	9,249	10,321	13,228	12,693
						13,830
	11,752	18,234	14,046	11,387	4,008	8,156
	79,972	99,790	119,587	143,883	135,355	141,122
	415	2,862	56,610	1,330	23	41
	45,581	85,253	38,348	24,515	13,982	
						11,179
	91	173				
	46,087	88,288	94,958	25,845	14,005	11,220
	199,584	269,013	294,195	242,666	234,041	229,651
	301,283	303,412	272,674	280,323	236,626	237,270
	192,861	181,843	170,342	165,227	168,448	166,665
	128,033	131,724	113,244	116,694	114,967	106,696
	39,351	34,276	34,135	35,188	34,600	39,358
	661,528	651,255	590,395	597,432	554,641	549,989
	413	301	5,984	4,567	3,305	3,553
	3,225	4,030	656	97	883	566
	85	73	132	177		619
	299	161	86	478	278	4,051
	4,022	4,565	6,858	5,319	4,466	8,789
	25,158	34,699	12,446	21,800	2,284	7,645
	481	2	393	964	206	1,035
	20,159	19,775	35,089	25,025	56,385	57,089
	1,245	3,280	808	5,773	5,716	19,765
	47,043	57,756	48,736	53,562	64,591	85,534
	712,593	713,576	645,989	656,313	623,698	644,312
	$ 912,177	$ 982,589	$ 940,184	$ 898,979	$ 857,739	$ 873,963

(Continued)

City of Cleveland, Ohio
Changes in Net Position
Last Ten Years
(Amounts in Thousands)

	2019 (3)	2018	2017	2016
Expenses				
Governmental Activities:				
General Government (1)	$ 191,388	$ 157,730	$ 160,117	$ 139,022
Public Works (1)	172,526	151,476	137,256	119,019
Public Service (1)				
Public Safety	75,355	415,703	357,248	383,453
Community Development (1)	31,523	33,464	28,555	32,173
Building and Housing	16,974	15,294	14,240	14,111
Public Health	21,269	19,189	18,038	16,110
Parks, Recreation and Properties (1)				
Economic Development	28,428	27,251	36,189	37,913
Interest on debt	27,059	26,286	28,630	27,596
Total Governmental Activities Expenses	564,522	846,393	780,273	769,397
Business-Type Activities				
Water	316,588	302,725	293,148	270,014
Sewer	31,318			
Electricity	220,883	218,261	197,613	196,092
Airport facilities	187,779	173,624	172,383	172,254
Nonmajor activities	17,834	44,863	41,990	39,501
Total Business-Type Activities Expenses	774,402	739,473	705,134	677,861
Total Primary Government Program Expenses	1,338,924	1,585,866	1,485,407	1,447,258
Net (Expense)/Revenue				
Governmental Activities	(381,888)	(664,438)	(594,255)	(489,949)
Business-Type Activities	34,031	64,186	100,485	53,262
Total Primary Government Net Expense	(347,857)	(600,252)	(493,770)	(436,687)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Income taxes	487,077	480,966	451,929	359,668
Property taxes	58,252	53,839	51,985	28,634
Other taxes	44,633	45,235	46,704	48,945
Unrestricted shared revenues	20,894	19,338	37,428	35,888
State and local government funds	26,658	25,191	24,331	24,061
Unrestricted investment earnings	14,997	10,730	4,392	1,801
Other	20,210	19,070	14,374	14,906
Transfers	(7,112)	(4,852)	(8,354)	(4,591)
Total Governmental Activities	665,609	649,517	622,789	509,312
Business-Type Activities				
Unrestricted investment earnings	26	24	13	7
Other	625		8	11
Special items - gain on sale of capital assets				
Transfers	7,112	4,852	8,354	4,591
Total Business-Type Activities Expenses	7,763	4,876	8,375	4,609
Total Primary Government General Revenues and Other Changes in Net Position	673,372	654,393	631,164	513,921
Change in Net Position				
Governmental Activities	283,721	(14,921)	28,534	19,363
Business-Type Activities	41,794	69,062	108,860	57,871
Total Primary Government Change in Net Position	$ 325,515	$ 54,141	$ 137,394	$ 77,234

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. In years 2018 and prior these include Sewer, Public Auditorium, West Side Market, East Side Market, Municipal Parking Lots, Cemeteries and Golf Courses. In 2019, Sewer was reclassified as a major enterprise fund.

(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) 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.

(3) In 2019, the Division of Water Polution Control (Sewer) was reclassified as a major enterprise fund. Previously the fund was included with Nonmajor Business-Type Activities.

2015	2014	2013	2012 (2)	2011	2010
$ 140,946	$ 121,050	$ 115,793	$ 106,141	$ 95,833	$ 81,898
117,040	129,551	130,108	128,276	139,577	
					93,425
328,453	298,768	310,246	310,745	308,051	315,900
35,026	39,099	44,337	70,705	75,778	70,589
13,433	11,059	17,694	14,729	14,098	17,445
16,841	18,236	15,405	17,385	19,596	19,740
					46,963
29,474	32,508	18,142	13,845	22,323	24,729
36,489	26,333	24,913	26,153	27,686	47,531
717,702	676,604	676,638	687,979	702,942	718,220
259,892	253,822	258,014	244,647	232,497	232,862
197,823	181,862	171,669	163,547	167,799	165,330
162,499	161,021	155,343	153,627	167,531	158,262
37,088	38,430	35,235	39,671	46,302	43,443
657,302	635,135	620,261	601,492	614,129	599,897
1,375,004	1,311,739	1,296,899	1,289,471	1,317,071	1,318,117
(518,118)	(407,591)	(382,443)	(445,313)	(468,901)	(488,569)
55,291	78,441	25,728	54,821	9,569	44,415
(462,827)	(329,150)	(356,715)	(390,492)	(459,332)	(444,154)
346,797	337,933	332,719	330,863	311,492	298,209
55,017	52,327	45,055	56,086	63,839	88,087
38,904	35,851	37,765	28,680	27,312	28,450
34,974	37,240	34,434	27,338	19,558	23,869
26,567	23,846	30,081	25,966	43,821	49,266
1,060	1,193	683	692	97	654
8,760	11,454	21,194	18,141	19,086	14,104
(1,957)	(1,616)	(1,527)	(1,589)	(2,031)	19,278
510,122	498,228	500,404	486,177	483,174	521,917
4	3	3		30	4
				5,125	
1,957	1,616	1,527	1,589	2,031	(19,278)
1,961	1,619	1,530	1,589	7,186	(19,274)
512,083	499,847	501,934	487,766	490,360	502,643
(7,996)	90,637	117,961	40,864	14,273	33,348
57,252	80,060	27,258	56,410	16,755	25,141
$ 49,256	$ 170,697	$ 145,219	$ 97,274	$ 31,028	$ 58,489

(Concluded)

City of Cleveland, Ohio

Fund Balances, Governmental Funds

Last Ten Years (1)

(Modified Accrual Basis of Accounting)

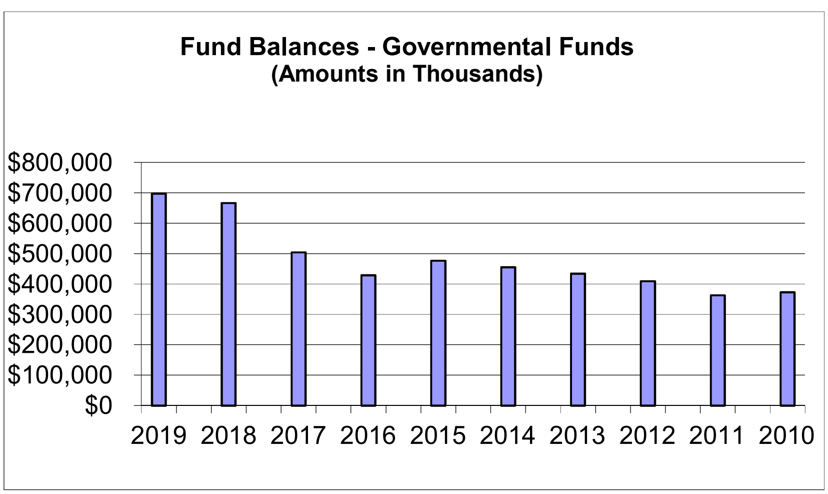
(Amounts in Thousands)

	2019	2018	2017	2016	2015
General Fund					
Reserved	$	$	$	$	$
Unreserved					
Nonspendable	3,069	3,035			740
Assigned	85,953	67,388	42,168	15,631	11,979
Unassigned	114,870	116,486	92,692	66,091	68,490
Total General Fund	203,892	186,909	134,860	81,722	81,209
Public Health (2)					
Nonspendable	32				
Restricted	1,446				
Committed	387				
Total Public Health	1,865				
All Other Governmental Funds					
Reserved					
Unreserved reported in:					
Special Revenue funds					
Capital Projects funds					
Nonspendable	138	168			865
Restricted	427,063	416,726	296,361	287,250	312,089
Committed	64,813	62,927	72,770	70,597	82,189
Assigned	11	9	11	2	6
Unassigned				(11,514)	
Total All Other Governmental Funds	492,025	479,830	369,142	346,335	395,149
Total Governmental Funds	$ 697,782	$ 666,739	$ 504,002	$ 428,057	$ 476,358

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

(2) Beginning in 2019, the Auditor of the State of Ohio determined that the City's Public Health Department is a legally separate entity. Prior to this the City reported the Public Health Department activity in the General Fund and Special Revenue Funds.

2014	2013	2012	2011	2010
$	$	$	$	$ 15,070
				(2,529)
885	648	632	576	
15,041	13,209	9,239	12,027	
78,401	75,891	61,879	38,991	
94,327	89,748	71,750	51,594	12,541
				257,696
				64,432
				37,753
1,387	355	495	1,172	
268,905	245,015	233,832	204,590	
90,739	98,806	102,901	105,624	
8	3	2	1	
			(96)	
361,039	344,179	337,230	311,291	359,881
$ 455,366	$ 433,927	$ 408,980	$ 362,885	$ 372,422



City of Cleveland, Ohio

Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

(Amounts in Thousands)

	2019	2018	2017	2016
Revenues				
Income taxes	$ 486,792	$ 473,306	$ 447,259	$ 355,092
Property taxes	57,580	52,665	51,473	49,311
State and local government funds	26,304	24,970	24,375	24,431
Other taxes and shared revenues (2)				
Other taxes (2)	44,739	45,149	46,683	48,945
Other shared revenues (2)	55,319	53,866	61,079	49,108
Licenses and permits	21,892	21,196	19,407	21,236
Charges for services	38,158	39,194	39,177	37,620
Fines, forfeits and settlements	14,292	15,296	14,299	14,295
Investment earnings	14,277	10,186	4,147	1,725
Grants	52,890	60,385	80,077	125,956
Contributions	1,787	4,398	1,704	1,844
Miscellaneous	25,437	15,068	11,618	16,067
Total Revenues	839,467	815,679	801,298	745,630
Expenditures				
Current:				
General Government (1)	107,996	97,343	100,372	98,102
Public Works (1)	109,612	104,949	98,228	93,148
Public Service (1)				
Public Safety	345,025	332,423	322,483	347,426
Community Development (1)	27,857	30,876	25,827	29,990
Building and Housing	14,019	13,829	13,216	13,710
Public Health	18,343	17,735	16,382	15,410
Parks, Recreation and Properties (1)				
Economic Development	27,718	26,850	35,748	37,552
Other	8,255	9,030	6,640	7,388
Capital outlay	113,170	88,812	85,888	99,622
Inception of capital lease				
Debt service:				
Principal retirement	55,423	55,368	49,041	49,370
Interest	34,968	31,006	30,000	30,365
General Government	450	1,485	971	476
Other	1,080	1,077	1,069	1,070
Total Expenditures	863,916	810,783	785,865	823,629
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,449)	4,896	15,433	(77,999)
Other Financing Sources (Uses)				
Transfers in	123,680	112,956	81,122	72,227
Transfers out	(126,729)	(116,926)	(83,188)	(74,118)
Issuance of bonds	51,015	135,680		28,125
Issuance of refunding bonds			142,850	23,680
Premium on bonds and notes	5,740	16,868	21,916	7,497
Discount on bonds and notes				
Payment to refund bonds and notes			(108,761)	(28,150)
Issuance of Loans	601	15		
Sale of City assets	1,185	9,248	6,573	437
Capital leases				
Total Other Financing Sources (Uses)	55,492	157,841	60,512	29,698
Net Change in Fund Balances	$ 31,043	$ 162,737	$ 75,945	$ (48,301)
Debt Service as a Percentage of Noncapital Expenditures	11.5%	11.6%	10.8%	10.8%

(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.

2015	2014	2013	2012	2011	2010
$ 350,524	$ 336,743	$ 333,359	$ 331,118	$ 312,508	$ 300,427
49,697	49,198	49,740	55,312	55,949	58,660
26,433	25,077	28,439	31,821	45,640	47,972
			86,084	77,636	79,620
38,904	35,851	37,764			
48,864	54,329	59,907			
18,884	15,404	16,034	15,070	16,877	13,529
35,169	36,120	39,297	41,436	39,433	33,779
18,864	28,928	27,020	26,830	28,376	28,643
927	858	865	468	518	621
102,257	111,935	115,851	129,724	120,119	116,920
2,803	2,571	15,948	1,364	52	72
13,565	18,534	27,770	18,770	15,356	16,490
706,891	715,548	751,994	737,997	712,464	696,733
86,686	91,199	85,638	85,125	77,792	80,865
90,961	89,042	86,576	85,753	91,926	
					53,567
311,177	294,605	303,234	303,767	302,009	308,321
33,076	37,191	42,677	69,238	73,682	70,437
13,419	10,885	17,444	14,542	14,031	17,401
16,462	17,722	14,983	16,986	19,160	19,229
					37,822
29,393	32,360	18,030	12,794	19,348	24,635
8,635	10,580	11,877	10,992	11,171	11,490
127,001	100,868	115,170	69,945	66,575	56,227
571	6,044	5,046	5,648	4,566	3,201
48,648	47,752	46,252	48,115	47,481	48,223
28,627	27,935	30,380	33,741	30,628	28,682
2,462	1,114	615	1,264	438	18,722
1,071	1,077	1,176	1,168	315	795
798,189	768,374	779,098	759,078	759,122	779,617
(91,298)	(52,826)	(27,104)	(21,081)	(46,658)	(82,884)
92,273	77,659	56,516	59,830	68,643	106,617
(94,734)	(79,766)	(58,466)	(62,145)	(71,514)	(88,152)
101,385	69,200	35,840	82,945	31,260	171,505
117,325	20,110	25,360			
30,085	6,666	4,415	8,770	1,105	1,885
	(13)		(145)	(217)	(237)
(135,757)	(20,635)	(25,360)	(28,910)		(108,390)
		2,786			
1,713	1,044	4,425	324	1,229	1,127
		6,535	6,507	6,615	6,690
112,290	74,265	52,051	67,176	37,121	91,045
$ 20,992	$ 21,439	$ 24,947	$ 46,095	$ (9,537)	$ 8,161
11.1%	11.7%	11.5%	11.8%	11.1%	10.4%

City of Cleveland, Ohio

Assessed Valuation and Estimated Actual Values of Taxable Property
Last Ten Years
(Amounts in Thousands)

	Real Property			Tangible Personal Property	
	Assessed Value			Public Utility	
Collection Year	Residential/ Agricultural	Commercial Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value
2019	$ 2,161,965	$ 2,664,334	$ 13,789,426	$ 436,992	$ 496,582
2018	1,987,511	2,325,434	12,322,700	415,800	472,500
2017	2,002,109	2,238,298	12,115,449	387,919	440,817
2016	2,002,439	2,255,156	12,164,557	331,843	377,094
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

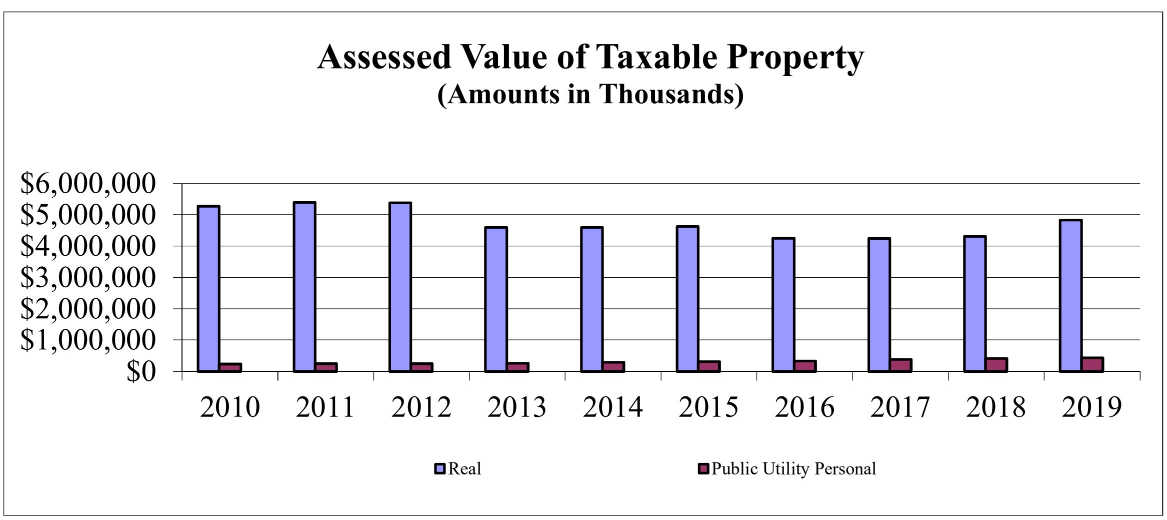
The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.

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 2019 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.

Assessed Value	Total Estimated Actual Value	Total Direct Tax Rate	Ratio
$ 5,263,291	$ 14,286,008	12.70	36.8 %
4,728,745	12,795,200	12.70	37.0
4,628,326	12,556,266	12.70	36.9
4,589,438	12,541,651	12.70	36.6
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



City of Cleveland, Ohio

Property Tax Rates - Direct and Overlapping Governments
(Per $1,000 of Assessed Valuation)
Last Ten Years

	2019	2018	2017	2016
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	49.324018	49.475411	52.627462	52.527150
Commercial/Industrial and Public Utility Real	56.853103	55.336037	61.103106	61.578271
General Business and Public Utility Personal	79.100000	79.300000	79.300000	79.300000
County				
Residential/Agricultural Real	12.801150	12.797318	13.914095	13.880201
Commercial/Industrial and Public Utility Real	13.230331	13.077038	14.006049	14.012362
General Business and Public Utility Personal	14.050000	14.050000	14.050000	14.050000
Special Taxing Districts (1)				
Residential/Agricultural Real	14.830000	14.431850	13.636727	13.116607
Commercial/Industrial and Public Utility Real	15.080000	14.324894	13.760521	13.322508
General Business and Public Utility Personal	16.580000	16.180000	14.180000	13.680000

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.

2015	2014	2013	2012	2011	2010
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
52.479460	52.699898	52.427248	52.116544	31.674164	31.506887
61.740058	61.107741	60.124573	60.128798	44.235815	44.362102
79.300000	79.900000	79.800000	79.800000	64.800000	64.800000
13.869781	14.050000	14.050000	13.220000	13.118223	13.186617
14.050000	14.019470	13.949465	12.996761	12.784540	12.841251
14.050000	14.050000	14.050000	13.220000	13.220000	13.320000
13.112910	13.202292	12.298441	11.391842	11.225159	11.207637
13.363153	13.312617	12.339767	11.418198	11.232744	11.236434
13.680000	13.680000	12.780000	11.880000	11.880000	11.880000

City of Cleveland, Ohio

Property Tax Levies and Collections

Last Ten Years

Year	Current Tax Levy (1)	Current Tax Collections (2)	Percent of Current Tax Collections To Current Tax Levy	Delinquent Tax Collections	Total Tax Collections
2019	$ 72,955,931	$ 71,218,160	97.62 %	$ 5,828,919	$ 77,047,080
2018	74,752,362	66,628,584	89.13	4,538,024	71,166,608
2017	72,023,002	64,982,553	90.22	4,280,681	69,263,234
2016	70,861,467	61,490,574	86.78	3,862,554	65,353,128
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

Note:
The County does not identify delinquent collections by the year for which the tax was levied.

(1) The current tax levy is the total amount of taxes assessed for the year.

(2) State reimbursement of rollback and homestead exemptions are included.

(3) Total levy includes the delinquent levy.

Source: Cuyahoga County Fiscal Officer.

Total Tax Levy (3)	Percent of Total Tax Collections To Total Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
$ 98,584,152	78.15 %	$ 24,209,291	24.56 %
97,367,860	73.09	24,479,163	25.14
94,787,217	73.07	23,227,032	24.50
87,924,969	74.33	23,066,836	26.23
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

City of Cleveland, Ohio

Principal Taxpayers - Real Estate Tax

2019 and 2010

	2019	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Electric Illuminating Co.	$ 243,105,970	5.04 %
East Ohio Gas Co.	132,583,090	2.75
City of Cleveland, Ohio	114,163,970	2.37
American Transmission System	101,704,200	2.11
127 PS Fee Owner, LLC	87,321,260	1.81
Cleveland Clinic Foundation	75,458,160	1.56
Cleveland-Cuyahoga Port Authority	73,368,290	1.52
G&I IX 200 Public Square Garage, LLC	51,774,150	1.07
Cleveland Propco II, LLC	38,242,460	0.79
Flats East Office Tower, LLC	33,322,580	0.69
Total	$ 951,044,130	19.71 %
Total Real Property Assessed Valuation	$ 4,826,299,000	

	2010	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Clinic Foundation	$ 241,141,560	4.57 %
Key Center Properties LLC	83,619,320	1.58
City of Cleveland, Ohio	76,531,460	1.45
Cleveland Financial Associates	46,967,070	0.89
Board of County Commissioners	39,698,830	0.75
City of Cleveland Executive	36,508,320	0.69
National City Bank	36,391,080	0.69
Hub North Point Properties LLC	33,309,480	0.63
ISG Cleveland West Inc.	26,892,690	0.51
Optima One Cleveland	25,857,270	0.49
Total	$ 646,917,080	12.25 %
Total Real Property Assessed Valuation	$ 5,279,349,000	

(1) The amounts presented represent the assessed values upon which 2019 and 2010 collections were based.

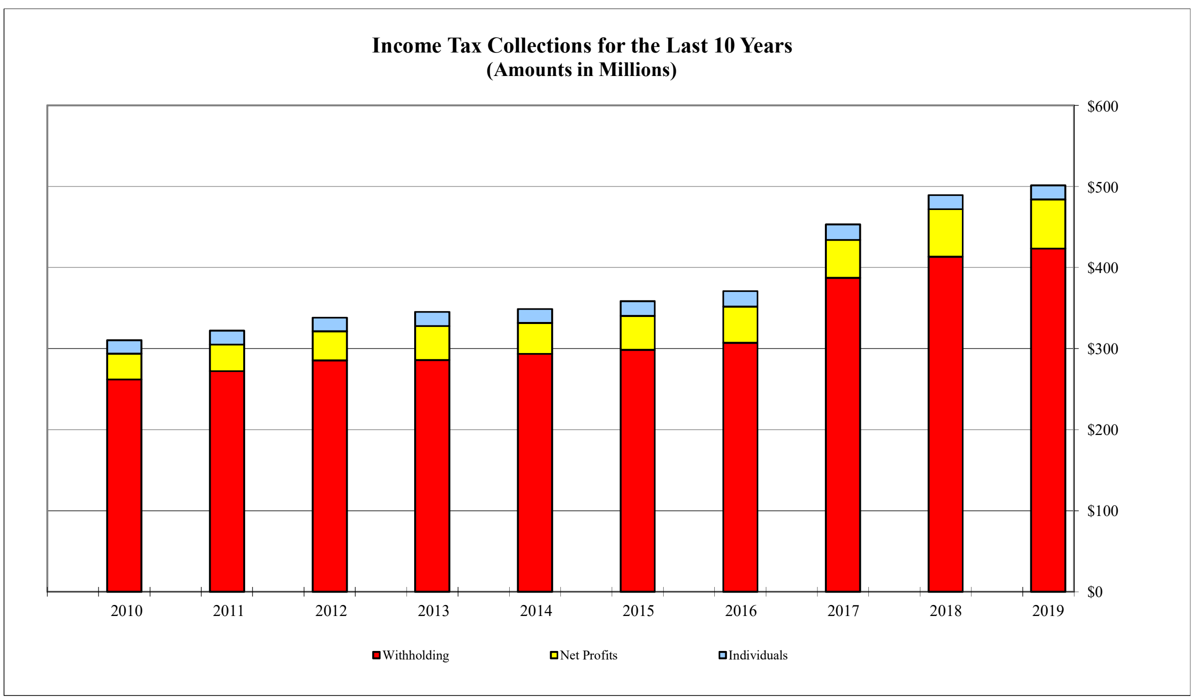
Source: Cuyahoga County Fiscal Officer.

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
2019	2.50%	$ 501,323,695	$ 423,375,271	84.45%	$ 60,595,378	12.09%	$ 17,353,046	3.46%
2018	2.50	489,235,527	413,232,659	84.47	58,623,924	11.98	17,378,944	3.55
2017	2.50	453,091,275	387,201,556	85.46	46,757,836	10.32	19,131,883	4.22
2016	2.00	370,753,947	307,143,756	82.84	44,644,300	12.04	18,965,891	5.12
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



Note:

The City is prohibited by Statute from presenting information regarding individual taxpayers.

(1) Gross collections.

Source: Central Collection Agency.

City of Cleveland, Ohio

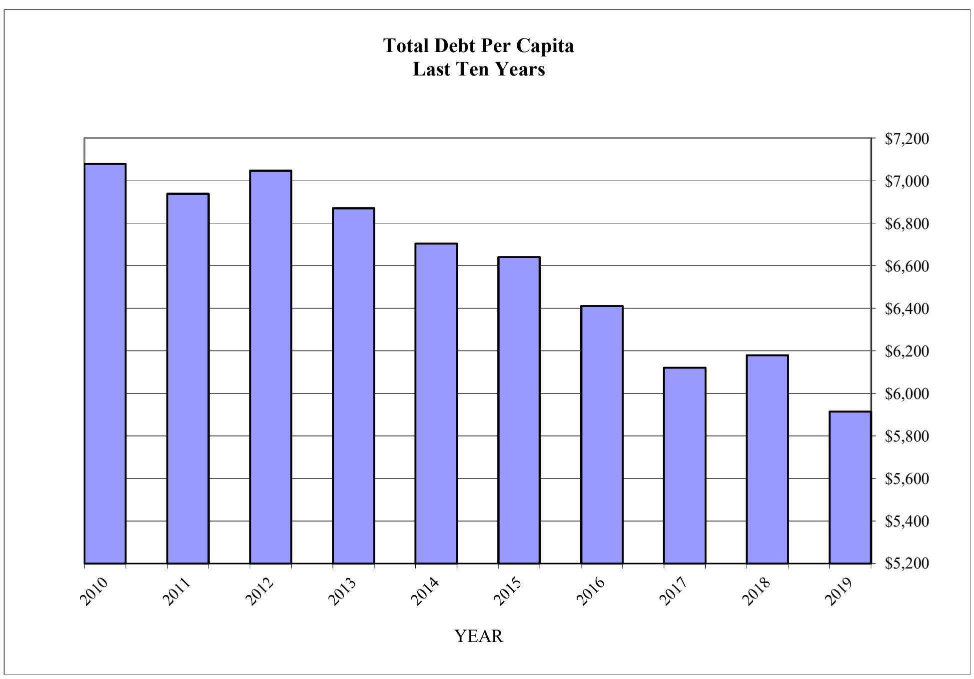
Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years

	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
2019	$ 318,912,000	$	$49,122,000	$ 488,000	$26,630,000	$ 77,750,000	$ 361,740,000
2018	291,055,000		53,107,000	1,874,000	31,593,000	85,266,000	377,853,000
2017	230,353,000	835,000	56,968,000	4,363,000	36,346,000	92,506,000	329,359,000
2016	256,139,000	1,615,000	60,751,000	7,344,000	39,458,000	99,438,000	280,057,000
2015	247,235,000	2,345,000	64,438,000	11,354,000	43,910,000	106,095,000	289,810,000
2014	270,033,000	3,030,000	51,004,000	15,262,000	44,927,000	112,471,000	198,462,000
2013	297,178,000	3,670,000	53,202,000	19,185,000	48,421,000	118,581,000	129,551,000
2012	325,676,000	4,270,000	56,018,000	16,236,000	51,769,000	124,749,000	93,320,000
2011	310,456,000	4,835,000	58,747,000	12,908,000	54,982,000	130,941,000	80,976,000
2010	309,807,000	5,365,000	61,985,000	8,937,000	58,063,000	137,192,000	83,548,000

Note:

Population and Personal Income data are presented on page S21.
In 2014, this table was modified to include Note/Loans payable, as it is part of the Governmental Debt.
In 2018, this table recalculated all figures that had premiums and discounts. The premiums and discounts are now reflected in the type of debt.

		Business-Type Activities				
Annual Appropriation Bonds	Note / Loans Payable	Revenue Bonds	OWDA / OPWC Loans	Total Debt	Percentage of Personal Income	Per Capita
$ 8,705,000	$ 1,266,000	$ 1,429,751,000	$ 72,750,000	$ 2,347,114,000	29.45%	$ 5,915
9,018,000	1,024,000	1,525,350,000	75,545,000	2,451,685,000	32.79	6,178
9,315,000	1,344,000	1,584,033,000	83,478,000	2,428,900,000	34.00	6,121
9,592,000	1,671,000	1,696,483,000	91,316,000	2,543,864,000	36.56	6,411
9,854,000	2,240,000	1,758,793,000	99,220,000	2,635,294,000	38.09	6,641
10,100,000	2,801,000	1,845,740,000	106,815,000	2,660,645,000	39.46	6,705
10,331,000		1,931,909,000	114,372,000	2,726,400,000	40.87	6,871
10,557,000		2,003,727,000	109,742,000	2,796,064,000	43.22	7,046
10,778,000		1,972,923,000	115,523,000	2,753,069,000	42.56	6,938
10,764,000		2,011,545,000	121,335,000	2,808,541,000	43.42	7,078



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 Thousands)			
2019	396,815	$ 5,263,291	$ 305,732	5.81 %	$ 770.46
2018	396,815	4,728,745	279,415	5.91	704.14
2017	396,815	4,628,326	225,338	4.87	567.87
2016	396,815	4,589,438	251,060	5.47	632.69
2015	396,815	4,948,114	244,111	4.93	615.18
2014	396,815	4,899,952	266,952	5.45	672.74
2013	396,815	4,868,768	293,752	6.03	740.27
2012	396,815	5,631,261	319,460	5.67	805.06
2011	396,815	5,640,270	308,969	5.48	778.62
2010	396,815	5,513,219	307,615	5.58	775.21

Note:

Net Bonded Debt includes all general obligation bonded debt less balance in debt service fund, plus bond premium.

In 2018, the City restated prior years net bonded debt to include bond premium. As a result, this also affected the ratio of net bonded debt to assessed value of taxable property and net bonded debt to assessed value of taxable property and net bonded debt per capita.

Sources:

(1) U. S. Bureau of Census, 2010 Federal Census of Population.
(2) Cuyahoga County Fiscal Officer's Office.

City of Cleveland, Ohio

Computation of Direct and Overlapping Governmental Activities Debt

December 31, 2019

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	$ 318,912,000	100.00 %	$ 318,912,000
Capital Lease Obligations	488,000	100.00	488,000
Subordinated Income Tax Refunding Bonds	26,630,000	100.00	26,630,000
Subordinate Lien Income Tax Bonds	361,740,000	100.00	361,740,000
Non-Tax Revenue Bonds	49,122,000	100.00	49,122,000
Certificates of Participation	77,750,000	100.00	77,750,000
Annual Appropriation Bonds	8,705,000	100.00	8,705,000
Note/Loans Payable	1,266,000	100.00	1,266,000
Total Direct Debt	844,613,000		844,613,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds	231,922,059	96.84	224,593,322
Cuyahoga County			
General Obligation Bonds	245,120,000	18.58	45,543,296
Berea School District	109,553,000	3.80	4,163,014
Shaker Heights School District	36,510,000	5.48	2,000,748
Total Overlapping Debt	623,105,059		276,300,380
Total	$ 1,467,718,059		$ 1,120,913,380

(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

	2019	2018	2017	2016
Total Assessed Property Value	$ 5,263,290,660	$4,728,745,440	$ 4,628,325,790	$4,589,437,780
Overall Legal Debt Limit (10½% of Assessed Valuation)	552,645,519	496,518,271	485,974,208	481,890,967
Debt Outstanding:				
General Obligation Bonds	292,810,000	267,135,000	211,400,000	233,900,000
Revenue Bonds	1,352,593,000	1,439,068,000	1,501,493,000	1,617,778,000
Urban Renewal Bonds			835,000	1,615,000
Subordinated Income Tax Refunding Bonds	24,730,000	28,975,000	32,960,000	35,275,000
Subordinate Lien Income Tax Bonds	327,260,000	339,690,000	296,285,000	258,160,000
OWDA/OPWC Loans	73,352,000	75,560,000	83,478,000	91,316,000
Non-tax Revenue Bonds	49,078,000	52,971,000	56,705,000	60,328,000
Annual Appropriation Bonds	8,820,000	9,145,000	9,455,000	9,745,000
Total Gross Indebtedness	2,128,643,000	2,212,544,000	2,192,611,000	2,308,117,000
Less:				
General Obligation Bonds	292,810,000	267,135,000	211,400,000	233,900,000
Revenue Bonds	1,352,593,000	1,439,068,000	1,501,493,000	1,617,778,000
Urban Renewal Bonds			835,000	1,615,000
Subordinated Income Tax Refunding Bonds	24,730,000	28,975,000	32,960,000	35,275,000
Subordinate Lien Income Tax Bonds	327,260,000	339,690,000	296,285,000	258,160,000
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Non-tax Revenue Bonds	49,078,000	52,971,000	56,705,000	60,328,000
Annual Appropriation Bonds	8,820,000	9,145,000	9,455,000	9,745,000
General Obligation Bond Retirement Fund Balance	13,180,000	11,640,000	5,015,000	5,079,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	$ 552,645,519	$ 496,518,271	$ 485,974,208	$ 481,890,967
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation (5½% of Assessed Valuation)	$ 289,480,986	$ 260,080,999	$ 254,557,918	$ 252,419,078
Total Gross Indebtedness	2,128,643,000	2,212,544,000	2,192,611,000	2,308,117,000
Less:				
General Obligation Bonds	292,810,000	267,135,000	211,400,000	233,900,000
Revenue Bonds	1,352,593,000	1,439,068,000	1,501,493,000	1,617,778,000
Urban Renewal Bonds			835,000	1,615,000
Subordinated Income Tax Refunding Bonds	24,730,000	28,975,000	32,960,000	35,275,000
Subordinate Lien Income Tax Bonds	327,260,000	339,690,000	296,285,000	258,160,000
OWDA/OPWC Loans	73,352,000	75,560,000	83,478,000	91,316,000
Non-tax Revenue Bonds	49,078,000	52,971,000	56,705,000	60,328,000
Annual Appropriation Bonds	8,820,000	9,145,000	9,455,000	9,745,000
General Obligation Bond Retirement Fund Balance	13,180,000	11,640,000	5,015,000	5,079,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	$ 289,480,986	$ 260,080,999	$ 254,557,918	$ 252,419,078
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.

2015	2014	2013	2012	2011	2010
$4,948,113,550	$4,899,952,220	$4,868,767,980	$5,631,261,380	$5,640,270,380	$5,513,219,400
519,551,923	514,494,983	511,220,638	591,282,445	592,228,390	578,888,037
228,740,000	257,565,000	282,550,000	308,700,000	298,660,000	297,115,000
1,699,688,000	1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000
2,345,000	3,030,000	3,670,000	4,270,000	4,835,000	5,365,000
38,885,000	43,650,000	46,915,000	50,020,000	52,975,000	55,785,000
265,995,000	188,335,000	124,490,000	92,380,000	80,505,000	83,025,000
99,220,000	106,815,000	114,372,000	109,742,000	115,523,000	121,335,000
63,829,000	50,203,000	53,108,000	55,894,000	58,591,000	61,795,000
10,020,000	10,280,000	10,525,000	10,765,000	11,000,000	11,000,000
2,408,722,000	2,446,161,000	2,499,218,000	2,557,974,000	2,552,252,000	2,610,248,000
228,740,000	257,565,000	282,550,000	308,700,000	298,660,000	297,115,000
1,699,688,000	1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000
2,345,000	3,030,000	3,670,000	4,270,000	4,835,000	5,365,000
38,885,000	43,650,000	46,915,000	50,020,000	52,975,000	55,785,000
265,995,000	188,335,000	124,490,000	92,380,000	80,505,000	83,025,000
99,220,000	106,815,000	114,372,000	109,742,000	115,523,000	121,335,000
63,829,000	50,203,000	53,108,000	55,894,000	58,591,000	61,795,000
10,020,000	10,280,000	10,525,000	10,765,000	11,000,000	11,000,000
3,124,000	3,081,000	3,426,000	6,216,000	1,488,000	2,192,000
-	-	-	-	-	-
$ 519,551,923	$ 514,494,983	$ 511,220,638	$ 591,282,445	$ 592,228,390	$ 578,888,037
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
$ 272,146,245	$ 269,497,372	$ 267,782,239	$ 309,719,376	$ 310,214,871	$ 303,227,067
2,408,722,000	2,446,161,000	2,499,218,000	2,557,974,000	2,552,252,000	2,610,248,000
228,740,000	257,565,000	282,550,000	308,700,000	298,660,000	297,115,000
1,699,688,000	1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000
2,345,000	3,030,000	3,670,000	4,270,000	4,835,000	5,365,000
38,885,000	43,650,000	46,915,000	50,020,000	52,975,000	55,785,000
265,995,000	188,335,000	124,490,000	92,380,000	80,505,000	83,025,000
99,220,000	106,815,000	114,372,000	109,742,000	115,523,000	121,335,000
63,829,000	50,203,000	53,108,000	55,894,000	58,591,000	61,795,000
10,020,000	10,280,000	10,525,000	10,765,000	11,000,000	11,000,000
3,124,000	3,081,000	3,426,000	6,216,000	1,488,000	2,192,000
-	-	-	-	-	-
$ 272,146,245	$ 269,497,372	$ 267,782,239	$ 309,719,376	$ 310,214,871	$ 303,227,067
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
2019	$ 189,211,000	$ 81,118,000	$ 108,093,000	$ 41,585,000	$ 23,263,000	1.67
2018	185,477,000	81,551,000	103,926,000	39,970,000	28,633,914	1.51
2017	183,268,000	85,399,000	97,869,000	38,535,000	29,902,274	1.43
2016	178,723,000	81,501,000	97,222,000	39,765,000	29,907,925	1.40
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

(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
2019	$ 204,286,000	$ 179,977,000	$ 24,309,000	$ 5,640,000	$ 8,453,175		1.73
2018	212,383,000	181,141,000	31,242,000	7,705,000	8,569,901		1.92
2017	195,188,000	167,923,000	27,265,000	8,785,000	9,116,666		1.52
2016	193,194,000	166,591,000	26,603,000	8,055,000	9,859,269		1.49
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

(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)	
2019	$ 323,043,000	$ 217,352,000	$ 105,691,000	$ 27,540,000	$ 15,092,505	2.48
2018	315,296,000	197,901,000	117,395,000	30,640,000	16,950,832	2.47
2017	305,971,000	185,367,000	120,604,000	29,700,000	15,664,601	2.66
2016	311,882,000	162,618,000	149,264,000	44,720,000	15,100,291	2.50
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

(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

Pledged Revenue Coverage

Water Pollution Control Revenue Bonds

Last Four Years

Year (3)	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2019	$ 32,956,000	$ 21,742,000	$ 11,214,000	$ 590,000	$ 1,545,150	5.25
2018	30,443,000	20,136,000	10,307,000	570,000	1,562,250	4.83
2017	29,847,000	21,075,000	8,772,000	550,000	1,584,250	4.11
2016	28,861,000	19,010,000	9,851,000		928,547	10.61

(1) Gross revenues include operating revenues plus interest income, except for interest on the construction funds.

(2) Direct operating expenses are calculated in accordance with the bond indenture.

(3) Pledged revenue debt was first issued in 2016. The City will continue to present information until a full ten-year is compiled.

City of Cleveland, Ohio

Principal Employers

2019 and 2010

2019

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	35,934	23.80%
University Hospitals	17,125	11.34
U.S. Office of Personnel Management	13,038	8.63
Cuyahoga County	7,368	4.88
The MetroHealth System	6,978	4.62
City of Cleveland	6,947	4.60
Cleveland Metropolitan School District	6,259	4.15
KeyCorp	4,740	3.14
Case Western Reserve University	4,470	2.96
Sherwin-Williams Co.	4,427	2.93
Total	107,286	71.05%
Total Employment within the City	151,000	

2010

Employer	Employees	Percentage of Total City Employment
The Cleveland Clinic Foundation	34,000	22.85%
University Hospitals of Cleveland	13,224	8.89
Cuyahoga County	8,036	5.40
United States Postal Service	7,641	5.14
City of Cleveland	7,580	5.09
Cleveland Municipal School District	7,385	4.96
KeyCorp	5,553	3.73
The MetroHealth System	5,408	3.63
Case Western Reserve University	4,449	2.99
Sherwin-Williams Co.	3,058	2.06
Total	96,334	64.74%
Total Employment within the City	148,800	

Note:

Largest employers headquartered in the City ranked by FTE employees.

Source:

Number of employees from Crain's Cleveland:
Book of Lists 2020, Largest Cuyahoga County Employers; FTEs as of 6/30/2019
Book of Lists 2011, Largest Cuyahoga County Employers; FTEs as of 6/30/2010

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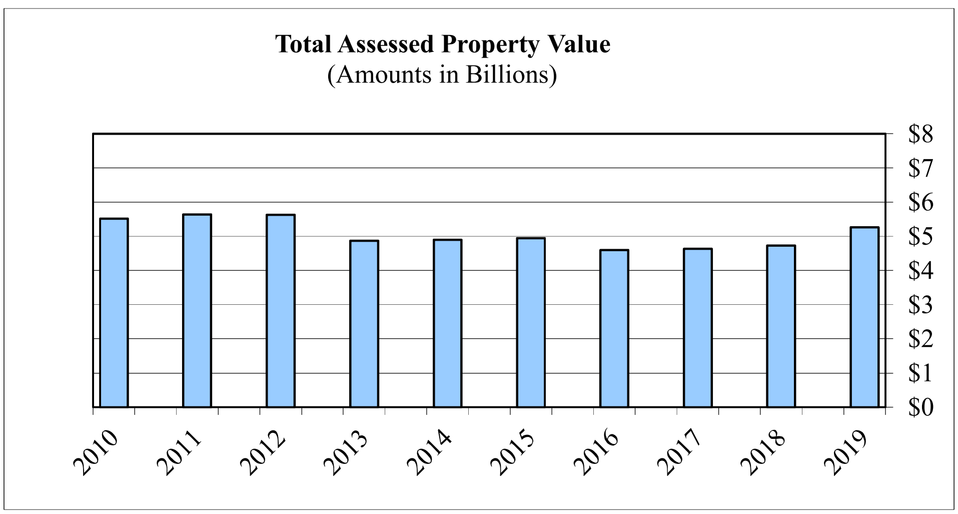
City of Cleveland, Ohio

Demographic and Economic Statistics

Last Ten Years

Year	Population		Total Personal Income (5)	Personal Income Per Capita		Median Household Income		Median Age	
2019	396,815	(1)	$ 7,970,029,275	$ 20,085	(12)	$ 29,008	(12)	35.7	(1)
2018	396,815	(1)	7,477,581,860	18,844	(11)	27,854	(11)	35.7	(1)
2017	396,815	(1)	7,143,860,445	18,003	(10)	26,583	(10)	35.7	(1)
2016	396,815	(1)	6,958,944,655	17,537	(9)	26,150	(9)	35.7	(1)
2015	396,815	(1)	6,918,866,340	17,436	(8)	26,179	(8)	35.7	(1)
2014	396,815	(1)	6,742,680,480	16,992	(7)	26,217	(7)	35.7	(1)
2013	396,815	(1)	6,671,253,780	16,812	(6)	26,556	(6)	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)



(1) Source: U. S. Census Bureau. 2010 Census

(2) Source: Ohio Department of Education Website: "http://www.ode.state.oh.us/".

(3) Source: Ohio Labor Market Info, Website: "http://ohiolmi.com".

(4) Source: Cuyahoga County Auditor's Office.

(5) Computation of per capita personal income multiplied by population.

(6) Source: U. S. Census Bureau. 2012 dollars years 2008-2012.

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

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

(9) Source: U. S. Census Bureau. 2015 dollars years 2011-2015.

(10) Source: U. S. Census Bureau. 2016 dollars years 2012-2016.

(11) Source: U. S. Census Bureau. 2017 dollars years 2013-2017.

(12) Source: U. S. Census Bureau. 2018 dollars years 2014-2018.

Educational Attainment: Bachelor's Degree or Higher		School Enrollment (2)	City Unemployment Rate (3)	Average Sales Price of Residential Property (4)	Total Assessed Property Value (4) (Amounts in Thousands)
16.9%	(12)	37,701	5.2%	$ 77,900	$ 5,263,291
16.4	(11)	38,645	6.5	69,500	4,728,745
16.1	(10)	38,949	7.7	76,458	4,628,326
15.6	(9)	39,125	6.9	59,403	4,589,438
15.2	(8)	38,555	5.2	67,280	4,948,114
14.9	(7)	37,967	7.8	54,549	4,899,952
14.0	(6)	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

City of Cleveland, Ohio

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Years

Function/Program	2019	2018	2017	2016
General Government				
Council	64.00	65.50	60.00	65.50
Mayor's Office	19.50	18.50	24.00	25.00
Office of Capital Projects	61.50	57.00	54.00	49.00
Mayor's Office of Sustainability	8.00	8.00	8.00	
Mayor's Office of Quality Control	11.50	9.50	10.50	
Landmarks Commission	5.00	5.50	4.00	3.00
Building Standards and Appeals	3.00	5.50	5.50	5.50
Board of Zoning Appeals	4.50	4.00	4.50	4.50
Civil Service Commission	7.50	8.50	8.50	8.50
Community Relations Board	26.00	24.00	22.00	22.00
City Planning Commission	23.00	21.50	20.50	20.50
Equal Employment Opportunity	7.00	7.00	8.00	6.00
Court	436.50	441.50	443.50	446.00
Office of Budget Administration	7.00	8.00	7.00	7.00
Aging	25.50	26.00	23.50	19.00
Personnel and Human Resources	18.50	17.50	16.50	12.00
Consumer Affairs				
Law	78.00	80.00	78.50	73.50
Finance	264.00	267.50	248.50	239.50
Security of Persons and Property				
Administration	37.00	36.00	36.00	37.00
Police	2,013.00	1,972.00	1,822.50	1,826.50
Fire	718.00	722.00	702.00	696.00
EMS	305.00	310.00	288.00	244.00
Dog Pound	33.50	26.50	22.00	18.00
House of Corrections	1.00	1.00	106.00	117.50
Department of Justice Compliance	36.00	27.50	26.00	13.50
Public Health Services	139.50	138.50	127.50	135.00
Leisure Time Activities				
Parks, Recreation and Property Administration				
Research, Planning and Development				
Recreation	230.50	230.00	222.00	203.00
Public Auditorium, Westside Market and Cleveland Stadium (2)	64.00	61.50	53.50	53.00
Parking Facilities	37.50	40.50	37.50	40.00
Property Management	72.50	71.50	70.50	64.50
Parks Maintenance	145.00	140.00	138.00	132.00
Community Development	77.00	71.50	62.00	61.50
Building and Housing	148.00	142.00	129.00	119.00
Economic Development	24.00	24.00	23.00	26.00
Public Works				
Public Works Administration	32.00	36.00	32.00	34.00
Architecture				
Waste Collection and Disposal	217.50	199.50	206.50	179.50
Engineering and Construction				
Motor Vehicle Maintenance	75.00	79.00	76.00	70.00
Streets	266.00	270.00	263.00	252.00
Traffic Engineering	31.00	33.00	32.00	29.00
Port Control	408.00	387.50	392.50	393.50
Basic Utility Services				
Water	1,150.50	1,126.50	1,067.50	980.00
Cleveland Public Power	249.00	253.00	242.00	248.00
Water Pollution Control	140.00	133.00	116.00	123.00
Totals:	7,720.50	7,607.00	7,340.00	7,102.00

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

(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) In 2010, the Convention Center was sold to Cuyahoga County; however, the City continues to maintain and operate the Public Auditorium.

Source: City Payroll Department.

2015	2014	2013	2012	2011	2010
60.50	61.00	60.00	61.50	63.00	62.00
23.00	22.50	25.50	25.50	24.50	25.50
55.50	50.50	49.50	46.00 (1)		
3.50	4.00	5.00	5.00	5.00	5.50
5.50	5.50	6.00	6.00	6.00	5.50
4.00	4.50	4.50	4.50	4.50	4.00
8.50	9.50	10.00	10.00	9.50	11.00
23.00	24.00	22.00	24.00	28.00	30.50
21.50	22.50	20.50	20.50	21.50	24.00
8.50	10.00	8.50	8.00	8.00	10.00
448.00	457.50	465.50	461.00	479.50	531.00
7.00	7.00	8.00	7.00	7.00	7.00
23.50	21.00	22.00	22.00	25.00	24.50
15.50	17.00	19.00	18.00	16.00	16.50
			(1)	4.00	3.00
71.50	76.50	77.00	72.50	76.00	87.00
238.50	226.00	222.50	232.00	234.00	241.50
35.00	48.50	42.50	36.50	36.50	40.00
1,903.00	1,901.00	1,913.50	1,873.00	1,869.50	1,983.50
705.00	707.00	730.00	729.00	803.00	875.00
238.00	224.00	232.00	232.00	214.00	218.00
18.00	17.00	17.00	14.50	15.00	16.00
117.50	127.00	131.50	133.00	153.00	170.00
8.50					
139.00	138.00	133.00	125.50	140.50	159.50
			(1)	8.00	7.00
			(1)	5.00	6.00
202.50	200.50	191.50	190.50	189.00	230.00
55.00	54.50	54.00	42.50	29.50	27.50
42.50	40.00	40.50	39.50	42.50	42.50
67.50	73.50	72.50	70.50	73.50	81.50
128.00	133.00	130.00	119.00	126.00	140.00
63.00	74.00	76.00	78.50	76.50	87.00
109.00	115.00	117.00	113.00	120.00	134.50
26.00	25.00	29.00	26.00	28.00	34.00
36.00	38.00	37.00	34.00	5.50	4.50
			(1)	5.00	6.00
171.00	192.50	199.50	206.50	212.50	238.50
			(1)	31.50	59.50
72.00	66.00	68.00	68.00	75.00	81.00
257.00	249.00	248.00	260.00	285.00	257.50
30.00	29.00	29.00	29.00	36.00	38.00
410.00	383.00	392.00	404.50	418.00	446.50
1,013.00	1,008.00	1,042.50	1,093.00	1,157.00	1,164.50
244.00	266.00	316.00	335.00	358.00	345.00
121.00	134.50	135.00	136.00	148.50	158.00
7,229.00	7,263.00	7,402.50	7,412.50	7,673.00	8,139.50

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2019	2018	2017	2016	2015
General Government					
Council and Clerk					
Number of ordinances passed	573	573	621	526	621
Number of resolutions adopted	575	543	554	587	564
Number of other actions (communications, tabled legislation, etc.)	313	365	330	353	399
Number of planning commission docket items	544	344	283	310	127
Zoning board of appeals docket items	324	290	379	325	274
Finance Department					
Number of payments issued	39,486	40,932	37,683	37,602	37,931
Total amount of payments	$ 1,791,913,475	$ 1,712,667,992	$ 1,645,342,974	$ 1,526,411,690	$ 1,463,635,524
Interest earnings for fiscal year (cash basis)	$ 34,234,237	$ 26,062,457	$ 11,609,282	$ 4,638,092	$ 1,669,023
Number of receiving warrants (6)	31,786	37,061	35,563	33,848	34,912
Number of journal entries issued (6)	194,878	206,659	201,067	189,424	260,377
Number of budget adjustments issued	2	3	5	2	2
Agency ratings - Standard & Poor's (1)	AA+	AA+	AA+	AA	AA
Agency ratings - Moody's Financial Services (1)	A1	A1	A1	A1	A1
Health insurance costs vs. General Fund expenditures %	16%	16%	17%	18%	17%
General Fund receipts (cash basis in thousands)	$ 648,273	$ 623,090	$ 591,969	$ 513,561	$ 495,331
General Fund expenditures (cash basis in thousands)	$ 564,761	$ 533,048	$ 508,535	$ 483,971	$ 481,730
General Fund cash balances (in thousands)	$ 190,621	$ 173,275	$ 117,631	$ 61,405	$ 79,239
Income Tax Department					
Number of individual returns	134,391	131,908	158,124	174,471	181,382
Number of business returns	23,373	28,396	24,982	22,352	28,502
Number of business withholding accounts	14,599	15,015	14,640	13,867	13,863
Amount of penalties and interest collected	$ 2,366,212	$ 2,169,049	$ 2,357,037	$ 1,980,758	$ 2,010,333
Annual number of corporate withholding forms processed	168,213	166,191	159,442	156,603	153,640
Annual number of balance due statements forms processed	24,247	26,382	31,261	41,688	41,837
Annual number of estimated payment forms processed	28,329	28,448	35,319	40,598	39,577
Annual number of reconciliations of withholdings processed	12,461	12,898	11,494	11,728	12,248
Engineer Contracted Services					
Dollar amount of construction overseen by engineer (2)	$ 26,128,469	$ 18,489,204	$ 26,721,178	$ 59,585,941	$ 104,493,079
Municipal Court					
Number of civil cases (8)	20,360	19,599	19,146	18,646	19,411
Number of criminal cases (8)	59,535	60,525	64,371	64,050	78,238
Vital Statistics					
Certificates filed (3)					
Number of births	18,993	18,765	19,878	18,607	18,524
Number of deaths	15,077	15,302	15,158	14,832	14,349
Number of fetal deaths	150	308	348	385	407
Certificates issued (3)					
Number of births	55,464	56,102	58,805	58,611	58,513
Number of deaths	63,979	65,338	64,265	63,348	63,930
Civil Service					
Number of police entry tests administered	2	3	1	1	1
Number of fire entry tests administered		1	1		
Number of police promotional tests administered		1			
Number of fire promotional tests administered			1		
Number of hires of police officers from certified lists	40	248	52	56	45
Number of hires of fire/medics from certified lists	55	40		29	40
Number of promotions from police certified lists	35	24	44	30	48
Number of promotions from fire certified lists	22	52		33	16

2014	2013	2012	2011	2010
582	642	631	723	621
696	686	739	647	747
232	267	359	262	298
256	276	237	241	274
37,689	37,257	38,010	38,501	37,944
$ 1,423,313,034	$ 1,454,825,245	$ 1,236,189,641	$ 1,311,830,974	$ 1,276,014,604
$ 2,004,466	$ 2,922,320	$ 3,283,638	$ 4,061,090	$ 7,507,827
36,245	33,006	32,087	30,433	31,497
206,253	176,343	190,554	179,546	192,281
4	5	4	6	2
AA	AA	AA	AA	AA
A1	A1	A1	A1	A1
15%	15%	15%	18%	17%
$ 502,860	$ 511,253	$ 501,018	$ 496,086	$ 480,724
$ 487,584	$ 485,912	$ 468,543	$ 472,883	$ 482,227
$ 92,693	$ 89,988	$ 84,869	$ 54,888	$ 16,400
181,811	188,767	192,362	196,457	202,232
29,866	22,601	25,140	26,240	26,881
13,857	13,914	14,414	14,338	13,835
$ 1,848,347	$ 1,880,485	$ 1,771,088	$ 2,059,203	$ 1,754,501
149,291	143,976	147,175	149,537	149,584
38,059	39,012	37,642	38,152	36,188
42,027	40,932	41,813	41,636	42,767
11,851	10,737	11,416	11,376	11,357
$ 52,004,000	$ 30,424,253	$ 25,400,000	$ 30,760,000	$ 34,000,000
18,910	7,534	9,451	11,513	19,280
103,098	109,740	110,754	107,711	167,563
17,061	16,448	17,264	16,616	15,528
13,509	13,460	13,016	12,958	12,296
337	380	384	459	454
55,753	57,935	57,297	57,542	62,507
60,897	61,717	60,173	61,147	59,689
1	1			
1				1
3			1	
4	4		1	
103	47	50	42	
37	33			
4	36	33		
49	29	42		

(Continued)

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

Function/Program	2019	2018	2017	2016	2015
Building Department Indicators					
Construction permits issued	19,947	17,173	17,865	16,125	15,038
Estimated value of construction	$ 1,194,734,824	$ 1,461,758,104	$ 1,338,571,317	$ 1,468,917,169	$ 1,430,231,410
Number of other permits issued	2,026	2,235	2,871	2,820	3,274
Amount of revenue generated from permits	$ 13,146,280	$ 12,550,454	$ 10,985,010	$ 12,799,847	$ 11,580,333
Number of contract registrations issued	2,441	3,330	3,261	3,202	3,262
Annual apartment/rooming house license fees	$ 2,339,748	$ 2,307,275	$ 2,144,227	$ 1,582,496	$ 1,515,849
Security of Persons and Property					
Police					
Number of traffic citations issued	41,747	41,095	45,734	49,084	64,565
Number of parking citations issued	24,017	26,970	30,966	32,516	39,862
Number of criminal arrests	12,790	15,584	18,975	19,670	24,308
Number of accident reports completed	17,282	17,982	17,876	18,256	17,712
Part 1 offenses (major offenses)	23,229	24,557	31,163	34,158	29,048
OVI arrests (12)	318	472	505	491	387
Prisoners	12,299	13,025	12,536	14,214	17,284
Motor vehicle accidents	17,282	17,982	17,876	18,256	17,712
Fatalities from motor vehicle accidents	54	46	61	56	48
Community diversion program youths	104	82	141	119	108
Fire					
Fire calls - incoming for services	70,005	70,213	71,663	70,988	68,983
Fires	1,896	2,078	2,732	2,752	2,469
Fires with loss	518	935	1,489	1,035	1,591
Fires with losses exceeding $10K	168	284	323	344	346
Fire losses $	$ 8,541,535	$ 14,374,870	$ 19,714,210	$ 15,495,855	$ 18,625,607
Fire safety inspections	2,988	7,900	20,660	9,059	12,963
Number of times mutual aid given to fire	3				
EMS					
EMS calls - incoming for service	123,364	120,487	116,751	116,056	115,303
Ambulance billing collections (net)	$ 16,250,754	$ 14,470,837	$ 14,633,032	$ 13,157,301	$ 10,348,422
Public Health and Welfare					
Number of health inspections					
Barber shops	109	165	156	124	211
Food	7,800	7,800	7,200	7,041	7,356
Hotels/motels	38	40	43	42	36
Marinas					
Mobile home parks					
Laundries	30	30	38	77	54
Nuisance	12,000	1,909	1,186	1,176	2,450
Pools	130	125	127	114	165
Schools	330	235	330	293	398
Day care inspections	183	181	180	181	187
Maternity inspections	1	1	1	1	
Abortion inspections	3	3	4	4	4
Cemetery burials					
Cemetery cremations	268	259	279	263	260

2014	2013	2012	2011	2010
14,002	15,760	16,245	15,082	6,829
$ 951,833,168	$ 898,217,589	$ 1,033,330,550	$ 1,556,000,000	$ 729,883,689
4,560	4,632	4,854	4,164	8,629
$ 8,318,937	$ 8,727,385	$ 7,867,168	$ 8,306,423	$ 6,078,922
2,395	2,357	2,802	2,822	2,895
$ 1,340,845	$ 1,382,001	$ 1,305,182	$ 1,343,457	$ 1,571,317
89,835	111,271	121,474	119,371	75,362
37,569	36,678	42,404	42,763	48,691
31,633	33,742	35,730	37,531	39,657
15,575	15,806	14,549	15,444	14,761
33,975	37,125	39,028	40,554	38,003
693	779	790	679	729
21,201	23,935	35,251	37,235	39,156
15,575	15,806	14,549	15,412	14,761
21	32	31	29	49
105	98	152	188	196
64,357	61,728	65,040	65,132	60,076
2,431	2,478	2,846	2,714	2,869
1,441	1,403	1,372	1,398	1,266
310	247	259	256	219
$ 16,936,874	$ 9,634,925	$ 13,128,848	$ 14,747,291	$ 12,035,650
12,730	10,110	13,380	10,898	13,631
5	2	30	21	29
109,045	106,385	96,359	94,307	92,230
$ 12,214,724	$ 11,589,324	$ 12,051,964	$ 11,594,178	$ 10,832,204
360	303	333	400	238
7,187	7,796	7,674	7,369	7,624
35	22	38	42	36
			11	11
		5	12	5
68	81	62	87	69
17,117	22,375	21,118	19,136	24,130
147	132	161	204	120
417	547	419	480	390
194	188	161	229	223
1	2		4	4
4	5	5	6	6
249	179	196	177	169

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2019	2018	2017	2016	2015
Leisure Time Activities					
Recreation men and women leagues receipts	$ 14,585	$ 13,318	$ 795	$ 1,305	$ 1,425
Economic Development					
Grant amounts received (Amounts in Thousands) (11)	$ 3,180	$ 3,238	$ 4,310	$ 10,107	$ 8,244
Public Works					
Street improvements - asphalt overlay (square yards) (7)	401,772	422,485	476,296	279,170	244,774
Crackseal coating program (linear feet) (7)	422,097	476,296	318,415	252,160	320,785
Street repair (curbs, aprons, berms, asphalt) (hours)	102,400	183,040	106,080	118,560	136,993
Guardrail repair (hours) (9)	1,093	1,320	1,061	380	765
Paint striping					
Lane line (miles)	455	526	630	629	485
Crosswalks (each)	4,800	5,476	5,356	6,007	3,783
Arrows (each)	3,650	3,528	3,695	3,853	3,664
Street sweeper (hours) (9)	1,904	1,120	1,257	672	744
Cold patch (hours)	10,693	5,760	7,680	6,400	12,960
Snow and ice removal regular hours	76,834	75,564	72,015	70,137	88,865
Snow and ice removal overtime hours	12,152	13,342	7,843	16,244	14,876
Leaf collection (hours) (10)	432	1,200	240		
Holiday lights setup (hours) (5)		120	220	240	240
Equipment repair/body shop (hours)	4,421	3,960	1,643	2,060	2,110
Tons of snow melting salt purchased November-March	54,000	61,089	31,422	57,424	61,447
Cost of salt purchased	$ 3,957,120	$ 1,778,889	$ 918,490	$ 3,037,155	$ 3,147,313
Refuse disposal per year (in tons) (13)	243,825	222,559	241,250	241,911	217,083
Refuse disposal costs per year (13)	$ 6,542,835	$ 5,612,889	$ 5,660,667	$ 5,552,840	$ 5,729,541
Annual recycling tonnage (excluding leaf, and compost items)	23,743	19,152	26,915	25,600	21,809
Percentage of waste recycled	8.87%	7.90%	10.04%	9.45%	9.54%
Port Control					
Cleveland Hopkins Airport					
Landed weight (in thousands of pounds)	5,928,580	5,686,461	5,455,096	5,117,105	5,118,972
Total operations	126,999	116,333	122,392	118,653	117,773
Total passengers	10,040,817	9,642,729	9,140,445	8,422,676	8,100,073
Total enplaned passengers	5,023,316	4,836,580	4,562,740	4,205,739	4,046,634
Burke Lakefront Airport					
Total operations	50,022	46,765	50,789	53,495	63,603
Total passengers	174,382	229,172	178,521	163,696	161,006
Total enplaned passengers	86,408	113,843	89,051	81,934	80,724
Water Department					
Water rates per 1st 600 cubic feet of water used (4)	$ 20.57	$ 19.26	$ 19.26	$ 19.26	$ 19.26
Average number of water accounts billed monthly (14)	433,000	428,778	430,478	138,816	139,823
Total water collections annually (including P&I)	$ 283,912,463	$ 273,421,478	$ 295,099,937	$ 282,194,878	$ 273,223,067
Payments to Cleveland for bulk water purchases	$ 9,519,525	$ 9,489,107	$ 9,979,059	$ 21,309,226	$ 21,889,987
Wastewater Department					
Sewer and sanitary calls for service	3,906	4,810	5,342	4,537	3,919
After hours sewer calls (hours)	306	358	270	180	438
Electric Power					
KWH Sold	1,589,109,934	1,657,523,780	1,588,113,898	1,612,905,829	1,616,459,441
Average accounts billed per month	75,064	75,287	73,363	73,340	73,661
Receipts	$ 208,987,691	$ 212,797,846	$ 190,495,223	$ 191,759,714	$ 194,358,017

(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) 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.
(5) Holiday light setup was contracted to an outside agency in 2010 and 2011.
(6) 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.
(7) 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.
(8) 2010 data has been changed. Figures included cases from prior years.
(9) Street sweeping was limited in 2011 and 2012 due to state imposed budget cuts.
(10) During various years the City provided no organized leaf collection program.
(11) 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.
(12) 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.
(13) Prior to 2015, Public Works reported the refuse disposal and it's cost as of August through July. Public Works provides calculations base on the calendar year.
(14) Beginning in 2017, the Water Department switched to monthly billing for its customers.

2014	2013	2012	2011	2010
$ 2,940	$ 3,407	$ 9,862	$ 5,280	$ 5,145
$ 12,856	$ 3,045	$ 5,856	$ 2,154	$ 4,564
244,500	297,183	212,032	224,361	
662,225			3,263	679,450
152,214	138,034	117,239	83,212	76,000
114	131	100	40	2,500
640	672	661	651	855
4,476	4,227	4,952	5,260	5,172
3,684	3,928	4,273	4,706	4,210
992	1,132	2,176	3,840	46,000
11,376	9,143	19,271	31,345	22,000
89,234	86,978	87,369	128,000	128,000
18,791	19,212	18,912	23,117	21,139
				18,300
275	300	500		
2,200	2,215	4,196	5,000	5,076
73,888	57,966	40,236	74,679	53,322
$ 2,538,951	$ 1,972,003	$ 1,834,359	$ 3,348,606	$ 2,321,118
209,410	214,561	212,367	240,603	232,241
$ 5,466,793	$ 5,258,741	$ 5,723,227	$ 6,556,260	$ 6,079,532
17,900	15,893	14,146	10,938	7,227
11.00%	13.00%	10.06%	3.68%	3.13%
4,773,831	5,732,142	5,732,148	5,912,394	5,907,546
137,363	181,340	180,944	188,286	192,683
7,609,404	9,072,045	9,010,077	9,203,740	9,492,455
3,797,261	4,525,612	4,495,353	4,597,697	4,745,308
66,862	68,665	72,916	65,664	64,358
155,583	148,294	184,427	176,096	174,598
77,984	74,385	92,160	87,695	87,012
$ 17.34	$ 15.51	$ 13.76	$ 12.58	$ 12.58
139,460	139,201	139,023	138,002	133,626
$ 261,928,659	$ 250,250,867	$ 246,046,531	$ 211,302,881	$ 210,264,218
$ 21,810,862	$ 20,194,830	$ 21,271,504	$ 19,101,723	$ 20,660,824
5,859	4,856	4,035	5,489	7,272
381	227	167	204	185
1,618,081,248	1,620,996,815	1,617,569,577	1,650,142,435	1,605,032,939
73,746	74,208	74,238	74,092	75,764
$ 183,571,523	$ 170,397,373	$ 170,009,696	$ 171,895,176	$ 167,323,991

(Concluded)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2019	2018	2017	2016	2015
General Government					
Square footage occupied (4)	3,177,900	3,177,900	3,177,900	3,075,124	3,659,100
Administrative vehicles	35	35	35	36	35
Police					
Stations	5	5	5	5	5
Square footage of buildings (1)	770,169	756,846	756,846	783,546	614,500
Vehicles	921	924	899	805	842
Fire					
Stations	26	26	26	26	26
Square footage of buildings	311,655	311,655	311,655	311,655	313,224
Vehicles	126	126	113	135	92
EMS					
Stations (headquarters)	1	1	1	1	1
Square footage of buildings	52,776	52,776	52,776	52,776	33,000
Vehicles	68	66	52	56	46
Port Control (Hopkins)					
Runways	3	3	3	3	3
Terminal area (approximate square footage)	1,142,810	1,142,810	935,000	935,000	935,000
Gates (7)	58	58	58	65	65
Parking spaces (approximately)					
CLE Smart Park Garage (6)	3,674	3,811	3,811	3,811	3,811
Long-term					
Short-term					
Surface	2,095	2,095	2,095	2,095	2,055
Total parking spaces	5,769	5,906	5,906	5,906	5,866
Vehicles	355	362	358	329	313
Other Public Works					
Streets (miles)	1,300	1,300	1,300	1,300	1,300
Service vehicles (5)	2,433	2,249	2,179	1,686	1,646

2014	2013	2012	2011	2010
3,659,100	3,659,100	3,690,000	3,690,000	3,700,000
41	38	37	36	26
5	5	5	5	5
553,100	553,100	553,100	553,100	553,100
867	823	825	796	808
26	26	26	26	26
313,224	313,224	313,224	313,224	313,224
95	91	104	104	120
1	1	1	1	1
33,000	33,000	33,000	33,000	33,000
47	47	45	45	44
3	3	3	3	3
935,000	935,000	935,000	935,000	935,000
65	96	96	96	96
3,997	3,959			
		2,600	2,600	2,576
		3,900	3,900	3,895
1,544	1,100	640	640	615
5,541	5,059	7,140	7,500	7,086
320	315	335	353	324
1,300	1,300	1,300	1,290	1,319
1,500	1,539	1,906	868	754

(Continued)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2019	2018	2017	2016	2015
Recreation					
Number of parks	168	168	168	168	168
Number of playgrounds	108	108	108	108	109
Number of baseball diamonds	130	130	130	130	133
Number of tennis courts	92	92	92	92	90
Number of basketball courts					
Full	96	96	96	96	110
Half	11	11	11	11	10
Number of soccer fields	5	4	4	4	4
Number of recreation centers	21	21	21	21	21
Number of pools					
Indoor	19	19	19	19	19
Outdoor	20	22	22	22	22
Number of aquatic playgrounds	25	25	25	25	25
Number of golf courses (3)	2	2	2	2	2
Number of ice rinks	1	1	1	1	1
Number of roller rinks	1	1	1	1	1
Number of fine arts centers	1	1	1	1	1
Number of greenhouses	1	1	1	1	1
Number of camps	1	1	1	1	1
Number of Historical Baseball Parks	1	1	1	1	
Total park acreage	1,863	1,863	1,863	1,863	1,863
Vehicles	77	74	80	91	85
Wastewater					
Sanitary sewers (miles)	170	170	170	170	170
Storm sewers (miles)	199	199	199	199	199
Combined sewers (miles)	1,066	1,065	1,065	1,065	1,065
Vehicles	179	139	152	117	110
Electric Power					
Total Distribution lines (miles)	900	900	900	900	900
Total Transmission lines (miles)	50	50	50	50	50
Vehicles	78	43	79	265	217
Water Department					
Water lines (miles) (2)	3,945	3,878	3,544	3,315	3,300
Vehicles	722	719	748	740	596

(1) Includes Dog Kennels and Inspection Garage.

(2) These are calculated totals of all trunk mains [20" diameter and larger] (433 miles), distribution mains [16" and smaller] within the City of Cleveland (1,284 miles) plus distribution mains within certain suburbs with updated service agreements (2,161 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. In 2018, the City took back the operations of Highland Park Golf Course.

(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 accommodated at any one time, including physical gates and parking positions.

	2014	2013	2012	2011	2010
	168	154	154	154	154
	109	110	110	109	109
	133	138	138	132	133
	90	119	119	111	111
	110	103	103	110	108
	10	10	10	10	10
	4	4	3	9	7
	21	21	21	20	19
	19	19	19	19	18
	22	21	20	23	23
	25	22	10	10	9
	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
	1,863	1,489	1,489	1,495	1,492
	86	91	97	99	156
	170	170	170	170	170
	199	199	199	199	199
	1,065	1,065	1,065	1,065	1,065
	104	108	116	115	108
	221	216	284	266	252
	3,139	3,051	2,839	2,709	2,704
	675	658	736	708	744

(Concluded)

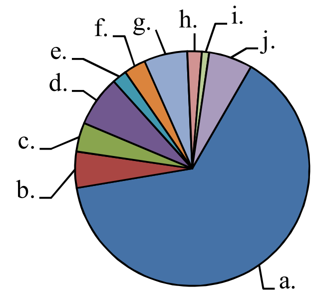
CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

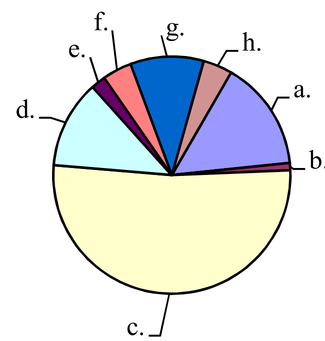
REVENUE DOLLAR BY SOURCE
Where the money came from

a. Income taxes	a.	$0.64
b. Property taxes	b.	0.05
c. State local government funds	c.	0.04
d. Other taxes	d.	0.07
e. Other shared revenues	e.	0.02
f. Licenses and permits	f.	0.03
g. Charges for services	g.	0.06
h. Fines, forfeits and settlements	h.	0.02
i. Investment earnings	i.	0.01
j. Miscellaneous	j.	0.06
		$1.00



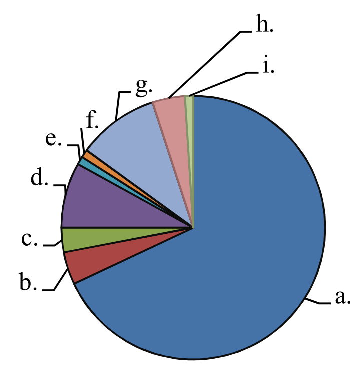
EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. General Government	a.	$0.15
b. Public Health	b.	0.01
c. Public Safety	c.	0.52
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.	0.10
h. Capital outlay	h.	0.04
		$1.00



EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries, wages and related benefits	a.	$0.68
b. Interdepartmental charges	b.	0.04
c. Utilities	c.	0.03
d. Contractual services	d.	0.08
e. Materials and supplies	e.	0.01
f. Maintenance	f.	0.01
g. Transfers out	g.	0.10
h. Capital outlay	h.	0.04
i. Claim refunds	i.	0.01
		$1.00



SPECIAL THANKS TO:

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Accounting and Administrative

Arlindo Ahmetaj
Adam Badalamenti
Poljona Basho, CPA
Barbara Brown, CPA
Robert Carpenter
Shelfie Carter
Lesly Camargo, CPA
Leigh Ebner
Maryam Hussain
Samantha Jura
Elizabeth Loszak
Zachary Magistro
Joseph Olexa, CPA
Lisa Royal
Sharon Teter
Kathleen Woidke
Lan Zheng

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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

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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, 2019

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to 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, 2019, 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.

Subsequent Event Footnote

As discussed in Note L to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact the subsequent periods of the Agency. 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, 2019, 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 and OPEB liabilities and pension and OPEB 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 38 and 43 through 45 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 25, 2020

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, 2019. Please read this information in conjunction with the Agency's financial statements and footnotes starting 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 a central income tax collection facility. Initially, in 1966, the Agency provided service for 14 member communities. By 2019, the Agency was providing a full range of tax collection services for 78 member communities throughout 36 Ohio counties. The Agency employs an average of 100 individuals to process approximately 800,000 returns, estimated payments and tax assessments.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEAR'S DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Agency are $121,728,204 and $120,367,996 at December 31, 2019 and 2018 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 increased by $1,360,208 in 2019. The change is primarily due to increased taxes receivable and the timing of cash receipts and cash disbursements.

- The Agency fund total cash receipts were approximately $646 million in 2019 and $612 million in 2018. In 2019, cash receipts consisted of $531 million of employer withholding, $73 million of business profits, $36 million of individual payments and $6 million of other payments.

- The Agency's total operating expenses were $11,914,605 in 2019 and $11,266,112 in 2018. In 2019, operating expenses consisted of $8,895,388 for employee's wages and benefits, $1,394,897 for allocated charges and $1,624,320 for other miscellaneous expenses.

- The Agency provides the opportunity 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 operating expenses 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.
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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 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- 45 of this report.

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

Provided below is condensed statement of net position information for the internal service and agency funds of the Agency as of December 31, 2019 and 2018:

	2019	2018
Assets:		
Cash and cash equivalents	$ 14,076,337	$ 22,860,045
Prepaid expenses	45,990	49,152
Capital assets, net of accumulated depreciation	170,400	155,320
Taxes receivable	101,695,622	93,741,788
Due from CCA internal service fund	1,604,922	1,087,936
Due from member municipalities	617,317	616,126
Total assets	118,210,588	118,510,367
Deferred outflows of resources	3,517,616	1,857,629
Liabilities:		
Accounts payable	116,989	180,779
Due to CCA agency fund	1,604,922	1,087,936
Due to the City of Cleveland	77,403,039	87,683,246
Due to member municipalities	38,156,472	28,622,720
Accrued wages and benefits - current	717,976	714,367
Accrued wages and benefits - long-term	211,190	221,319
Net pension liability	9,072,105	4,774,282
Net OPEB liability	4,400,808	3,610,773
Total liabilities	131,683,501	126,895,422
Deferred inflows of resources	162,807	1,609,133
Net Position:		
Investment in capital assets	170,400	155,320
Unrestricted	(10,288,504)	(8,291,879)
Total net position	$ (10,118,104)	$ (8,136,559)

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 Cities of Cleveland, Clayton, Hamilton, Montpelier, Parma Heights, Riverside and 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. The total assets and deferred outflows of resources were increased by $1,360,208 in 2019. The annual changes are due primarily to a timing difference between the receipt and distribution of cash.

Capital Assets: The Agency's net investment in capital assets as of December 31, 2019 amounted to $170,400. The investment in capital assets includes equipment and vehicles. A summary of the Agency's capital assets during the year ended December 31, 2019 is as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
Furniture, fixtures, equipment and vehicles	$ 456,563	$ 73,960	$ (5,195)	$ 525,328
Total	456,563	73,960	(5,195)	525,328
Less: Accumulated depreciation	(301,243)	(58,780)	5,095	(354,928)
Total net capital assets	$ 155,320	$ 15,180	$ (100)	$ 170,400

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland) and pension funding responsibilities. During 2019, the net increase in liabilities resulted from a significant increase in the pension liability, an increase in amounts due to other communities and timing differences between the receipt and distribution of cash. There was a moderate reduction in accounts payable.

***Net Pension/Other Postemployment Benefits (OPEB) Liabilities*:** The net pension and net OPEB liabilities are reported by the Agency at December 31, 2019 and are reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

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. Prior accounting for pensions (GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*) and postemployment benefits (GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's State-wide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Agency's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and OPEB. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code (the ORC) permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates and return on investments affect the balance of these liabilities, but are outside the control of the Agency. In the event that contributions, investment returns and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Agency's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No's 68 & 75, the Agency is reporting net pension liability and net OPEB liabilities and deferred inflows/outflows of resources related to pension and OPEB on the accrual basis of accounting.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Provided below are the statements of revenue, expenses and changes in net position for the internal service fund of the Agency for the years ended December 31, 2019 and 2018:

	Internal Service Fund 2019	Internal Service Fund 2018
Operating Revenues		
Charges for services	$ 9,403,986	$ 10,131,103
Total operating revenues	9,403,986	10,131,103
Operating Expenses		
Salaries and wages	5,093,686	5,332,217
Employee benefits	3,801,702	2,495,349
Postage and office supplies	93,095	235,928
Allocation of City of Cleveland costs	1,394,897	1,363,453
Other administrative expenses	1,453,725	1,745,963
Property rental	18,720	30,327
Depreciation	58,780	62,875
Total operating expense	11,914,605	11,266,112
Operating income (loss)	(2,510,619)	(1,135,009)
Non-operating Activity		
Loss on Disposal of Capital Assets	(100)	
Interest income	529,174	380,628
Change in net position	$ (1,981,545)	$ (754,381)

Operating Revenues: In 2019, charges for services decreased by $727,117 by improving processing efficiencies to expedite delivery of service to CCA members. Charges for services are shared proportionately among all the members.

Operating Expenses: Salaries, wages and employee benefits increased by $1,067,822 as a result of higher pension and OPEB expenses. In 2019, other administrative expenses decreased by $292,238 as the Agency continues to develop improved work flow systems and procedures.

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

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Agency. The investments of the pension and other employee benefit plan in which the Agency participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Agency's future operating revenue, expenses, and any recovery from emergency funding cannot be estimated.

ADDITIONAL INFORMATION

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

FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - ALL FUND TYPES
December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	**Agency**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,447,569	$ 11,628,768
Prepaid expenses	45,990	
Taxes receivable		101,695,622
Due from CCA internal service fund		1,604,922
Due from member municipalities		617,317
TOTAL CURRENT ASSETS	2,493,559	115,546,629
CAPITAL ASSETS:		
Furniture, fixtures, equipment and vehicles	525,328	
Less: Accumulated depreciation	(354,928)	
CAPITAL ASSETS, NET	170,400	-
DEFERRED OUTFLOWS OF RESOURCES		
Pension	3,135,783	
OPEB	381,833	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,517,616	-

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

STATEMENT OF NET POSITION - ALL FUND TYPES
December 31, 2019

	Proprietary Fund Type Internal Service	Fiduciary Fund Type Agency
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 116,989	$
Due to CCA agency fund	1,604,922	
Due to the City of Cleveland	12,882	77,390,157
Due to member municipalities		38,156,472
Accrued wages and benefits - current	717,976	
TOTAL CURRENT LIABILITIES	2,452,769	115,546,629
LONG-TERM LIABILITIES		
Net pension liability	9,072,105	
Net OPEB liability	4,400,808	
Accrued wages and benefits	211,190	
TOTAL LONG-TERM LIABILITIES	13,684,103	-
DEFERRED INFLOWS OF RESOURCES		
Pension	150,867	
OPEB	11,940	
TOTAL DEFERRED INFLOWS OF RESOURCES	162,807	-
NET POSITION		
Investment in capital assets	170,400	
Unrestricted	(10,288,504)	
TOTAL NET POSITION	$ (10,118,104)	$ -

See notes to financial statements.

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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, 2019

OPERATING REVENUES		
Charges for services	$	9,403,986
TOTAL OPERATING REVENUES		9,403,986
OPERATING EXPENSES		
Salaries and wages		5,093,686
Employee benefits		3,801,702
Postage and office supplies		93,095
Allocation of City of Cleveland costs		1,394,897
Other administrative expenses		1,453,725
Property rental		18,720
Depreciation		58,780
TOTAL OPERATING EXPENSES		11,914,605
OPERATING INCOME (LOSS)		(2,510,619)
NON-OPERATING ACTIVITY		
Loss on Disposal of Capital Assets		(100)
Interest income		529,174
CHANGE IN NET POSITION		(1,981,545)
NET POSITION AT BEGINNING OF YEAR		(8,136,559)
NET POSITION AT END OF YEAR	$	(10,118,104)

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from member municipalities	$ 9,920,972
Cash payments to suppliers of goods and services	(3,032,372)
Cash payments for employee services and benefits	(6,917,200)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(28,600)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIESACTIVITIES	
Acquisition of capital assets	(73,960)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES	(73,960)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	529,174
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	529,174
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	426,614
Cash and cash equivalents at beginning of year	2,020,955
Cash and cash equivalents at end of year	$ 2,447,569
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS	
Operating income (loss)	$ (2,510,619)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	58,780
Changes in assets:	
Prepaid expense	3,162
Changes in deferred outflows of resources:	
Pension	(1,622,816)
OPEB	(37,171)
Changes in liabilities:	
Accounts payable	(63,790)
Due to CCA agency fund	516,986
Due to City of Cleveland	(8,144)
Accrued wages and benefits	(6,520)
Net pension liability	4,297,823
Net OPEB liability	790,035
Changes in deferred inflows of resources:	
Pension	(1,189,288)
OPEB	(257,038)
Total adjustments	2,482,019
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (28,600)

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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.

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 net pension and OPEB liabilities 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 and deferred outflows of resources equal liabilities and deferred inflows of resources) 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and OPEB liabilities, 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. 72, *Fair Value Measurement and Application,* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs. The Agency's investments in money market mutual funds and State Treasurer Asset Reserve Fund (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

The Agency has invested funds in STAR Ohio during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* for the purpose of measuring the value of shares in STAR Ohio. The Agency measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in the financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expense is reported in the year in which services are consumed.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions: During the course of normal operations, the Agency 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.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at their acquisition value on the date contributed. 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 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 a deferred outflow of resources (expense) 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 a future period(s) and so will not be recognized as a deferred inflow of resources (revenue) until that time.

***Net Pension/OPEB Liabilities*:** For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expenses, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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, 2019

NOTE C – LONG TERM LIABILITIES

Summary: Changes in long-term obligations for the year ended December 31, 2019 are as follows:

	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2019	Due Within One Year
Accrued wages and benefits	$ 935,686	$ 707,847	$ (714,367)	$ 929,166	$ 717,976
Net pension liability	4,774,282	4,297,823		9,072,105	
Net OPEB liability	3,610,773	790,035		4,400,808	
Total	$ 9,320,741	$ 5,795,705	$ (714,367)	$ 14,402,079	$ 717,976

NOTE D - DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2019 totaled $3,243,934 and the Agency's bank balances were $3,416,751. The differences represent outstanding warrants payable, positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $3,416,751 of the bank balances at December 31, 2019, respectively, 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 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 110.0% of the carrying value of the deposits being secured.

Investments: In accordance with GASB Statement No. 72, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments is recorded in investment earnings in the year in which the change occurs. 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; STAR Ohio; 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE D - 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 portfolio value.

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Agency invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the Concentration of Credit Risk section.

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

Credit Risk: The Agency's investments as of December 31, 2019 include STAR Ohio and money market mutual funds. Investments in STAR Ohio 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 STAR Ohio 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, 2019, 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	2019 Value	2019 Cost	Investment Maturities Less Than One Year
STAR Ohio	$ 2,784,535	$ 2,784,535	$ 2,784,535
Money Market Mutual Funds	8,047,868	8,047,868	8,047,868
Total Investments	10,832,403	10,832,403	10,832,403
Total Deposits	3,243,934	3,243,934	3,243,934
Total Deposits and Investments	$ 14,076,337	$ 14,076,337	$ 14,076,337

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 STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value. Monies due to member agencies are disbursed from these funds on a monthly basis.

As of December 31, 2019, the investments in STAR Ohio and money market mutual funds are approximately 25.71% and 74.29%, of the Agency's total investments.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE E - CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 456,563	$ 73,960	$ (5,195)	$ 525,328
Total capital assets, being depreciated	456,563	73,960	(5,195)	525,328
Less: Total accumulated depreciation	(301,243)	(58,780)	5,095	(354,928)
Total capital assets, being depreciated, net	155,320	15,180	(100)	170,400
Capital assets, net	$ 155,320	$ 15,180	$ (100)	$ 170,400

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, 2019 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 1,604,922	$ 1,604,922
Due from member municipalities		617,317	617,317
Total Due From	$ -	$ 2,222,239	$ 2,222,239
Due to CCA agency fund	$ 1,604,922	$	$ 1,604,922
Due to the City of Cleveland	12,882	77,390,157	77,403,039
Due to member municipalities		38,156,472	38,156,472
Total Due To	$ 1,617,804	$ 115,546,629	$ 117,164,433

NOTE G - 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 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 (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Agency's employees, other than full-time police and firefighters, participate in the 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 PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual COLA to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 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.

When a benefit recipient has received benefits for 12 months, an annual 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 3.0% 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 3.0%.

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10.0% and employer contribution rates were 14.0%.

NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Agency's contractually required contribution was $711,761 for 2019. 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, 2018 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	$ 9,072,105
Proportion of the Net Pension Liability	0.036162%
Change in Proportion	0.002362%
Pension Expense	$ 2,191,950

At December 31, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred outflows:	
Net difference between projected and actual earnings on pension plan investments	$ 1,432,303
Differences between expected and actual experience	412
Change in proportionate share	126,668
Change in assumptions	864,639
Agency contributions subsequent to the measurement date	711,761
Total deferred outflows	$ 3,135,783
Deferred inflows:	
Differences between expected and actual experience	$ 139,943
Change in Agency's proportionate share	10,924
Total deferred inflows	$ 150,867

NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

The $711,761 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, 2020. 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
2020	$ 1,003,517
2021	488,942
2022	157,476
2023	627,192
2024	(1,439)
Thereafter	(2,533)
Total	$ 2,273,155

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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Wage Inflation	3.25%
Future Salary Increases, including wage inflation	3.25 to 10.75%
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 3%, simple through 2018, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and female, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and female, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 2.94% for 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) 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 following table displays the Board approved asset allocation policy for 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 7.2% 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
Agency's proportionate share of the net pension liability	$ 13,185,130	$ 9,072,105	$ 5,725,967

NOTE H – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability: The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – OPERS: OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, 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 2019 state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board 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 0.0% for both plans in 2019. 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to the OPEB plan.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Agency's proportion of the net OPEB liability was based on the Agency's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS
Proportion of the Net OPEB Liability:		
Current Measurement Date		0.033755%
Prior Measurement Date		0.033251%
Change in Proportionate Share		0.000504%
Proportionate Share of the Net OPEB Liability	$	4,400,808
OPEB Expense	$	495,826

At December 31, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		OPERS
Deferred Outflows of Resources		
Differences between expected and actual experience	$	1,490
Net difference between projected and actual earnings on OPEB plan investments		201,751
Change in assumptions		141,887
Change in Agency's proportionate share and difference in employer contributions		36,705
Total Deferred Outflows of Resources	$	381,833
Deferred Inflow of Resources: Differences between expected and actual experience	$	11,940
Total Deferred Inflows of Resources	$	11,940

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS
2020	$ 175,813
2021	58,661
2022	33,783
2023	101,636
Total	$ 369,893

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including wage inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care Portfolio was a loss of 5.60% for 2018.

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate: A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date as of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031 and the municipal bond rate was applied to all health care costs after that date.

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Agency's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Agency's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Agency's proportionate share of the net OPEB liability	$ 5,630,389	$ 4,400,808	$ 3,423,121

Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one percentage-point-lower or one-percentage-point higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
Agency's proportionate share of the net OPEB liability	$ 4,230,092	$ 4,400,808	$ 4,597,342

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 and changes in net position of the internal service fund for the years ended December 31, 2019 were as follows:

City Administration	$	590,293
Office Rent		425,000
Telephone		51,810
Utilities		176,966
Parking Facilities		1,320
Printing Services		143,261
Motor Vehicle Maintenance		6,247
Total	$	1,394,897

NOTE J - DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $617,317 at December 31, 2019 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, which the City is responsible for. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Agency's financial position, results of operations or cash flows.

Risk Management: The Agency is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2019.

The City provides the choice of two separate health insurance plans to its employees The Agency is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio Worker's Compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE K - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Agency. The investments of the pension and other employee benefit plan in which the Agency participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Agency's future operating revenue, expenses, and any recovery from emergency funding cannot be estimated.

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, 2019

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
ASSETS				
Cash and cash equivalents	$ 20,839,090	$ 645,743,220	$ (654,953,542)	$ 11,628,768
Taxes receivable	93,741,788	101,695,622	(93,741,788)	101,695,622
Due from the CCA internal service fund	1,087,936	1,604,922	(1,087,936)	1,604,922
Due from member municipalities	616,126	617,317	(616,126)	617,317
TOTAL ASSETS	$ 116,284,940	$ 749,661,081	$ (750,399,392)	$ 115,546,629
LIABILITIES				
Due to the City of Cleveland	$ 87,662,220	$ 584,758,821	$ (595,030,884)	$ 77,390,157
Due to member municipalities	28,622,720	164,902,260	(155,368,508)	38,156,472
TOTAL LIABILITIES	$ 116,284,940	$ 749,661,081	$ (750,399,392)	$ 115,546,629

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Agency's Proportion of the Net Pension Liability	Agency's Proportionate Share of the Net Pension Liability	Agency's Covered Payroll	Agency's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.030085%	$ 3,541,261	$ 3,409,992	103.85%	86.36%
2015	0.030085	3,617,001	3,764,833	96.07	86.45
2016	0.033857	5,365,647	4,316,792	124.30	81.08
2017	0.032616	6,906,177	4,326,558	159.62	77.25
2018	0.033800	4,774,282	4,565,446	104.57	84.66
2019	0.036162	9,072,105	5,124,500	177.03	74.70

(1) Information presented for each year was determined as the Agency's measurement date, which is the prior year end.

(2) Information prior to 2014 is not available. The Agency will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%.

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

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Agency's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 443,299	$ (443,299)	$ -	$ 3,409,992	13.00%
2014	451,780	(451,780)	-	3,764,833	12.00
2015	518,015	(518,015)	-	4,316,792	12.00
2016	519,187	(519,187)	-	4,326,558	12.00
2017	593,508	(593,508)	-	4,565,446	13.00
2018	717,430	(717,430)	-	5,124,500	14.00
2019	711,761	(711,761)	-	5,084,007	14.00

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

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

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLYEES RETIREMENT SYSTEM
LAST THREE MEASUREMENT YEARS (1), (2)

	Agency's Proportion of the Net OPEB Liability	Agency's Proportionate Share of the Net OPEB Liability	Agency's Covered Payroll	Agency's Proportionat Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.032039%	$ 3,236,001	$ 4,326,558	74.79%	54.04%
2018	0.033251	3,610,773	4,565,446	79.09	54.14
2019	0.033755	4,400,808	5,124,500	85.88	46.33

(1) Information presented for each year was determined as of the Agency's measurement date, which is the prior year end.
(2) Information prior to 2017 is not available. The Agency will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

For 2019, the single discount rate changed from 3.85% to 3.96%.

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

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF CONTRIBUTIONS - NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS (1), (2), (3)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Agency's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 86,531	$ (86,531)	$ -	$ 4,326,558	2.00%
2017	45,654	(45,654)	-	4,565,446	1.00
2018	-	-	-	5,124,500	0.00
2019	-	-	-	5,084,007	0.00

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Directed Plan.

(3) Represents Agency's calendar year. Information prior to 2016 is not available. The Agency will continue to present information for years availabale until a full ten-year trend is compiled.

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Members	Balance Collected and Due Members January 1, 2019	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31, 2019
ADA	$ 160,034.94	$ 1,930,743.74	$ 2,090,778.68	$ 1,861,307.96	$ 45,105.32	$ 1,906,413.28	$ 184,365.40
AKRON	61.25	442.03	503.28	288.28	110.50	398.78	104.50
ALGER	307.61	70,009.82	70,317.43	62,292.61	6,342.53	68,635.14	1,682.29
ALLIANCE	60.05	1,457.15	1,517.20	1,097.20	364.29	1,461.49	55.71
AMHERST	251.77		251.77	251.77		251.77	-
ATHENS	0.62		0.62	0.62		0.62	-
BARBERTON	1,699,719.55	13,587,900.34	15,287,619.89	13,617,567.27	227,583.37	13,845,150.64	1,442,469.25
BEDFORD	-		-			-	-
BRATENAHL	86,070.35	2,130,812.66	2,216,883.01	2,093,393.53	30,086.51	2,123,480.04	93,402.97
BURTON	58,593.25	628,366.62	686,959.87	600,844.55	26,213.25	627,057.80	59,902.07
CAREY	201,047.97		201,047.97	201,047.97		201,047.97	-
CHILLICOTHE	(22.87)		(22.87)			-	(22.87)
CLAYTON	246,491.42	4,789,147.17	5,035,638.59	4,727,508.42	145,026.21	4,872,534.63	163,103.96
CLEVELAND	14,220,183.03	495,287,693.05	509,507,876.08	499,632,135.68	6,631,654.29	506,263,789.97	3,244,086.11
DAYTON	154.92	1,061.61	1,216.53	886.53	265.40	1,151.93	64.60
DRESDEN	13,635.39	327,345.59	340,980.98	294,858.85	18,739.92	313,598.77	27,382.21
EAST LIVERPOOL	5,113.08	6,852.74	11,965.82	9,897.82	1,734.49	11,632.31	333.51
ELIDA	39,451.12	481,588.83	521,039.95	453,048.30	28,839.06	481,887.36	39,152.59
ENGLEWOOD	(112.26)		(112.26)			-	(112.26)
FRANKLIN	-		-			-	-
FRAZEYSBURG	(1,461.19)	160,352.35	158,891.16	138,302.35	12,632.31	150,934.66	7,956.50
GATES MILLS	138,108.15	1,736,339.26	1,874,447.41	1,688,055.11	45,204.01	1,733,259.12	141,188.29
GENEVA-ON-THE-LAKE	14,410.55	252,435.58	266,846.13	238,089.09	13,190.13	251,279.22	15,566.91
GERMANTOWN	135,889.06	1,670,377.12	1,806,266.18	1,596,535.94	69,356.25	1,665,892.19	140,373.99
GRAND RAPIDS	5,241.38	224,711.45	229,952.83	204,428.60	19,380.70	223,809.30	6,143.53
GRAND RIVER	30,832.62	327,226.93	358,059.55	324,740.63	7,292.39	332,033.02	26,026.53
HAMILTON	841,326.17	29,594,918.97	30,436,245.14	29,074,548.43	555,133.32	29,629,681.75	806,563.39
HARTVILLE	(146.28)		(146.28)			-	(146.28)
HIGHLAND HILLS	399,245.39	3,871,630.00	4,270,875.39	3,878,223.54	29,733.05	3,907,956.59	362,918.80
HUBER HEIGHTS	0.96		0.96	0.96		0.96	-
HUNTSVILLE	7,883.85		7,883.85	7,883.85		7,883.85	-
LAKEWOOD	(3.00)		(3.00)			-	(3.00)
LANCASTER	11.25		11.25	11.25		11.25	-
LIBERTY CENTER	23,435.82		23,435.82	23,435.82		23,435.82	-
LINNDALE	5,184.17	60,363.34	65,547.51	59,059.05	1,944.24	61,003.29	4,544.22
LONDON	-		-			-	-
LORAIN	581.83	20,438.28	21,020.11	15,617.65	5,159.57	20,777.22	242.89
MARBLE CLIFF	-	1,673,515.27	1,673,515.27	1,454,908.70	16,091.71	1,471,000.41	202,514.86
MENTOR-ON-THE-LAKE	104,035.78	1,155,389.20	1,259,424.98	1,107,981.91	46,946.50	1,154,928.41	104,496.57
MONTGOMERY	(715.26)		(715.26)			-	(715.26)
MONTPELIER	34,367.88	1,992,670.58	2,027,038.46	1,943,765.71	40,784.06	1,984,549.77	42,488.69
MT ORAB	-		-			-	-
MUNROE FALLS	130,883.23	1,798,202.12	1,929,085.35	1,708,539.20	54,593.99	1,763,133.19	165,952.16
NAPOLEON	-		-			-	-
NEW CARLISLE	86,541.45	1,731,639.90	1,818,181.35	1,603,457.73	66,714.11	1,670,171.84	148,009.51
NEW MADISON	1,460.13	160,086.08	161,546.21	151,133.41	7,114.96	158,248.37	3,297.84
NEW MIAMI	66.37	134,464.90	134,531.27	120,249.84	10,621.96	130,871.80	3,659.47
NEW PARIS	4,473.26	162,867.44	167,340.70	142,903.54	12,335.24	155,238.78	12,101.92
NORTH BALTIMORE	80,809.81	1,108,151.66	1,188,961.47	1,059,241.85	39,238.86	1,098,480.71	90,480.76
NORTH PERRY VILLAGE	108,756.67	1,366,167.67	1,474,924.34	1,355,091.22	12,175.74	1,367,266.96	107,657.38
NORTH RANDALL	634,980.02	5,963,637.66	6,598,617.68	5,830,310.29	39,440.37	5,869,750.66	728,867.02
NORTON	526,404.24	6,437,045.24	6,963,449.48	6,238,506.59	155,136.48	6,393,643.07	569,806.41
OBETZ	-	15,482,658.58	15,482,658.58	13,200,666.78	102,125.98	13,302,792.76	2,179,865.82
ORWELL	122,126.98	1,359,846.13	1,481,973.11	1,329,733.49	22,018.65	1,351,752.14	130,220.97
PARMA HEIGHTS	188,696.67	9,041,917.36	9,230,614.03	8,829,552.43	261,815.54	9,091,367.97	139,246.06
PAULDING	83,680.73	1,063,620.12	1,147,300.85	1,023,547.66	40,931.37	1,064,479.03	82,821.82
PHILLIPSBURG	377.09	78,843.20	79,220.29	71,251.80	6,942.53	78,194.33	1,025.96
ROCK CREEK	2,759.14	90,402.78	93,161.92	78,269.98	6,415.92	84,685.90	8,476.02
RUSHSYLVANIA	5,221.47	92,664.15	97,885.62	86,428.19	5,956.08	92,384.27	5,501.35
RUSSELLS POINT	16,577.83	316,394.06	332,971.89	295,462.03	19,662.82	315,124.85	17,847.04
SALEM	(0.89)		(0.89)			-	(0.89)
SEVILLE	106,409.06	1,166,614.29	1,273,023.35	1,122,886.06	43,925.51	1,166,811.57	106,211.78
SHREVE	17,187.97	289,440.84	306,628.81	277,039.23	13,878.19	290,917.42	15,711.39
SOUTH RUSSELL	139,524.96	1,791,562.62	1,931,087.58	1,724,017.95	57,313.73	1,781,331.68	149,755.90
SPRINGFIELD	100.58	1,125.00	1,225.58	848.08	281.25	1,129.33	96.25
STOW	41.25	250.00	291.25	186.25	62.50	248.75	42.50
TIMBERLAKE	15,010.79	115,551.87	130,562.66	113,928.33	8,237.39	122,165.72	8,396.94
TROTWOOD	18,997.56	74,394.04	93,391.60	73,912.27	18,616.01	92,528.28	863.32
TROY	(32.00)		(32.00)			-	(32.00)
UNION	121,800.15	1,204,113.00	1,325,913.15	1,182,498.14	56,382.06	1,238,880.20	87,032.95
VILLAGE OF OAKWOOD	12,392.51	132,082.37	144,474.88	129,537.24	6,990.93	136,528.17	7,946.71
WARREN	(320.53)	2,199.40	1,878.87	1,298.87	549.85	1,848.72	30.15
WARRENSVILLE HEIGHTS	1,609,709.46	17,477,842.70	19,087,552.16	17,290,800.55	196,997.09	17,487,797.64	1,599,754.52
WAYNESFIELD	4,518.53	134,379.40	138,897.93	121,680.12	8,449.12	130,129.24	8,768.69
WEST ALEXANDRIA	13,974.12	296,285.08	310,259.20	275,106.27	18,761.76	293,868.03	16,391.17
WEST LIBERTY	35,320.18	438,446.01	473,766.19	410,572.56	24,526.96	435,099.52	38,666.67
WEST MILTON	104,810.82	1,396,899.94	1,501,710.76	1,321,264.85	60,387.74	1,381,652.59	120,058.17
WILMINGTON	1.25	1,888.83	1,890.08	1,406.25	472.21	1,878.46	11.62
Totals	$ 22,662,531.18	$ 632,895,474.12	$ 655,558,005.30	$ 632,483,345.00	$ 9,403,986.28	$ 641,887,331.28	$ 13,670,674.02

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE ENTIRE YEAR ENDED DECEMBER 31, 2019

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities (Excluding Cleveland)	Allocation of Net Operating Expenses
ADA	0.629107%	1.398391%	$ 52,505.24	$ 7,399.92	$ 45,105.32
AKRON	0.000000%	0.000000%	110.50		110.50
ALGER	0.079223%	0.050868%	6,611.71	269.18	6,342.53
ALLIANCE	0.000000%	0.000000%	364.29		364.29
BARBERTON	3.350432%	9.834810%	279,626.64	52,043.27	227,583.37
BRATENAHL	0.459514%	1.561767%	38,350.98	8,264.47	30,086.51
BURTON	0.342978%	0.455736%	28,624.89	2,411.64	26,213.25
CLAYTON	1.957717%	3.470429%	163,390.83	18,364.62	145,026.21
CLEVELAND	60.772891%	0.000000%	6,631,654.29		6,631,654.29
DAYTON	0.000000%	0.000000%	265.40		265.40
DRESDEN	0.239624%	0.237926%	19,998.96	1,259.04	18,739.92
EAST LIVERPOOL	0.000000%	0.000000%	1,734.49		1,734.49
ELIDA	0.368221%	0.357656%	30,731.69	1,892.63	28,839.06
FRAZEYSBURG	0.158776%	0.117002%	13,251.45	619.14	12,632.31
GATES MILLS	0.622665%	1.278130%	51,967.55	6,763.54	45,204.01
GENEVA-ON-THE-LAKE	0.169563%	0.181710%	14,151.69	961.56	13,190.13
GERMANTOWN	0.910068%	1.246833%	75,954.17	6,597.92	69,356.25
GRAND RAPIDS	0.242540%	0.162837%	20,242.39	861.69	19,380.70
GRAND RIVER	0.102380%	0.236643%	8,544.64	1,252.25	7,292.39
HAMILTON	8.023535%	21.639377%	669,643.33	114,510.01	555,133.32
HIGHLAND HILLS	0.541687%	2.924577%	45,209.16	15,476.11	29,733.05
LINNDALE	0.026104%	0.044298%	2,178.65	234.41	1,944.24
LORAIN	0.000000%	0.000000%	5,159.57		5,159.57
MARBLE CLIFF	0.268945%	1.200819%	22,446.13	6,354.42	16,091.71
MENTOR-ON-THE-LAKE	0.615696%	0.838941%	51,385.96	4,439.46	46,946.50
MONTPELIER	0.581754%	1.468142%	48,553.09	7,769.03	40,784.06
MUNROE FALLS	0.736905%	1.305436%	61,502.02	6,908.03	54,593.99
NEW CARLISLE	0.879399%	1.262423%	73,394.52	6,680.41	66,714.11
NEW MADISON	0.092748%	0.118261%	7,740.77	625.81	7,114.96
NEW MIAMI	0.133419%	0.096975%	11,135.13	513.17	10,621.96
NEW PARIS	0.155425%	0.120287%	12,971.77	636.53	12,335.24
NORTH BALTIMORE	0.520623%	0.796013%	43,451.16	4,212.30	39,238.86
NORTH PERRY VILLAGE	0.207892%	0.977918%	17,350.63	5,174.89	12,175.74
NORTH RANDALL	0.743653%	4.275497%	62,065.19	22,624.82	39,440.37
NORTON	2.155029%	4.671811%	179,858.50	24,722.02	155,136.48
OBETZ	1.928151%	11.111141%	160,923.27	58,797.29	102,125.98
ORWELL	0.325556%	0.973640%	27,170.90	5,152.25	22,018.65
PARMA HEIGHTS	3.553617%	6.570405%	296,584.42	34,768.88	261,815.54
PAULDING	0.539375%	0.771929%	45,016.22	4,084.85	40,931.37
PHILLLIPSBURG	0.086800%	0.057026%	7,244.29	301.76	6,942.53
ROCK CREEK	0.081249%	0.068999%	6,781.04	365.12	6,415.92
RUSHSYLVANIA	0.075590%	0.066648%	6,308.76	352.68	5,956.08
RUSSELLS POINT	0.250238%	0.230930%	20,884.84	1,222.02	19,662.82
SEVILLE	0.579936%	0.845822%	48,401.38	4,475.87	43,925.51
SHREVE	0.179506%	0.208512%	14,981.58	1,103.39	13,878.19
SOUTH RUSSELL	0.770344%	1.318870%	64,292.85	6,979.12	57,313.73
SPRINGFIELD	0.000000%	0.000000%	281.25		281.25
STOW	0.000000%	0.000000%	62.50		62.50
TIMBERLAKE	0.103988%	0.083423%	8,678.84	441.45	8,237.39
TROTWOOD	0.000000%	0.000000%	18,616.01		18,616.01
UNION	0.730810%	0.871400%	60,993.28	4,611.22	56,382.06
VILLAGE OF OAKWOOD	0.089877%	0.096420%	7,501.16	510.23	6,990.93
WARREN	0.000000%	0.000000%	549.85		549.85
WARRENSVILLE HEIGHTS	3.167416%	12.728339%	264,352.17	67,355.08	196,997.09
WAYNESFIELD	0.107354%	0.096504%	8,959.79	510.67	8,449.12
WEST ALEXANDRIA	0.238396%	0.214435%	19,896.50	1,134.74	18,761.76
WEST LIBERTY	0.314053%	0.318202%	26,210.80	1,683.84	24,526.96
WEST MILTON	0.789231%	1.035842%	65,869.15	5,481.41	60,387.74
WILMINGTON	0.000000%	0.000000%	472.21		472.21
Totals	100.000000%	100.000000%	$ 9,933,160.44	$ 529,174.16	$ 9,403,986.28

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF INCOME TAXES RECEIVABLE
FOR YEAR ENDED DECEMBER 31, 2019

ADA	$	334,020.52
AKRON		25.00
ALGER		27,559.48
ALLIANCE		100.00
BARBERTON		2,373,393.59
BRATENAHL		615,690.09
BURTON		165,950.72
CLAYTON		1,622,613.19
CLEVELAND		74,146,071.50
DAYTON		20.00
DRESDEN		104,033.06
EAST LIVERPOOL		526.45
ELIDA		161,786.39
FRAZEYSBURG		55,546.42
GATES MILLS		678,644.64
GENEVA-ON-THE LAKE		75,990.58
GERMANTOWN		495,245.18
GRAND RAPIDS		74,038.60
GRAND RIVER		54,940.83
HAMILTON		5,306,503.81
HIGHLAND HILLS		378,624.76
LINNDALE		9,269.58
LORAIN		539.92
MARBLE CLIFF		96,272.62
MENTOR-ON-THE LAKE		306,453.61
MONTPELIER		372,628.79
MUNROE FALLS		460,570.86
NEW CARLISLE		487,382.47
NEW MADISON		15,494.88
NEW MIAMI		42,258.29
NEW PARIS		58,434.82
NORTH BALTIMORE		258,726.28
NORTH PERRY		172,882.88
NORTH RANDALL		1,330,702.48
NORTON		1,719,608.04
OBETZ		849,537.33
ORWELL		182,621.90
PARMA HEIGHTS		2,840,465.42
PAULDING		265,022.09
PHILLIPSBURG		36,074.31
ROCK CREEK		25,340.30
RUSHSYLVANIA		44,547.14
RUSSELLS POINT		90,543.54
SEVILLE		329,486.87
SHREVE		85,994.59
SOUTH RUSSELL		608,342.09
SPRINGFIELD		275.00
STOW		50.00
TIMBERLAKE		54,316.93
TROTWOOD		3,127.36
UNION		296,237.98
VILLAGE OF OAKWOOD		33,058.86
WARREN		75.00
WARRENSVILLE HEIGHTS		3,328,132.52
WAYNESFIELD		32,163.42
WEST ALEXANDRIA		92,422.30
WEST MILTON		495,086.61
WILMINGTON		150.00
Totals	$	101,695,621.89

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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, 2019

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CITY OF CLEVELAND, OHIO

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

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One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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, 2019, 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.

Subsequent Event Footnote

As discussed in Note N to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Divisions. 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, 2019, 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 and OPEB liabilities and pension and OPEB contributions, 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 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, 2019 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 25, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Port Control, Divisions of Cleveland Hopkins International (CLE) and Burke Lakefront (BKL) Airports (the Divisions), we offer readers of the Divisions' financial statements this narrative overview and analysis of the financial activities of the Divisions for the year ended December 31, 2019. Please read this information in conjunction with the Divisions' basic financial statements and notes that begin on page 16.

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 2019, the Divisions were served by eight scheduled United States (U.S.) based airlines, one foreign based airlines, 12 regional U.S. based airlines, three regularly scheduled charters and five U.S. based all – cargo airlines. There were 55,000 scheduled landings with landed weight amounting to 5,928,580,000 pounds. There were approximately 5,023,000 passengers enplaned at Cleveland Hopkins International Airport and 86,000 passengers enplaned at Burke Lakefront Airport during 2019.

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 $390,717,000 and $374,828,000 at December 31, 2019 and 2018, respectively. Of these amounts, $97,221,000 and $92,824,000 (unrestricted net position) at December 31, 2019 and 2018, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position increased by $15,889,000 in 2019. The main factors that attributed to this was capital and other contributions.

- Additions to construction in progress totaled $30,049,000 in 2019.

- The major capital projects during 2019 were the North Airfield Improvement Projects, Phase II, Burke Runway 6R/24L rehabilitation, Phase II, BKL Taxiway D Overlay, Snow Removal Equipment Acquisition, Upper Level Expansion Joint rehabilitation and Garage Structural Repair.

- The Divisions' total bonded debt decreased by $29,740,000 in 2019. The Divisions' issued bonds to refund $341,675,000 of outstanding bonds and eliminated all of the Divisions' variable rate debt. Scheduled principal payments were also made which reduced total bonded debt.

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 16-21 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 23-52 of this report. The required supplementary information can be found on pages 53-56 of this report. The Schedule of Airport Revenues and Operating Expenses as Defined in the Airline Use Agreement can be found on page 57 of this report. The Report on Compliance for the Passenger Facility Program; Report on Internal Control Over Compliance and the Report on Schedule of Expenditures of Passenger Facility Charges in Accordance with 14 CFR Part 158 can be found on pages 59-60 of this report. The remaining passenger facility charges schedules can be found on pages 61-63 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, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 128,260	$ 122,049
Restricted assets	231,982	238,757
Capital assets, net	769,778	798,685
Total assets	1,130,020	1,159,491
Deferred outflows of resources	36,294	22,049
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	75,074	79,183
Long-term obligations	699,774	719,728
Total liabilities	774,848	798,911
Deferred inflows of resources	749	7,801
Net position:		
Net investment in capital assets	154,610	137,794
Restricted for debt service	121,026	128,548
Restricted for capital projects	21	21
Restricted for passenger facility charges	17,839	15,641
Unrestricted	97,221	92,824
Total net position	$ 390,717	$ 374,828

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets and Deferred Outflow of Resources: Total assets and deferred outflows of resources decreased $15,226,000 or 1.3% in 2019. The change is primarily due to a decrease in capital assets and restricted assets.

Capital Assets: The Divisions' investment in capital assets as of December 31, 2019 amounted to $769,778,000 (net of accumulated depreciation), which is a decrease of 3.6%. These investments in capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; vehicles; and construction in progress. There was an increase in building and building improvements of $26,544,000. Furniture, fixtures and equipment had a net increase of $6,681,000 of which $4,665,000 was the Snow Removal Equipment placed into service

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2019 is as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
	(Amounts in Thousands)			
Land	$ 167,457	$	$ (575)	$ 166,882
Land improvements	94,931			94,931
Buildings, structures and improvements	348,490	26,544		375,034
Furniture, fixtures and equipment	61,114	6,755	(74)	67,795
Infrastructure	1,016,148	1,980		1,018,128
Vehicles	17,947	1,170	$ (35)	19,082
Total	1,706,087	36,449	(684)	1,741,852
Less: Accumulated depreciation	(1,032,609)	(55,731)	109	(1,088,231)
Total	673,478	(19,282)	(575)	653,621
Construction in progress	125,207	30,049	(39,099)	116,157
Capital assets, net	$ 798,685	$ 10,767	$ (39,674)	$ 769,778

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2019 affecting the Divisions' capital assets included the following:

- Burke Runway 6R/24L Rehabilitation, Phase II: This project consists of the rehabilitation of half of the inboard runway at Burke Lakefront Airport including mill and fill of four inches of the runway pavement, striping and marking. This project was completed in 2019.

- Upper Level Expansion Joint Rehabilitation, Phase II: This project consists of the rehabilitation of six roadway expansion joints on the upper lever terminal road at Cleveland Hopkins International Airport. Complete replacement of five joints and repair of one joint in the roadway were included in the project. This project was completed in 2019.

- North Airfield Improvements Projects: This project will look to eliminate two CLE airfield safety-related hot spot locations as determined by the Federal Aviation Administration (FAA) Runway Safety Action Team. This project will provide geometric upgrades to current FAA standards and eliminate direct aircraft access into the runway environment in an effort to greatly enhance safety. There are four construction phases to this project. Phase I was related to the design of the project. Phase II occurred in 2018, focusing on areas on the west side of the airfield only. This phase includes the removal of Taxiway C, which will allow for easier underground utility installation in this area plus enhance safety on the airfield with fewer paved areas. Phase III commenced in 2019, includes removal and replacement of a new Taxiway A. Construction of new Taxiways J3, J4, along with a new midfield access road. It also includes removal of Taxiways R, C, L1. Phase III will continue through 2020. Subsequent phases of construction will occur in 2021.

- CLE Master Plan: The City of Cleveland began work to develop a new Master Plan for Cleveland Hopkins International Airport. CLE conducted a Master Plan Update in 2012. Since then, the airport has experienced significant changes in passenger traffic, operations, and industry practices and therefore a new plan is needed at this time. An Airport Master Plan is a dynamic, long-term plan that provides a conceptual layout and guidance for future growth and development. It will include airfield planning, terminal planning, landside planning, other facilities and environmental considerations. Work on the new plan began in the fourth quarter of 2019 and will continue through 2020.

- Snow Removal Equipment Acquisition: In 2019, 7 pieces of new snow removal equipment were purchased to replace aged equipment that had reached the end of its life-cycle. Equipment purchases will continue through 2020.

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.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Liabilities: In 2019, total liabilities decreased $24,063,000 or 3.0%. Current liabilities decreased $4,109,000 or 5.2% as a result of a decrease in the landing fee adjustment payable to airlines. Long-term liabilities decreased due to decrease in revenue bonds payable offset by an increase in net pension liability.

Net Pension/OPEB Liabilities: The net pension liability is reported by the Divisions at December 31, 2019 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. For fiscal year 2018, the Divisions adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*) and postemployment benefits (GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Divisions' proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and OPEB. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code (the ORC) permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As previously explained, changes in benefits, contribution rates and return on investments affect the balance of these liabilities, but are outside the control of the Divisions. In the event that contributions, investment returns and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Divisions' statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 75, the Divisions are reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Long-Term Debt: At December 31, 2019 and 2018, the Divisions had $645,515,000 and $675,255,000 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2019 is summarized below:

	Balance January 1, 2019	Debt Issued	Debt Retired	Balance December 31, 2019
	(Amounts in Thousands)			
Airport System Revenue Bonds:				
Series 2006	$ 32,195	$	$ (9,660)	$ 22,535
Series 2007	5,935		(730)	5,205
Series 2008	5,975		(5,975)	-
Series 2009	32,780		(32,780)	-
Series 2011	34,360		(8,185)	26,175
Series 2012	235,150		(235,150)	-
Series 2013	54,120		(54,120)	-
Series 2014	23,635		(21,845)	1,790
Series 2016	141,420		(2,970)	138,450
Series 2018	109,685			109,685
Series 2019		341,675		341,675
Total	$ 675,255	$ 341,675	$ (371,415)	$ 645,515

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
A2	A	A-

On August 15, 2019, Fitch Ratings raised its rating on the Divisions' revenue bonds from BBB+ to A- (stable) and on September 12, 2019 Moody's Investors Service announced it had raised its rating on the bonds from A3 to A2 (stable).

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 2019 was 167%.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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 $390,717,000 and $374,828,000 at December 31, 2019 and 2018, respectively. Of the Divisions' net position at December 31, 2019 and 2018, $154,610,000 and $137,794,000, 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, 2019 and 2018, the restricted net position amounted to $138,886,000 and $144,210,000, respectively. The restricted net position include amounts set aside in various fund accounts for capital projects and for payment of revenue bonds, which are limited by the bond indentures and passenger facility charges imposed and collected at CLE based on an approved FAA application. Passenger facility charges are restricted for designated capital projects and approved debt service. The remaining balance of unrestricted net position, $97,221,000 and $92,824,000 for December 31, 2019 and 2018, 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 increased by $15,899,000 in 2019. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Operating revenues:		
Landing fees	$ 36,567	$ 35,232
Terminal and concourse rentals	51,843	54,505
Concessions	55,977	51,713
Utility sales and other	4,034	4,531
Total operating revenues	148,421	145,981
Operating expenses	145,874	138,773
Operating income (loss)	2,547	7,208
Non-operating revenue (expense):		
Passenger facility charges revenue	20,121	19,425
Non-operating revenue (expense)	(7,223)	(4,835)
Gain (loss) on disposal of capital asset	625	
Investment income (loss)	6,024	4,562
Interest expense	(24,024)	(27,233)
Amortization of bond discounts/premiums and loss on debt refundings	877	2,816
Total non-operating revenue (expense), net	(3,600)	(5,265)
Capital and other contributions	16,942	25,747
Change in net position	$ 15,889	$ 27,690

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

Operating Revenues*:* Operating revenues for 2019 were $148,421,000. Of this amount, $34,834,000 or 23.5% represented landing fees received from signatory airlines. Signatory terminal rentals accounted for $36,514,000 or 24.6% of total operating revenues. Parking revenues increased 2.8% over the prior year due to an increased demand for services such as valet airport parking, economy parking usage and employee parking fees. Parking revenues amounted to $36,829,000 or 24.8% of total operating revenues for 2019. The fourth largest airport revenue source, rental cars, accounted for 7.8% of total operating revenues.

Operating Expenses*:* Total operating expenses for 2019 increased $7,101,000 or 5.1%. The increase is primarily due to increase in salaries wages and benefits,

Non-Operating Revenue: Non-operating revenues increased $844,000 or 3.1%. The main factor that attributed to this change was the increases in passenger facility charges of $696,000 and investment income of $1,462,000, offset by a decrease in bond amortization expense of $1,939,000.

Non-Operating Expenses: Non-operating expenses decreased $821,000 or 2.6%. This decrease is attributed to decreased interest expense related to lower interest paid and fewer capital expenses.

Capital and Other Contributions: In 2019 and 2018, the Divisions received $16,942,000 and $25,747,000 respectively, in Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer and Canine Grants. In both 2019 and 2018, Airport Improvement Program Grant revenue primarily consisted of proceeds from the 2000, amended in 2017, Letter of Intent and airfield safety improvements.

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS

CLE executed a new lease with KeyCorp for their corporate aviation hangar with a term of 10 years plus 2 (5) year options. The new lease converted from previously land only to land plus hangar rent which resulted in an increased annual rental rate going from $56,195 to $355,000. CLE's lease with the IX-Center included a CPI increase in 2019 which resulted in the annual rental rate increasing from $2,000,000 to $2,201,863 from the time period of September 1, 2019 – August 31, 2024. CLE's concessions developer Fraport Cleveland (Formerly Airmall Cleveland) facilitated the opening of 6 (5 restaurants & 1 service) new offerings including Cantina (Concourse C), Shake Shack (Main Foodcourt), 800 Degrees and Panini's (Concourse A), Embers' and Aircuts & Day Spa (Main Terminal).

CLE sold an approximately 8-acre parking lot to 21000 Brook Park, LLC, for $1.2 million on December 31, 2019. The subject property, located on Brookpark Road, near NASA Glen Research Center, was comprised of approximately 576 surface parking spaces that were not utilized by the traveling public. Immediately adjacent to the property, in the City of Fairview Park, is a 9 acre former NASA Engineering complex, which is owned by the developer. Redevelopment plans, for the complex, tentatively include 114 apartments, a 59 suite hotel, 5,000 square feet of office space, a 450 seat entertainment facility, and two potential restaurants, totaling 18,000 square feet. This development vision required the acquisition of the Airport's property to ensure there was sufficient parking.

CLE and BKL has continued to experience positive growth with a strong increase in total passenger and air cargo traffic. In 2019, total passenger traffic exceeded 10.0 million up 4.4% and air cargo was up 5.0% to 180 million pounds. In 2019, total schedule flights increased .3% to 108,000 and total scheduled seats increased by 4.7% to 12.2 million. BKL Ultimate Air Shuttle generated 23,000 passengers up 2.0% over 2018.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. The investments of the pension and other employee benefit plan in which the Division participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
December 31, 2019
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 99,032
Restricted cash and cash equivalents	4,123
Receivables:	
Accounts-net of allowance for doubtful accounts of $701	5,197
Unbilled revenue	6,028
Total receivables	11,225
Prepaid expenses	630
Due from other funds	14
Due from other governments	10,562
Materials and supplies-at cost	2,674
TOTAL CURRENT ASSETS	128,260
RESTRICTED ASSETS	
Cash and cash equivalents	229,340
Accrued interest receivable	217
Accrued passenger facility charges	2,425
TOTAL RESTRICTED ASSETS	231,982
CAPITAL ASSETS	
Land	166,882
Land improvements	94,931
Buildings, structures and improvements	375,034
Furniture, fixtures and equipment	67,795
Infrastructure	1,018,128
Vehicles	19,082
	1,741,852
Less: Accumulated depreciation	(1,088,231)
	653,621
Construction in progress	116,157
CAPITAL ASSETS, NET	769,778
TOTAL ASSETS	1,130,020
DEFERRED OUTFLOW OF RESOURCES	
Loss on refunding	20,822
Pension	13,675
OPEB	1,797
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,294

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

STATEMENT OF NET POSITION
December 31, 2019
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$	41,585
Accounts payable		8,788
Landing fee settlement payable to airlines		747
Due to other funds		1,725
Current portion of accrued wages and benefits		3,458
Accrued interest payable		10,061
Accrued property taxes		4,587
Construction fund payable from restricted assets		4,123
TOTAL CURRENT LIABILITIES		75,074
LONG-TERM OBLIGATIONS - excluding amounts due within one year		
Revenue bonds		633,953
Net pension liability		43,538
Net OPEB liability		21,303
Accrued wages and benefits		980
TOTAL LONG-TERM OBLIGATIONS		699,774
TOTAL LIABILITIES		774,848
DEFERRED INFLOWS OF RESOURCES		
Pension		693
OPEB		56
TOTAL DEFERRED OUTFLOW OF RESOURCES		749
NET POSITION		
Net investment in capital assets		154,610
Restricted for capital projects		21
Restricted for debt service		121,026
Restricted for passenger facility charges		17,839
Unrestricted		97,221
TOTAL NET POSITION	$	390,717

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2019
(Amounts in Thousands)

OPERATING REVENUES	
Landing fees:	
Scheduled airlines	$ 34,834
Other	1,733
	36,567
Terminal and concourse rentals:	
Scheduled airlines	36,514
Other	15,329
	51,843
Concessions	55,977
Utility sales and other	4,034
TOTAL OPERATING REVENUES	148,421
OPERATING EXPENSES	
Operations	85,523
Maintenance	4,620
Depreciation	55,731
TOTAL OPERATING EXPENSES	145,874
OPERATING INCOME (LOSS)	2,547
NON-OPERATING REVENUE (EXPENSE)	
Passenger facility charges revenue	20,121
Non-operating revenue (expense)	(7,223)
Gain (loss) on disposal of capital asset	625
Investment income (loss)	6,024
Interest expense	(24,024)
Amortization of bond discounts/premiums and loss on debt refundings	877
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(3,600)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(1,053)
Capital and other contributions	16,942
INCREASE (DECREASE) IN NET POSITION	15,889
NET POSITION, BEGINNING OF YEAR	374,828
NET POSITION, END OF YEAR	$ 390,717

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, 2019
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 143,517
Cash payments to suppliers for goods and services	(48,139)
Cash payments to employees for services	(32,464)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	62,914
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(35,299)
Cash receipts for passenger facility charges	19,915
Proceeds from revenue bonds	345,468
Transfer to escrow agent for bond refunding	(351,311)
Principal paid on long-term debt	(39,970)
Interest paid on long-term debt	(28,240)
Capital grant proceeds	16,157
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(73,280)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	6,205
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	6,205
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,161)
Cash and cash equivalents, beginning of year	336,656
Cash and cash equivalents, end of year	$ 332,495

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, 2019
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$ 2,547
Adjustments to reconcile operating income to	
net cash provided by (used for) operating activities:	
Depreciation	55,731
Changes in assets:	
Accounts receivables	(1,598)
Unbilled revenue	(1,016)
Prepaid expenses	(139)
Due from other City of Cleveland departments, divisions or funds	(6)
Materials and supplies, at cost	128
Changes in deferred outflows of resources:	
Pension	(6,588)
OPEB	(155)
Changes in liabilities:	
Accounts payable	1,787
Due to other City of Cleveland departments, divisions or funds	593
Accrued wages and benefits	452
Landing fee adjustment	(4,654)
Accrued property taxes	64
Net pension liability	19,102
Net OPEB liability	3,718
Changes in deferred inflows of resources:	
Pension	(5,826)
OPEB	(1,226)
TOTAL ADJUSTMENTS	60,367
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 62,914

Schedule of Noncash Capital and Related Financing Activities:	
Accounts payable related to capital assets	$ 4,123

See notes to financial statements.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Divisions of Cleveland Hopkins International and Burke Lakefront Airports (the Divisions) are reported as an Enterprise Fund of the City of Cleveland, Department of Port Control and are part of the City of Cleveland's (the City) primary government. The Divisions were created for the purpose of operating the airports within the Cleveland Metropolitan Area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Divisions comply with accounting principles generally accepted in the United States of America applicable to governmental units.

The Divisions' net position accounted for in is 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
- Amount restricted for passenger facility charges
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Divisions is included in these notes.

Basis of Accounting: The Divisions' financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized when incurred.

Statement of Cash Flows: The Divisions utilize the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and all investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Divisions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Divisions follow the provisions of GASB Statement No. 72, *Fair Value Measurement and Application,* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs. The Divisions' investments in money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Divisions have invested funds in the STAR Ohio during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Divisions measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

Inventory of Supplies: The Divisions' inventory is valued at cost using the first in/first out method. Inventory costs are charged to operations when consumed.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in the financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expense is reported in the year in which services are consumed.

***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.

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 CLE based on an approved FAA 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 their acquisition value on the date contributed. 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 GASB 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 2019, total interest costs incurred amounted to $25,466,000, of which $1,288,000 was capitalized, net of interest income of $154,000.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows 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 resource (expense) 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 a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time.

Net Pension/OPEB Liabilities: For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expenses, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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).

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2019 is as follows:

	Interest Rate	Original Issuance	2019
		(Amounts in Thousands)	
Airport System Revenue Bonds:			
Series 2006, due through 2021	5.25%	$ 107,750	$ 22,535
Series 2007, due through 2027	5.00%	11,255	5,205
Series 2011, due through 2024	4.00%-5.00%	74,385	26,175
Series 2014, due through 2027	Variable Rate	33,325	1,790
Series 2016, due through 2031	5.00%	144,355	138,450
Series 2018, due through 2048	3.50%-5.00%	109,685	109,685
Series 2019, due through 2033	2.18%-5.00%	341,675	341,675
		$ 822,430	645,515
Unamortized (discount) premium			30,023
Current portion (due within one year)			(41,585)
Total Long-Term Debt			$ 633,953

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

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

Summary: Changes in long-term obligations for the year ended December 31, 2019 are as follows:

	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2019	Due Within One Year
	(Amounts in Thousands)				
Airport System Revenue Bonds:					
Series 2006	$ 32,195	$	$ (9,660)	$ 22,535	$ 10,055
Series 2007	5,935		(730)	5,205	765
Series 2008	5,975		(5,975)	-	
Series 2009	32,780		(32,780)	-	
Series 2011	34,360		(8,185)	26,175	8,575
Series 2012	235,150		(235,150)	-	
Series 2013	54,120		(54,120)	-	
Series 2014	23,635		(21,845)	1,790	1,790
Series 2016	141,420		(2,970)	138,450	3,295
Series 2018	109,685			109,685	8,680
Series 2019		341,675		341,675	8,425
Total revenue bonds	675,255	341,675	(371,415)	645,515	41,585
Accrued wages and benefits	3,986	3,674	(3,222)	4,438	3,458
Net pension liability	24,436	19,102		43,538	
Net OPEB liability	17,585	3,718		21,303	
Total	$ 721,262	$ 368,169	$ (374,637)	$ 714,794	$ 45,043

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 Thousands)		
2020	$ 41,585	$ 21,751	$ 63,336
2021	44,250	22,222	66,472
2022	44,575	20,125	64,700
2023	43,535	18,070	61,605
2024	45,760	15,995	61,755
2025-2029	259,705	52,323	312,028
2030-2034	132,015	13,245	145,260
2035-2039	9,820	6,908	16,728
2040-2044	12,245	4,442	16,687
2045-2048	12,025	1,239	13,264
Total	$ 645,515	$ 176,320	$ 821,835

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, 2019, 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) 116.0% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125.0% of the annual debt service due in such year on all outstanding bonds.

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

Effective October 1, 2019, the City issued $341,675,000 Airport System Revenue Bonds, Series 2019A-C. The $301,665,000 Series 2019A Taxable Bonds were issued to advance refund the $235,150,000 Series 2012A Bonds and to currently refund the outstanding $52,050,000 of Series 2013A Bonds. Bond proceeds in the amount of $248,355,650 along with $3,694,402 released from the debt service reserve fund and $2,965,914 released from the Series 2012A Bond Fund, were placed in an irrevocable escrow account for the payment of the principal and interest on the Series 2012A Bonds. The $34,605,000 Series 2019B AMT Bonds currently refunded the variable rate $20,100,000 Series 2009D Bonds and the $18,170,000 Series 2014A Bonds. Finally, the $5,405,000 Series 2019C Non-AMT Bonds currently refunded the outstanding variable rate $5,975,000 Series 2008D Bonds. 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 $22,494,000 of net present value debt service savings or 6.8% while also eliminating all of Port Control's remaining variable rate bonds and terminating its letters of credit and direct placements on those bonds.

Effective October 4, 2018, the City issued $87,940,000 Airport System Revenue Bonds, Series 2018A (AMT) and $21,745,000 Airport System Revenue Bonds, Series 2018B (Non-AMT). The Series 2018A Bonds were issued to provide $14,150,000 of funds for improvements to the Airport System and to currently refund $80,505,000 of outstanding Airport System Revenue Bonds, Series 2009C. Bond proceeds in the amount of $80,503,916, along with $970,972 from the Series 2009C Bond Fund and $560,004 released from the debt service reserve fund, were placed in an irrevocable escrow account for the payment of the principal and interest on the refunded bonds on January 1, 2019. As a result of this refunding, 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 $7,966,000 and to realize an economic gain (the difference between the present values of the old and new debt service) of $6,316,000 or 7.8%. The Series 2018B Bonds were issued to provide $20,600,000 in funds for various capital improvements at the Airports.

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. At December 31, 2019, the Airport System had no defeased debt outstanding.

The City has pledged future airport revenues to repay $645,515,000 in Airport System Revenue Bonds issued in various years since 2006. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 60.0% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $821,835,000. Principal and interest funded for the current year and total net revenues (including other available funds) were $68,848,000 and $108,093,000, 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 (now United Continental Holdings, Inc.) at CLE. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999 totaling $71,440,000. In January 2016, United Airlines deposited funds with the trustee sufficient to pay off the Airport Special Revenue Bonds, Series 1999. Additional Airport Special Revenue Bonds, Series 1998, totaling $75,120,000 were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, including a new regional jet concourse. Because all principal and interest on these bonds is unconditionally guaranteed by Continental Airlines and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2019, totaled approximately $13,555,000 and the Divisions' bank balance was approximately $22,435,000. 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*, $22,435,000 of the bank balances at December 31, 2019 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.

Investments: In accordance with GASB Statement No. 72, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. 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; STAR Ohio; 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 or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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.

The following is a summary of the fair value hierarchy of the fair value of investments of the Divisions (excluding STAR Ohio and money market mutual funds) as of December 31, 2019.

Type of Investment	Fair Value	Fair Value Measurement Using Level 2
	(Amounts in Thousands)	
Other Investments	$ 183	$ 183
Total Investments	$ 183	$ 183

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, 2019 include STAR Ohio, money market mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in STAR Ohio, 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 STAR Ohio 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, 2019, 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	2019 Value	2019 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 112,356	$ 112,356	$ 112,356
Money Market Mutual Funds	206,401	206,401	206,401
Other Investments	183	183	183
Total Investments	318,940	318,940	318,940
Total Deposits	13,555	13,555	13,555
Total Deposits and Investments	$ 332,495	$ 332,495	$ 332,495

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 STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value. Investment type Other Investments consist of deposits into collective cash escrow pools managed by Bank of New York and U.S. Bank National Association, as trustees.

As of December 31, 2019, the investments in STAR Ohio, money market mutual funds and other investments are approximately 35.2%, 64.7% and 0.1%, respectively, of the Divisions' total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
	(Amounts in Thousands)			
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$ (575)	$ 166,882
Construction in progress	125,207	30,049	(39,099)	116,157
Total capital assets, not being depreciated	292,664	30,049	(39,674)	283,039
Capital assets, being depreciated:				
Land improvements	94,931			94,931
Buildings, structures and improvements	348,490	26,544		375,034
Furniture, fixtures and equipment	61,114	6,755	(74)	67,795
Infrastructure	1,016,148	1,980		1,018,128
Vehicles	17,947	1,170	(35)	19,082
Total capital assets, being depreciated	1,538,630	36,449	(109)	1,574,970
Less: Total accumulated depreciation	(1,032,609)	(55,731)	109	(1,088,231)
Total capital assets being depreciated, net	506,021	(19,282)	-	486,739
Capital assets, net	$ 798,685	$ 10,767	$ (39,674)	$ 769,778

Commitments: As of December 31, 2019, the Divisions had capital expenditure purchase commitments outstanding of approximately $50,474,000.

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. 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, 2019 is approximately $94,365,000.

Minimum future rental on non-cancelable operating leases to be received is as follows:

	(Amounts in Thousands)	
2020	$	11,789
2021		9,846
2022		9,427
2023		9,097
2024		5,263
Thereafter		17,477
	$	62,899

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 2019. There was no significant decrease in any insurance coverage in 2019. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

The City provides the choice of two separate health insurance plans to its employees. The Divisions are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio's Worker's Compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* 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 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 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 (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC 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.

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Divisions' employees, other than full-time police and firefighters, participate in the 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 COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

NOTE H – 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 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 3.0% 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 3.0%.

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Divisions' contractually required contribution was $3,275,000 for 2019. All required payments have been made.

NOTE H – DEFINED BENEFIT PENSION PLANS (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, 2018 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 Thousands)	
Proportionate Share of the Net Pension Liability	$	43,538
Proportion of the Net Pension Liability		0.160720%
Change in Proportion		(0.000327%)
Pension Expense	$	10,003

At December 31, 2019, the Divisions reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between projected and actual economic experience	$	5,942
Differences between expected and actual economic experience		2
Change in proportionate share		591
Change in assumptions		3,865
Divisions' contributions subsequent to the measurement date		3,275
Total Deferred Outflows of Resources	$	13,675
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	641
Change in Divisions' proportionate share		52
Total Deferred Inflows of Resources	$	693

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The $3,275,000 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, 2020. 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 Thousands)
2020	$ 4,382
2021	2,008
2022	549
2023	2,787
2024	(7)
Thereafter	(12)
Total	$ 9,707

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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25 to 10.75 %
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 3%, simple through 2018, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 2.94% for 2018.

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) 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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 contractually required rates, as actuarially determined. 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 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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.20%	Discount Rate 7.20%	1% Increase 8.20%
	(Amounts in Thousands)		
Divisions' proportionate share of the net pension liability	$ 64,600	$ 43,538	$ 26,365

NOTE I – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability: The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The ORC limits the Divisions' obligation for this liability to annually required payments. The Divisions cannot control benefit terms or the manner in which OPEB are financed; however, the Divisions do receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – 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.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, 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 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board 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 0.0% for both plans in 2019. 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to the OPEB plan.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date as of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Divisions' proportion of the net OPEB liability was based on the Divisions' share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS Amounts in Thousands
Proportion of the Net OPEB Liability:		
Current Measurement Date		0.158845%
Prior Measurement Date		0.158429%
Change in Proportionate Share		0.000416%
Proportionate Share of the Net OPEB Liability	$	21,303
OPEB Expense	$	2,338

At December 31, 2019, the Divisions reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		OPERS (Amounts in Thousands)
Deferred Outflows of Resources		
Differences between expected and actual economic experience	$	7
Net difference between projected and actual earnings on OPEB plan investments		949
Changes in assumptions		668
Changes in proportion and differences between Divisions' contributions and proportionate share of contributions		173
Total Deferred Outflows of Resources	$	1,797
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$	56
Total Deferred Inflows of Resources	$	56

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:		OPERS (Amounts in Thousands)
2020	$	828
2021		276
2022		159
2023		478
Total	$	1,741

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date as of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care Portfolio was a loss of 5.60% for 2018.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate: A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date as of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the Health Care Investment Portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Divisions' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Divisions' proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Divisions' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net OPEB liability	$ 26,778	$ 21,303	$ 16,265

Sensitivity of the Divisions' Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net OPEB liability	$ 20,109	$ 21,303	$ 21,857

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, 2019 are as follows:

	(Amounts in Thousands)	
City Central Services, including police	$	11,185
Telephone Exchange		895
Electricity purchased		274
Motor vehicle maintenance		25
Radio Communication		275

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 2019 was a payable to the Airlines from the Division in the amount of $747,000.

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 2019.

NOTE L – PASSENGER FACILITY CHARGES

On November 1, 1992, CLE 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, 2019, CLE had the authority from the FAA to collect approximately $592 million, of which an estimated 14.5% was spent on noise abatement for the residents of communities surrounding the airport. An additional 59.6% is being spent on runway expansion and improvements with the remaining 25.9% being spent 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 2019, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 33.0% of total operating revenue.

NOTE N – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. The investments of the pension and other employee benefit plan in which the Division participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DIVISIONS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX MEASUREMENT YEARS (1), (2)

	Divisions' Proportion of the Net Pension Liability	Divisions' Proportionate Share of the Net Pension Liability	Divisions' Covered Payroll	Divisions' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		(Amounts in Thousands)			
2014	0.158448%	$ 18,650	$ 17,962	103.83%	86.36%
2015	0.158448	19,049	19,825	96.09	86.45
2016	0.155342	27,073	19,800	136.73	81.08
2017	0.159244	34,594	21,125	163.76	77.25
2018	0.161047	24,436	21,508	113.61	84.66
2019	0.160720	43,538	23,029	189.06	74.70

(1) Information presented for each year was determined as of the Divisions' measurement date, which is the prior year-end.

(2) Information prior to 2014 is not available. The Divisions will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

Change in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%.

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF THE CONTRIBUTIONS - NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Divisions' Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2013	$ 2,335	$ (2,335)	$ -	$ 17,962	13.00%
2014	2,379	(2,379)	-	19,825	12.00
2015	2,376	(2,376)	-	19,800	12.00
2016	2,535	(2,535)	-	21,125	12.00
2017	2,796	(2,796)	-	21,508	13.00
2018	3,224	(3,224)	-	23,029	14.00
2019	3,275	(3,275)	-	23,393	14.00

(1) Represents Divisions' calendar year. Information prior to 2013 is not available. The Divisions will continue to present information for years avaialable 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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF THE DIVISIONS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE MEASUREMENT YEARS (1), (2)

	Divisions' Proportion of the Net OPEB Liability	Divisions' Proportionate Share of the Net OPEB Liability	Divisions' Covered Payroll	Divisions' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
		(Amounts in Thousands)			
2017	0.156424%	$ 15,800	$ 21,125	74.79%	54.05%
2018	0.158429	17,585	21,508	81.76	54.14
2019	0.158845	21,303	23,029	92.51	46.33

(1) Information presented for each year was determined as of the Divisions' measurement date, which is the prior year-end.

(2) Information prior to 2017 is not available. The Divisions will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

For 2019, the single discount rate changed from 3.85% to 3.96%.

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF CONTRIBUTIONS - NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS (1), (2), (3)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Divisions' Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2016	$ 423	$ (423)	$ -	$ 21,125	2.00%
2017	215	(215)	-	21,508	1.00
2018	-	-	-	23,029	0.00
2019	-	-	-	23,393	0.00

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member- Directed Plan.

(3) Represents Divisions' calendar year. Information prior to 2016 is not available. The Divisions will continue to present information for years avaialable 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, 2019
(Amounts in Thousands)

	Cleveland Hopkins International	Burke Lakefront	Total
REVENUE			
Airline revenue:			
Landing fees	$ 34,834	$	$ 34,834
Terminal rental	36,514		36,514
Other	2,886		2,886
	74,234	-	74,234
Operating revenues from other sources:			
Concessions	55,264	713	55,977
Rentals	12,514	407	12,921
Landing fees	1,563	170	1,733
Other	3,337	219	3,556
	72,678	1,509	74,187
Non-operating revenue:			
Interest income	1,703		1,703
TOTAL REVENUE	$ 148,615	$ 1,509	$ 150,124
OPERATING EXPENSES			
Salaries and wages	$ 23,424	$ 866	$ 24,290
Employee benefits	17,386	284	17,670
City Central Services, including police	12,150	230	12,380
Materials and supplies	8,253	230	8,483
Contractual services	26,767	553	27,320
TOTAL OPERATING EXPENSES	$ 87,980	$ 2,163	$ 90,143

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019.

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, 2019.

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, 2019, and have issued our report thereon dated June 25, 2020, wherein we noted the financial impact of COVID-19 on subsequent periods, 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 25, 2020

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

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2019

Projects	Approved Project Budget	Cumulative Expenditures thru 2018	2019 1st Quarter Expenditures	2019 2nd Quarter Expenditures	2019 3rd Quarter Expenditures	2019 4th Quarter Expenditures	2019 YTD Expenditures	Cumulative Expenditures thru 2018
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	1,095,166	5,869	127,965			133,834	1,229,000
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	5,347,165	9,348	203,825			213,173	5,560,338
Concourse D Ramp/Site Utilities	51,305,804	49,340,064	86,204	1,879,536			1,965,740	51,305,804
Burke Runway Overlay 6L/24R	530,286	530,286					-	530,286
Burke ILS	2,181,400	2,000,600	7,929	172,871			180,800	2,181,400
Runway 6L/23R	270,550,360	209,281,210	2,686,864				2,686,864	211,968,074
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	696,503	45,226	986,067			1,031,293	1,727,796
Deicing Environmental Upgrades	2,800,222	1,128,815	73,297	1,129,736	468,374		1,671,407	2,800,222
Main Terminal Roof Replacement	992,986	400,290	25,992		566,704		592,696	992,986
Main Terminal Boiler Replacement	2,998,819	-					-	-
Roadway Expansion Joint Repair/Replacement	1,985,973	800,580	51,984		1,133,409		1,185,393	1,985,973
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	7,681,742	3,096,634	201,073			4,384,035	4,585,108	7,681,742
Airport-wide In-line Baggage System Design	1,688,077	680,491	44,186		963,400		1,007,586	1,688,077
Airport Master Plan Update	4,170,543	1,681,212	109,166			67,318	176,484	1,857,696
Runway 10/28- Runway Safety Area Improvements	23,155,051	13,840,900	408,458				408,458	14,249,358
South Cargo Ramp Rehabilitation	5,957,918	2,401,732	155,951				155,951	2,557,683
Taxiway N Rehabilitation	8,738,280	3,522,540	228,728				228,728	3,751,268
SIDA Security System Enhancements	1,985,973	800,581	51,984		1,133,408		1,185,392	1,985,973
Interactive Part 139 Airport Operations Training Program	496,493	200,145	12,996		234,705	48,647	296,348	496,493
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646	4,539,300	294,745				294,745	4,834,045
Total	**$ 592,180,668**	**$ 488,605,242**	**$ 4,500,000**	**$ 4,500,000**	**$ 4,500,000**	**$ 4,500,000**	**$ 18,000,000**	**$ 506,605,242**

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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, 2019

GENERAL

The accompanying schedule presents all activity of the Divisions' 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, 2019

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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, 2019, 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.

Subsequent Event Footnote

As discussed in Note K to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Division. 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, 2019, 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 and OPEB liabilities and pension and OPEB 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 25, 2020

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019

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, 2019. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 18.

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 39th largest by customers served in the United States according to the American Public Power Association's statistics for 2017. The Division serves an area that is bound by the City limits and presently serves approximately 74,000 customers.

The Division is one of the very few municipal electric companies in the United States that competes with an investor-owned utility, in this case FirstEnergy Corporation's Cleveland Electric Illuminating Company (CEI).

According to the 2018 census estimate, the City's population is approximately 384,000 people. 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 through CEI's interconnections. 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 the Blue Creek Wind project.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEAR'S DATA

FINANCIAL HIGHLIGHTS

- The Division's net position was $181,070,000 and $189,575,000 at December 31, 2019 and 2018, respectively. Of these amounts, $3,749,000 and $10,300,000 are unrestricted net position at December 31, 2019 and 2018, respectively, which may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position decreased by $8,505,000 in 2019. The decrease is primarily attributed to an operating loss of $5,408,000. Operating revenues decreased by $8,086,000 or 3.8%, primarily due to lower purchased power costs being passed on to customers.

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total long-term bonded debt decreased by $5,640,000 for the year ended December 31, 2019. The decrease is due to scheduled payments to bondholders.

- Unrestricted cash and cash equivalents increased by $8,626,000 or 18.3%, mainly due to recovering excess purchased power costs from prior years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Cleveland Public Power Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Cleveland Public Power. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division 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 18 - 23 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 25 – 52 of this report. Required supplementary information can be found on pages 53 - 56.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Assets:		
Capital assets, net of accumulated depreciation	$ 353,761	$ 361,290
Restricted assets	4,134	4,183
Current assets	86,863	85,738
Total assets	444,758	451,211
Deferred outflows of resources	22,462	18,523
Net Position:		
Net investment in capital assets	174,375	176,289
Restricted for capital projects	501	493
Restricted for debt service	2,445	2,493
Unrestricted	3,749	10,300
Total net position	181,070	189,575
Liabilities:		
Long-term obligations	263,213	250,767
Current liabilities	22,359	23,765
Total liabilities	285,572	274,532
Deferred inflows of resources	578	5,627

Restricted assets: The Division's restricted assets decreased by $49,000. The decrease is primarily due to a $48,000 reduction in cash and cash equivalents in the debt service fund.

Current assets: The Division's current assets increased by $1,125,000 in 2019. The increase is mainly due to an increase of $8,626,000 in unrestricted cash and cash equivalents, offset by decreases of $3,375,000 in net accounts receivable and recoverable costs of purchased power of $3,203,000. These fluctuations are attributed to the Division increasing the Energy Adjustment Charge (EAC) in 2019 to partially recover energy charges incurred in 2018.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

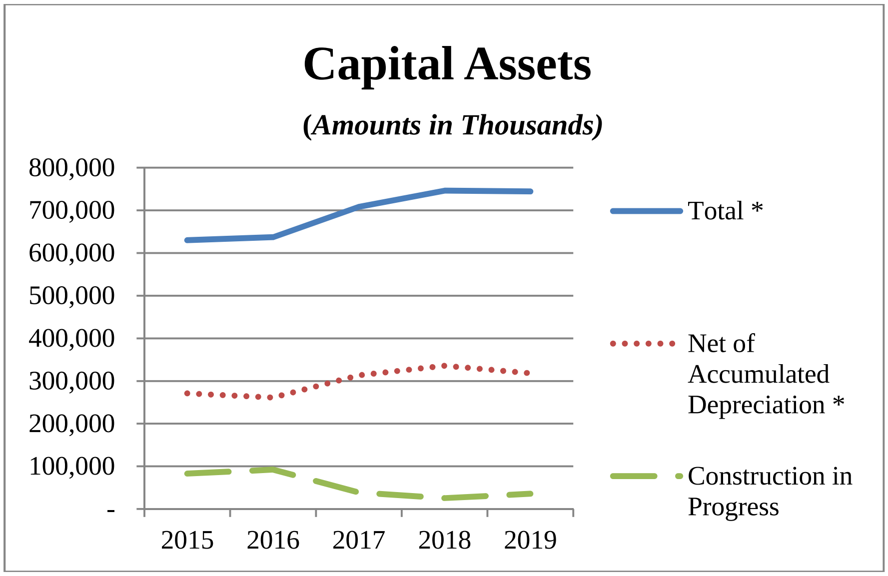
Capital assets: The Division's capital assets as of December 31, 2019, amounted to $353,761,000 (net of accumulated depreciation). The total decrease in the Division's net capital assets for the current year was $7,529,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2019, is as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
	(Amounts in Thousands)			
Land	$ 5,574	$	$	$ 5,574
Land improvements	392	449		841
Utility plant	624,614	3,645	(5,541)	622,718
Buildings, structures and improvements	23,340	159		23,499
Furniture, fixtures, equipment and vehicles	92,338	445	(1,311)	91,472
Construction in progress	25,593	10,045	(176)	35,462
Total	771,851	14,743	(7,028)	779,566
Less: Accumulated depreciation	(410,561)	(22,096)	6,852	(425,805)
Capital assets, net	$ 361,290	$ (7,353)	$ (176)	$ 353,761

The principal additions to construction in progress during 2019 included the following:

- Southern Transmission Line
- High voltage switching equipment
- General engineering services
- Underground cable reconstruction

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 – Capital Assets to the basic financial statements.

Deferred outflows of resources: There was an increase of $3,939,000 in deferred outflows of resources. Deferred outflows of resources related to pension increased by $5,145,000, primarily due to investment returns falling short of expectations. The increase was partially offset by a decrease of $1,299,000 in unamortized loss on bond refunding.

Current liabilities: The decrease in current liabilities of $1,406,000 is primarily due to a decrease of $1,567,000 in accounts payable. The reduction is mainly attributed to a $1,556,000 decrease in purchased power costs payable at year end. The decrease was partially offset by an increase in the current portion of long-term debt, due within one year of $285,000.

***Net pension/OPEB liabilities*:** The net pension liability is reported by the Division at December 31, 2019 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. For fiscal year 2018, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related OPEB. 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

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. Prior accounting for pensions (GASB Statement No. 27, *Accounting for Pensions by State and Local Governmentmental Employers*) and postemployment benefits (GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Division's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code (ORC) permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As previously explained, changes in benefits, contribution rates and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Division's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 75, the Division is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Long-term obligations: The long-term obligations increase of $12,446,000 is mainly due to increases of $14,565,000 and $2,835,000 in net pension and net other post-employment benefits (OPEB) liability, respectively, offset by a $7,206,000 decrease in revenue bonds payable due to scheduled principal payments and amortization of bond premiums. The growth in net pension and net OPEB liabilities is primarily due to investment returns falling short of expectations.

At December 31, 2019, the Division had total bonded debt outstanding of $183,638,000. 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, 2012, 2016 and 2018, 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, 2019, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

	Balance January 1, 2019	Debt Issued	Debt Retired	Balance December 31, 2019
	(Amounts in Thousands)			
Revenue Bonds:				
Revenue Bonds 2008 B-2	$ 27,903	$	$	$ 27,903
Revenue Bonds 2014	76,885			76,885
Revenue Bonds 2016	37,245		(4,640)	32,605
Revenue Bonds 2018	47,245		(1,000)	46,245
Total	$ 189,278	$ -	$ (5,640)	$ 183,638

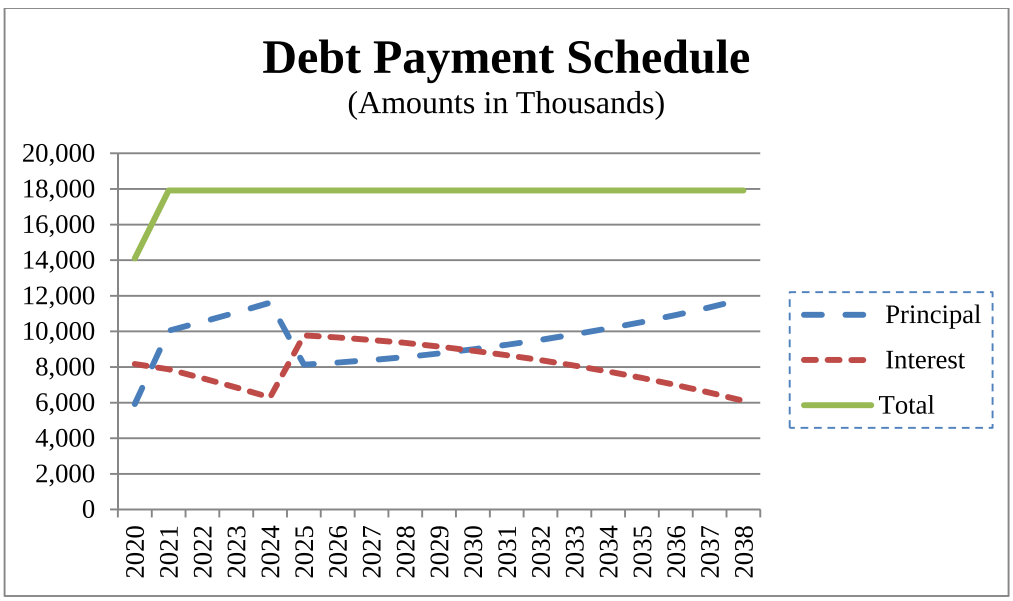
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 2019 and 2018 was 173% and 192%, respectively. Additional information on the Division's long-term debt can be found in Note B – Debt and Other Long-term Obligations to the basic financial statements on pages 29 - 32.



Deferred inflows of resources: There was a $5,049,000 decrease in deferred inflows of resources. The decrease is primarily due to investment returns falling short of expectations for the pension and OPEB plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 exceeded liabilities and deferred inflows of resources by $181,070,000 and $189,575,000 at December 31, 2019 and 2018, respectively.

Of the Division's net position at December 31, 2019, $174,375,000 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, $501,000 denotes funds restricted for use in capital projects and $2,445,000 represents resources subject to debt service restrictions.

The remaining $3,749,000 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 $8,505,000 in 2019. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Operating revenues	$ 203,778	$ 211,864
Operating expenses	209,186	207,294
Operating income (loss)	(5,408)	4,570
Non-operating revenue (expense):		
Investment income	648	703
Interest expense	(11,159)	(9,876)
Amortization of bond premiums and discounts	1,282	1,075
Gain (loss) on disposal of assets		(242)
Other	6,099	5,650
Total non-operating revenue (expense), net	(3,130)	(2,690)
Capital and other contributions	33	
Change in net position	$ (8,505)	$ 1,880

Operating revenues: In 2019, operating revenues decreased by $8,086,000, primarily due to lower purchased power costs being passed on to customers.

Operating expenses: Operating expenses increased by $1,892,000 in 2019, primarily due to a $3,881,000 increase in pension and OPEB expenses. In addition, operations expense (excluding pension and OPEB expenses) increased by $3,556,000. The rise is primarily attributed to an increase of $1,743,000 in materials and supplies expense. Depreciation expense increased by $1,668,000, primarily due to the completion of many large construction projects in 2018.

These increases were partially offset by a $7,452,000 decrease in purchased power costs. The decline is primarily attributed to reduced demand due to milder weather compared to 2018.

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 following sections describe major projects likely to impact the Division over the next several years.

Capacity Expansion Program

The Division's Capacity Expansion Program, which includes three major components, was designed to support and improve the Division's electric system reliability and, through increasing system capacity by 80 MW (Megawatt), provide for future load growth opportunities. This program includes the addition of a fourth 138 kV interconnection with the FirstEnergy transmission system (Fourth Interconnect), which was energized in 2011; the extension of the southern 138 kV transmission system (Southern Project); and the expansion of the Lake Road 11.5 kV Substation and the 11.5 kV system downtown (Lake Road Project). In 2008, the Division issued the Series 2008B-1 Bonds to fund the Capacity Expansion Program.

The Lake Road Project includes the construction of a duct line and feeder cables to the 11th Street Substation. The re-feeding of the 11th Street Substation will increase capacity in this area of the 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 11.5kV distribution system located downtown to a portion of the 13.8 kV distribution system situated east and southeast of downtown. The South Marginal Substation was completed and will be energized when the Division's new Supervisory Control and Data Acquisition (SCADA) System is placed into service.

Construction is underway on the Southern Project. The Southern Project includes the recently completed modification of the Ridge Road Substation to create a ring bus to support the new 138 kV transmission loop which will run from the Ridge Road Substation to the Pofok Substation. The Division has successfully partnered with the City, Cuyahoga County and the Ohio Department of Transportation to combine the construction of an underground segment of the transmission line with a roadway project. The overhead portion of the 138 kV transmission line will complete the loop and was recently bid out for contruction. The construction contract for the Southern Project was awarded to J.W. Didado Electric Inc. in November of 2017 and is scheduled for completion in 2020.

Power Supply

The Division participates in a diverse mix of resources including coal-fired, natural gas-fueled, hydroelectric, bioenergy, solar and wind generation. Participation in many of these resources is through the Division's membership in American Municipal Power (AMP) including: the Prairie State Energy Campus coal-fired generation project, AMP Hydro Phase 1 units (Cannelton/Smithland/Willow Island) and Phase 2 units (Meldahl/Greenup), AMP Fremont Energy Center (AFEC) combined cycle facility and the Blue Creek Wind Project. All five AMP hydroelectric projects are in commercial operation. Additionally, the Division has allocations of power from two New York Power Authority hydroelectric projects and several behind-the-meter resources including the Collinwood bioenergy generator, CV Kinsman solar, Division-owned diesel generators and the West 41st Street/Collinwood Combustion Turbines (CTs). For 2019, about 20% of the Division's energy is being supplied from renewable sources including hydroelectric, wind and bioenergy and the Division has voluntarily pursued renewable goals which are consistent with the Ohio state-mandated Renewable Portfolio Standard (RPS) targets applicable to investor-owned utilities (IOUs).

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

The Division's power supply portfolio is also made up of a variety of market energy purchases of various sizes, terms and delivery locations. These market purchases, often referred to as "block power" purchases because of their standard market types, are often procured as part of the Division's current market purchases, including block power purchased around-the-clock (7x24), weekday peak periods (5x16), weekend peak periods (2x16) and off-peak periods at night (7x8). These blocks can be procured by AMP on the Division's behalf with the cost plus a service charge directly passed through to the Division. Alternatively, the Division has the option to contract directly with third parties.

Generation Projects

The Division has chosen to participate in generation projects in order to (i) diversify its power supply portfolio and increase use of renewable energy, (ii) secure long-term stable sources of power, (iii) explore local generation opportunities where transmission congestion costs are mostly avoided and (iv) mitigate the costs of meeting its resource adequacy obligations.

The generation projects through AMP in which the Division participates are Blue Creek Wind, AMP Fremont Energy Center, AMP Hydro Phase 1/Phase 2 and Prairie State. The following sections describe these projects.

Blue Creek Wind Project
In June 2012, the Division entered into an agreement with AMP to purchase 10 MW of energy, capacity and Renewable Energy Credits (REC's) from the Blue Creek Wind Project. The 304 MW Blue Creek Wind Project was developed and is owned, by Iberdrola Renewables, LLC and is located in northwestern Ohio in Van Wert and Paulding counties. The project began commercial operation in June 2012. AMP purchases up to 54 MW from the project on behalf of its members through a Renewable Wind Energy Power Purchase Agreement with Blue Creek Wind Farm, LLC.

AMP Fremont Energy Center
AMP and two of its member agencies in Michigan and Virginia own the AMP Fremont Energy Center (AFEC), a 707 MW natural gas-fired combined cycle generating plant in Fremont, Ohio. Of the 707 MW, 544 MW is available as an intermediate power source during on-peak hours and an additional 163 MW of duct-firing is available for use during peak demand times. AMP purchased the facility in 2011 from FirstEnergy Generation Corporation and completed construction and commissioning. The plant went into commercial operation in January 2012. The Division, through a membership participation agreement with AMP, has entitlement to approximately 79 MW of intermediate and peaking power output from AFEC.

AMP Hydro Projects
In December 2007, the Division entered into an agreement with AMP to purchase 35 MW of hydroelectric power from three planned AMP run-of-the-river hydroelectric projects (AMP Hydro Phase 1) to be constructed on the Ohio River. These include both the Cannelton and Smithland projects in Kentucky, as well as the Willow Island project in West Virginia.

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

The Cannelton project is located on the Kentucky south shore of the Ohio River at the existing U.S. Army Corps of Engineers Cannelton Locks and Dam. The Cannelton project includes three 29.3 MW bulb-type generators with a combined capacity of approximately 88 MW. In addition to the powerhouse and other equipment, the project includes a 1,000-foot transmission line to the point of interconnection. The first unit of the Cannelton Project entered commercial operation in January 2016, the second unit entered commercial operation in March 2016 and the third entered commercial operation in June 2016.

The Smithland project is located at the existing U.S. Army Corps of Engineers Smithland Navigation Locks and Dam. The plant's configuration and equipment is similar to Cannelton's, but includes three 25.3 MW bulb-type generators with a total capacity of approximately 76 MW and a two mile transmission line to the point of interconnection. The Smithland Project entered commercial operation in summer of 2017.

The Willow Island project in West Virginia is located at the existing U.S. Army Corps of Engineers Willow Island Lock and Dam. The plant design and technology is similar to the other two projects but includes two 22 MW generators with a total capacity of approximately 44 MW. The project includes a 1.6 mile transmission line to the point of interconnection. Willow Island Project entered commercial operation in 2016.

Together these projects are expected to produce 208 MW, of which 35 MW is allocated to the Division. In March 2010, the Division executed agreements with AMP to participate in two additional AMP run-of-the-river hydroelectric projects (AMP Hydro Phase 2) on the Ohio River. The first is the Meldahl Project, a 105 MW three-unit hydroelectric generation facility located on the Kentucky side of the Ohio River. The Meldahl Project entered commercial operation in April 2016. The second project is the Greenup Project, an existing 70 MW plant majority-owned by the City of Hamilton, Ohio. The Division has contracted to receive 15 MW from the Meldahl-Greenup Projects, for a total of 50 MW (when combined with AMP Hydro Phase 1) from the five AMP hydroelectric projects.

Prairie State Energy Campus

AMP has a 23% ownership interest in the Prairie State Energy Campus in Illinois, a pulverized coal plant consisting of two generating units with a total rating of 1,582 MW. AMP is entitled to 368 MW as an owner of the facility in partnership with public power agencies and cooperatives in Illinois, Indiana, Kentucky and Missouri. The project is a "mouth-of-the mine" project that includes entitlement to 200 million tons of coal reserves in an adjacent coal mine. The project was developed by Peabody Energy and went into commercial operation in 2012. The Division purchases 25 MW from the Prairie State project through a participation agreement with AMP.

ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF NET POSITION
December 31, 2019
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 5,574
Land improvements	841
Utility plant	622,718
Buildings, structures and improvements	23,499
Furniture, fixtures, equipment and vehicles	91,472
	744,104
Less: Accumulated depreciation	(425,805)
	318,299
Construction in progress	35,462
CAPITAL ASSETS, NET	353,761
RESTRICTED ASSETS	
Cash and cash equivalents	4,130
Accrued interest receivable	4
TOTAL RESTRICTED ASSETS	4,134
CURRENT ASSETS	
Cash and cash equivalents	55,656
Restricted cash and cash equivalents	861
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $7,143	13,519
Recoverable costs of purchased power	1,215
Unbilled revenue	2,927
Due from other City of Cleveland departments, divisions or funds	3,070
Materials and supplies	9,226
Prepaid expenses	389
TOTAL CURRENT ASSETS	86,863
TOTAL ASSETS	444,758
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on debt refunding	10,470
Pension	10,622
OPEB	1,370
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,462

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF NET POSITION
December 31, 2019
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
NET POSITION	
Net investment in capital assets	$ 174,375
Restricted for capital projects	501
Restricted for debt service	2,445
Unrestricted	3,749
TOTAL NET POSITION	181,070
LIABILITIES	
LONG-TERM OBLIGATIONS-excluding amounts due within one year	
Accrued wages and benefits	355
Accreted interest payable	23,563
Revenue bonds	185,115
Net pension liability	36,152
Net OPEB liability	16,597
Other	1,431
TOTAL LONG-TERM OBLIGATIONS	263,213
CURRENT LIABILITIES	
Accounts payable	10,066
Other accrued expenses	417
Customer deposits and other liabilities	1,196
Current portion of accrued wages and benefits	2,743
Due to other City of Cleveland departments, divisions or funds	130
Accrued interest payable	1,021
Current payable from restricted assets	861
Current portion of long-term debt, due within one year	5,925
TOTAL CURRENT LIABILITIES	22,359
TOTAL LIABILITIES	285,572
DEFERRED INFLOWS OF RESOURCES	
Pension	535
OPEB	43
TOTAL DEFERRED INFLOWS OF RESOURCES	578

See notes to financial statements.

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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, 2019
(Amounts in Thousands)

OPERATING REVENUES		
Charges for services	$	203,778
TOTAL OPERATING REVENUES		203,778
OPERATING EXPENSES		
Purchased power		134,227
Operations		35,511
Maintenance		17,352
Depreciation		22,096
TOTAL OPERATING EXPENSES		209,186
OPERATING INCOME (LOSS)		(5,408)
NON-OPERATING REVENUE (EXPENSE)		
Investment income		648
Interest expense		(11,159)
Amortization of bond premiums and discounts		1,282
Other		6,099
TOTAL NON-OPERATING REVENUE (EXPENSE), NET		(3,130)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS		(8,538)
Capital and other contributions		33
INCREASE (DECREASE) IN NET POSITION		(8,505)
NET POSITION AT BEGINNING OF YEAR		189,575
NET POSITION END OF YEAR	$	181,070

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, 2019
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 207,471
Cash payments to suppliers for goods or services	(23,366)
Cash payments to employees for services	(18,742)
Cash payments for purchased power	(131,024)
Electric excise tax payments to agency fund and other	(5,066)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	29,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Electric excise tax receipts	6,009
Grants	33
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	6,042
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(14,339)
Principal paid on long-term debt	(5,640)
Interest paid on long-term debt	(7,270)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(27,249)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	650
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	650
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,716
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,931
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 60,647

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$ (5,408)
Adjustments:	
Depreciation	22,096
(Increase) decrease in assets:	
Accounts receivable, net	3,375
Recoverable costs of purchased power	3,203
Unbilled revenue	(116)
Due from other City of Cleveland departments, divisions or funds	337
Materials and supplies, net	835
Prepaid expenses	5
(Increase) decrease in deferred outflows of resources:	
Pension	(5,145)
OPEB	(93)
Increase (decrease) in liabilities:	
Accounts payable	(1,567)
Other accrued expenses	(31)
Customer deposits and other liabilities	97
Accrued wages and benefits	64
Due to other City of Cleveland departments, divisions or funds	(390)
Other long-term liabilities	(340)
Net pension liability	14,565
Net OPEB liability	2,835
Increase (decrease) in deferred inflows of resources:	
Pension	(4,095)
OPEB	(954)
TOTAL ADJUSTMENTS	34,681
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 29,273

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Accounts payable related to capital assets	$ 861

See notes to financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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.

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.

Inventory of Supplies: The Division's inventory is valued at average cost. Inventory costs are charged to operations when consumed.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in the financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expense is reported in the year in which services are consumed.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Division transfers electric excise tax revenue from billed customers on a monthly basis to an agency fund in the City. Additional electric excise tax revenue from large customers is invoiced separately and deposited directly into an agency fund in the City.

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.

Investments: The Division follows the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs. The Division's investments in money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

The Division has invested funds in the STAR Ohio during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pools Participants* for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at their acquisition value on the date contributed. 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 2019, total interest costs incurred amounted to $12,445,000, of which $1,183,000 was capitalized, net of interest income of $103,000.

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.

Deferred Outflows/Inflows 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) 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 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)

Net Pension/OPEB Liabilities: For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expenses, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2019, is as follows:

	Interest Rate	Original Issuance	2019
		(Amounts in Thousands)	
Revenue Bonds:			
Series 2008 B-2, due through 2038	5.13%-5.40%	$ 27,903	$ 27,903
Series 2014, due through 2038	5.50%	76,885	76,885
Series 2016, due through 2024	5.00%	42,025	32,605
Series 2018, due through 2038	5.00%	47,245	46,245
		$ 194,058	183,638
Less:			
Unamortized premium (discount)-current interest bonds (net)			7,402
Current portion			(5,925)
Total long-term debt			$ 185,115

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

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

Summary: Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2019	Due Within One Year
	(Amounts in Thousands)				
Revenue Bonds:					
Series 2008 B-2, due through 2038	$ 27,903	$	$	$ 27,903	$
Series 2014, due through 2038	76,885			76,885	
Series 2016, due through 2024	37,245		(4,640)	32,605	4,860
Series 2018, due through 2038	47,245		(1,000)	46,245	1,065
Total revenue bonds	189,278	-	(5,640)	183,638	5,925
Accrued wages and benefits	3,034	2,709	(2,645)	3,098	2,743
Net pension liability	21,587	14,565		36,152	
Net OPEB liability	13,762	2,835		16,597	
Total	$ 227,661	$ 20,109	$ (8,285)	$ 239,485	$ 8,668

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

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

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(Amounts in Thousands)		
2020	$ 5,925	$ 8,171	$ 14,096
2021	10,035	7,875	17,910
2022	10,540	7,373	17,913
2023	11,065	6,846	17,911
2024	11,615	6,293	17,908
2025-2029	42,095	47,453	89,548
2030-2034	47,763	41,793	89,556
2035-2038	44,600	27,044	71,644
	$ 183,638	$ 152,848	$ 336,486

The City has pledged future power system revenues, net of specified operating expenses, to repay $183,638,000 in Public Power System Revenue Bonds issued in various years since 2008. 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 58% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $336,486,000. Principal and interest paid for the current year and total net revenues were $14,093,000 and $24,309,000, respectively.

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 Division had no defeased debt outstanding at December 31, 2019.

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

Revenue bonds are payable from the revenues derived from operations of the Public Power System, after the payment of all operating and maintenance expenses (net revenues). The bonds are collateralized by a pledge of and lien on such net revenues and the special funds described below.

The indenture requires that, at all times, the Division will charge rates and fees for the products and services of the Public Power System. Revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the power system and an amount equal to 1.25 times the payments of principal and interest on the revenue bonds then outstanding and due in that year. As of December 31, 2019, 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. In the past, 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, Series 2016 Bonds and Series 2018 Bonds are not secured by the debt service reserve fund.

Renewal and Replacement Fund: The balance in this fund is maintained at a minimum of $1,000,000 and is to be applied against the cost of repair or replacement of capital assets in order to maintain the system.

Construction Fund: The proceeds from Series 1991, Series 1994 and Series 2008 Bonds of $12,050,000, $79,386,000 and $72,608,000, respectively, were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. As of December 31, 2019, the Division did not have any outstanding commitments for future construction costs that will be funded by available bond proceeds. 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, 2019, the Division's carrying amount of deposits totaled \$37,364,000 and the Division's bank balances totaled \$36,623,000. 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*, \$36,623,000 of the bank balances at December 31, 2019, 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: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. 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 (STAR Ohio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio Statute prohibits the use of reverse repurchase agreements.

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

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Division (excluding STAR Ohio and money market mutual funds) as of December 31, 2019:

Type of Investment	Fair Value	Fair Value Measurements Using Level 2
	(Amounts in Thousands)	
Commercial Paper	$ 351	$ 351
Total Investments	$ 351	$ 351

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, 2019, include STAR Ohio, commercial paper and money market mutual funds. Investments in STAR Ohio, Government Obligations 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 STAR Ohio 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, 2019, 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 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Accounting,* since they have a maturity of three months or less:

Type of Investment	2019 Value	2019 Cost	Investment Maturities Less than One Year
		(Amounts in Thousands)	
STAR Ohio	$ 19,654	$ 19,654	$ 19,654
Commercial Paper	351	351	351
Money Market Mutual Funds	3,278	3,278	3,278
Total Investments	23,283	23,283	23,283
Total Deposits	37,364	37,364	37,364
Total Deposits and Investments	$ 60,647	$ 60,647	$ 60,647

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 STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2019, the investments in STAR Ohio, commercial paper and money market mutual funds are approximately 84.4%, 1.5% and 14.1%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
		(Amounts in Thousands)		
Capital assets, not being depreciated:				
Land	$ 5,574	$	$	$ 5,574
Construction in progress	25,593	10,045	(176)	35,462
Total capital assets, not being depreciated	31,167	10,045	(176)	41,036
Capital assets, being depreciated:				
Land improvements	392	449		841
Utility plant	624,614	3,645	(5,541)	622,718
Buildings, structures and improvements	23,340	159		23,499
Furniture, fixtures, equipment and vehicles	92,338	445	(1,311)	91,472
Total capital assets, being depreciated	740,684	4,698	(6,852)	738,530
Less: Accumulated depreciation	(410,561)	(22,096)	6,852	(425,805)
Total capital assets being depreciated, net	330,123	(17,398)	-	312,725
Capital assets, net	$ 361,290	$ (7,353)	$ (176)	$ 353,761

Commitments: The Division has outstanding commitments of approximately $11,855,000 for future capital expenditures at December 31, 2019. 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 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 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 (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees, other than full-time police and firefighters, participate in 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 PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 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 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 3.0% 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 3.0%.

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $2,548,000 for 2019. 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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)	
Proportionate Share of the Net Pension Liability	$	36,152
Proportion of the Net Pension Liability		0.122549%
Change in proportion		(0.00271%)
Pension Expense	$	7,818

At December 31, 2019, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	4,664
Differences between expected and actual economic experience		2
Change in Division's proportionate share		456
Change in assumptions		2,952
Division's contributions subsequent to the measurement date		2,548
Total Deferred Outflows of Resources	$	10,622
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	495
Change in Division's proportionate share		40
Total Deferred Inflows of Resources	$	535

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

The $2,548,000 reported as deferred outflows of resources related to pension resulting from the 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, 2020. 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 Thousands)
Year Ending December 31:	
2020	$ 3,552
2021	1,493
2022	384
2023	2,125
2024	(6)
Thereafter	(9)
Total	$ 7,539

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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 3%, simple through 2018, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 2.94% for 2018.

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) 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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 contractually required rates, as actuarially determined. 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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 53,869	$ 36,152	$ 21,669

NOTE F – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability: The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Division's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – 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.

NOTE F – DEFINED BENEFIT OPEB PLANS *(*Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 OPERS Board of Trustees (Board) in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, 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 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board 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 0.0% for both plans in 2019. 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to the OPEB plan.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE F – DEFINED BENEFIT OPEB PLANS *(*Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS (Amounts in Thousands)	
Proportion of the Net OPEB Liability:		
Current Measurement Date		0.121120%
Prior Measurement Date		0.123223%
Change in Proportionate Share		(0.002103)%
Proportionate Share of the Net OPEB Liability	$	16,597
OPEB Expense	$	1,788

At December 31, 2019, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	**OPERS (Amounts in Thousands)**	
Differences between expected and actual experience	$	5
Net difference between projected and actual earnings on OPEB plan investments		724
Changes in assumptions		509
Changes in Division's proportionate share and difference in employer contibutions		132
Total Deferred Outflows of Resources	$	1,370
Deferred Inflows of Resources		
Differences between expected and actual experience	$	43
Total Deferred Inflows of Resources	$	43

NOTE F – DEFINED BENEFIT OPEB PLANS *(*Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)	
2020	$	631
2021		210
2022		121
2023		365
Total	$	1,327

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including wage inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

NOTE F – DEFINED BENEFIT OPEB PLANS *(*Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care Portfolio was a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

NOTE F – DEFINED BENEFIT OPEB PLANS *(*Continued)

Discount Rate: A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date as of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease 2.96%	Current Discount Rate 3.96%	1% Increase 4.96%
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 20,768	$ 16,597	$ 12,595

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

NOTE F – DEFINED BENEFIT OPEB PLANS *(*Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 15,585	$ 16,597	$ 16,940

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: The Division is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Division's project share was 80,000 kilowatts (kW) of a total 771,281 kW, giving the City a 10.37% project 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. Prior to 2014, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel Corporation (Bechtel). As a result of a March 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 Division's estimated share of the impaired costs at March 31, 2014, was $13,813,694. The Division 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, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired costs balance of $3,747,981. Because payment is now probable and reasonably estimable, the Division 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 Division's net impaired cost balance either positively or negatively. These amounts will be recorded as they become estimable.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In late 2016, AMP reached a settlement in the Bechtel litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014, the Division has made payments of $2,106,620 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Division's allocation of additional costs incurred by the project is $167,972 and interest expense incurred on AMP's line-of-credit of $266,199. As part of the Bechtel Settlement, the Division received a credit of $394,149 against its stranded cost liability, resulting in a net impaired cost estimate at December 31, 2019, of $1,681,383. The Division does have a potential PHFU Liability of $4,017,584 resulting in a net total potential liability of $5,698,967, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) has no value and also assuming the Division's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items like revenue from leases or sale of all or a portion of the Meigs County site property.

The Division intends to recover these costs and repay AMP over the next 10 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, *Items Previously Reported as Assets and Liabilities*. The Division 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, which the City is responsible for. 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 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 2019.

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, 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 year ended December 31, 2019, are as follows:

	(Amounts in Thousands)
Utilities Administration and Fiscal Control	$ 2,219
City Administration	1,782
Telephone Exchange	1,162
Division of Water	427
Motor Vehicle Maintenance	351

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 $1,182,000 for the year ended December 31, 2019.

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 collected $5,282,000 for this tax in 2019, of which $9,435 was remitted to the State. Ordinance No. 1311-17, passed April 3, 2017, directed that 100% of the proceeds go to the Division in 2018 and 2019.

NOTE K – SUBSEQUENT EVENTS

Effective February 19, 2020, the City issued $83,580,000 of Public Power System Revenue Refunding Bonds, Series 2020, to refund $83,395,000 of outstanding Series 2014 and Series 2016 Public Power System Bonds series 2014. The City issued the $63,100,000 Series 2020A Bonds as tax exempt bonds and the $20,470,000 Series 2020B Bonds as federally taxable bonds. As a result of this refunding, the City achieved net present value debt service savings of approximately $11,900,000 or 14.3%.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. The investments of the pension and other employee benefit plan in which the Division participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

Required Supplementary Information

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

	Division's Proportion of the Net Pension Liability	Division's Proportionate Share of the Net Pension Liability	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
			(Amounts in Thousands)		
2014	0.136385 %	$ 16,054	$ 15,462	103.83%	86.36%
2015	0.136385	16,397	17,067	96.07	86.45
2016	0.139410	23,597	17,775	132.75	81.08
2017	0.124709	29,488	16,542	178.26	77.55
2018	0.125259	21,587	16,769	128.73	84.66
2019	0.122549	36,152	17,543	206.08	74.70

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.

(2) Information prior to 2014 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

Required Supplementary Information (Continued)

Schedule of Contributions - Net Pension Liability
Ohio Public Employees Retirement System
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2013	$ 2,010	$ (2,010)	$ -	$ 15,462	13.00%
2014	2,048	(2,048)	-	17,067	12.00
2015	2,133	(2,133)	-	17,775	12.00
2016	1,985	(1,985)	-	16,542	12.00
2017	2,180	(2,180)	-	16,769	13.00
2018	2,456	(2,456)	-	17,543	14.00
2019	2,548	(2,548)	-	18,200	14.00

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

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

Required Supplementary Information (Continued)

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

	Division's Proportion of the Net OPEB Liability	Division's Proportionate Share of the Net OPEB Liability	Division's Covered Payroll	Division's Proportional Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
	(Amounts in Thousands)				
2017	0.122500 %	$ 12,374	$ 16,542	74.80%	54.04%
2018	0.123223	13,762	16,769	82.07	54.14
2019	0.121120	16,597	17,543	94.61	46.33

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.
(2) Information prior to 2017 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:
For 2019, the single discount rate changed from 3.85% to 3.96%.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

Required Supplementary Information (Continued)

Schedule of Contributions - Net OPEB Liability
Ohio Public Employees Retirement System
Last Four Years (1), (2), (3)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2016	$ 331	$ (331)	$ -	$ 16,542	2.00%
2017	168	(168)	-	16,769	1.00
2018	-	-	-	17,543	0.00
2019	-	-	-	18,200	0.00

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Directed Plan.
(3) Represents Division's calendar year. Information prior to 2016 is 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, 2019

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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, 2019, 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.

Subsequent Event Footnote

As discussed in Note J to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Division. 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, 2019, 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 and OPEB liabilities and pension and OPEB 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 25, 2020

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, 2019. 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 69 direct service communities, seven master meter communities and three emergency standby communities. They provide water to approximately 433,000 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 2019, the Division provided services to approximately 118,000 accounts located within Cleveland and approximately 315,000 accounts located in direct service communities. Water provided to each master meter community is metered at community's boundary. Consumers within the City of Cleveland accounted for 24.2% of the Division's metered sales revenue, while the direct service and master meter communities accounted for 71.8% and 4.0% 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.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEAR'S DATA

FINANCIAL HIGHLIGHTS

- The Division's net position was $1,528,597,000 and $1,500,852,000 at December 31, 2019 and 2018, respectively. Of these amounts, $316,793,000 and $347,085,000 are unrestricted net position at December 31, 2019 and 2018, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's overall net position increased by $27,745,000 during 2019. Operating revenues increased by $14,005,000 or 4.6% primarily due to an increase of metered service revenue.

- The total long-term revenue bonds and loans payable of the Division decreased by $55,301,000 due to scheduled principal payments on the bonds and loans and the refunding of various series of outstanding bonds.

- Investment income decreased by $6,258,000 or 68.4% due to fees associated with the termination of the interest rate swaps on the Series U, V and AA revenue 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 – 53.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Assets:		
Capital assets, net	$ 1,714,641	$ 1,699,295
Restricted assets	61,153	67,506
Current assets	483,369	489,057
Total assets	2,259,163	2,255,858
Deferred outflows of resources	60,163	51,730
Net position:		
Net investment in capital assets	1,154,482	1,090,009
Restricted for capital projects	1	1
Restricted for debt service	57,321	63,757
Unrestricted	316,793	347,085
Total net positon	1,528,597	1,500,852
Liabilities:		
Long-term obligations	705,321	695,924
Current liabilities	83,533	84,097
Total liabilities	788,854	780,021
Deferred inflows of resources	1,875	26,715

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Current Assets: The Division had a decrease in current assets of $5,688,000, primarily due to a decrease in unrestricted cash and cash equivalents of $6,766,000. The reduction is mainly attributed to a rise in capital outlays of $18,296,000, mostly related to water mains, partially offset by an increase in customer receipts of $16,079,000 due to an increase in consumption rates. There was also a decrease of $2,618,000 in net accounts receivable attributed to more timely receipt of customer payments at year end. Also, prepaid expenses increased by $1,656,000 due to more annual fees related to professional dues and subscriptions, professional services and computer maintenance being paid in advance.

Restricted Assets: The Division's restricted assets decreased by $6,353,000, primarily attributable to a $4,424,000 reduction in debt service payments needed for the following year.

Deferred Outflows of Resources: The Division's deferred outflows of resources increased by $8,433,000, due to the elimination of the interest rate swaps resulting in a decrease of $7,980,000 offset by an increase in the pension deferred outflows of resources of $18,004,000. The increase in pension is chiefly due to investment returns falling short of expectations.

Capital Assets: The Division's investment in capital assets, as of December 31, 2019, amounted to $1,714,641,000 (net of accumulated depreciation). The total net increase in the Division's investment in net capital assets was $15,346,000. A summary of the activity in the Division's capital assets during December 31, 2019, is as follows:

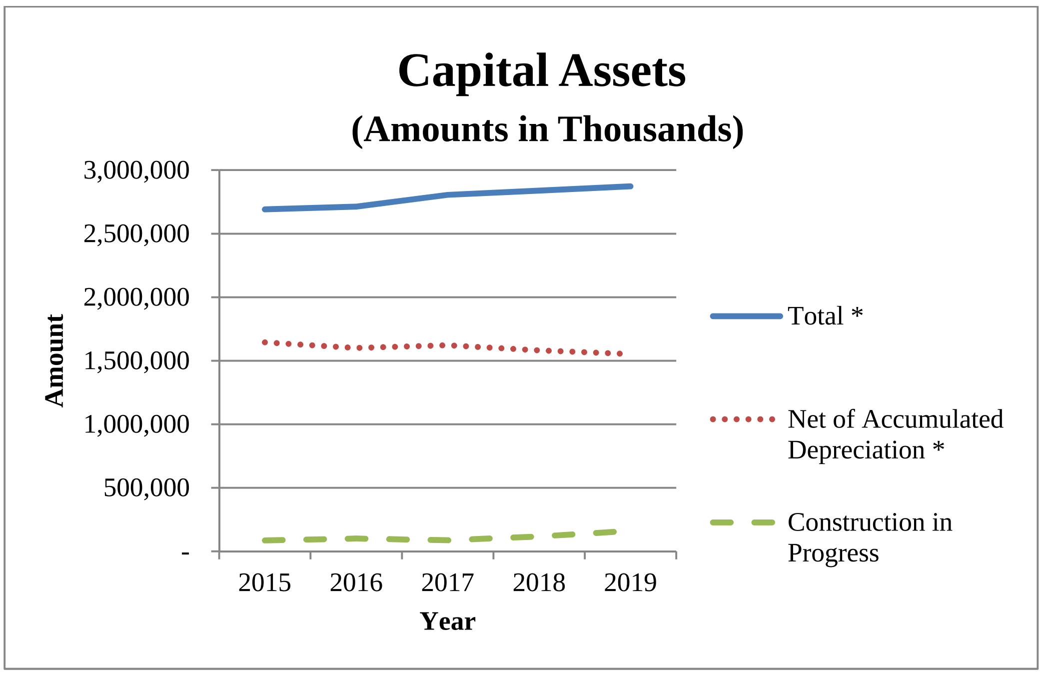
	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
		(Amounts in Thousands)		
Land	$ 5,443	$	$	$ 5,443
Land improvements	17,748	60		17,808
Utility plant	1,943,497	31,111	(1,703)	1,972,905
Buildings, structures and improvements	262,443	2,813		265,256
Furniture, fixtures, equipment and vehicles	608,639	14,091	(11,923)	610,807
Construction in progress	117,078	72,011	(27,026)	162,063
Total	2,954,848	120,086	(40,652)	3,034,282
Less: Accumulated depreciation	(1,255,553)	(77,659)	13,571	(1,319,641)
Capital assets, net	$ 1,699,295	$ 42,427	$ (27,081)	$ 1,714,641

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Utility plant had a net increase of $29,408,000, primarily due to the acquisition of Highland Heights' water mains and hydrants as well as completion of various utility plant projects. Additionally, construction in progress had additions and reductions of $72,011,000 and $27,026,000, respectively, resulting in a net increase of $44,985,000. The increase was related to additional spending on water main renewals, plant enhancement program, secondary site improvements and the automated meter reading implementation. The reductions are related to assets being placed into service.

Major projects still under construction chiefly consist of suburban water main renewals and related engineering services, phase two of the automated meter reading implementation, plant enhancement program and construction of the Aurora Road pump station.

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D – Capital Assets to the basic financial statements.



* Construction in Progress not included

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Obligations**:** In 2019, the factors contributing to the Division's net increase in long-term obligations of $9,397,000 is primarily due to a decrease in the non-current portion of revenue bonds and OWDA loans amounting to $40,195,000 and $8,431,000, respectively. These decreases are offset by increases in net pension and OPEB liabilities of $48,470,000 and $9,434,000, respectively, due to investment returns falling short of expectations.

Current Liabilities: In 2019, total current liabilities decreased by $564,000. The significant component of the change was the decreased amount of current portion of long-term debt related to principal payments offset by the increase of the current payable from restricted assets with more payables at year end related to construction projects.

Deferred Inflows of Resources: The Division's deferred inflows of resources decreased by $24,840,000 in 2019. Pension and OPEB deferred inflows of resources decreased by $13,854,000 and $3,006,000 respectively, due to investment returns fallings short of expectations. Also, the fair value of interest-rate swaps decreased by $7,980,000 due to being terminated.

Net Pension/OPEB Liabilities**:** The net pension liability is reported by the Division at December 31, 2019 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. In fiscal year 2018, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other OPEB. 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*) and postemployment benefits (GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Division's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB 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 and OPEB 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 and OPEB. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code (ORC) permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As previously explained, changes in benefits, contribution rates and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Division's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 75, the Division is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Debt: At the end of 2019, the Division had total long-term debt outstanding of $548,869,000. 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, 2019, is summarized below (excluding unamortized discounts and premiums):

	Balance January 1, 2019	Debt Issued	Debt Retired	Balance December 31, 2019
		(Amounts in Thousands)		
Long-Term Debt				
Water Revenue Bonds:				
Series G 1993	$ 35,550	$	$ (11,225)	$ 24,325
Series T 2009	37,065		(37,065)	-
Series U 2010	54,935		(54,935)	-
Series V 2010	26,495		(26,495)	-
Series W 2011	1,380		(1,380)	-
Series X 2012	27,575			27,575
Series Y 2015	116,205			116,205
Series Z 2015	995		(995)	-
Series AA 2015	90,800			90,800
Series BB 2017	15,715			15,715
Series CC 2017	54,730		(5,780)	48,950
Series DD 2019		97,160		97,160
Second Lien Series A 2012	24,755		(6,420)	18,335
Second Lien Series B 2017	42,495			42,495
Ohio Water Development Authority Loans	75,475		(8,166)	67,309
Total	$ 604,170	$ 97,160	$ (152,461)	$ 548,869

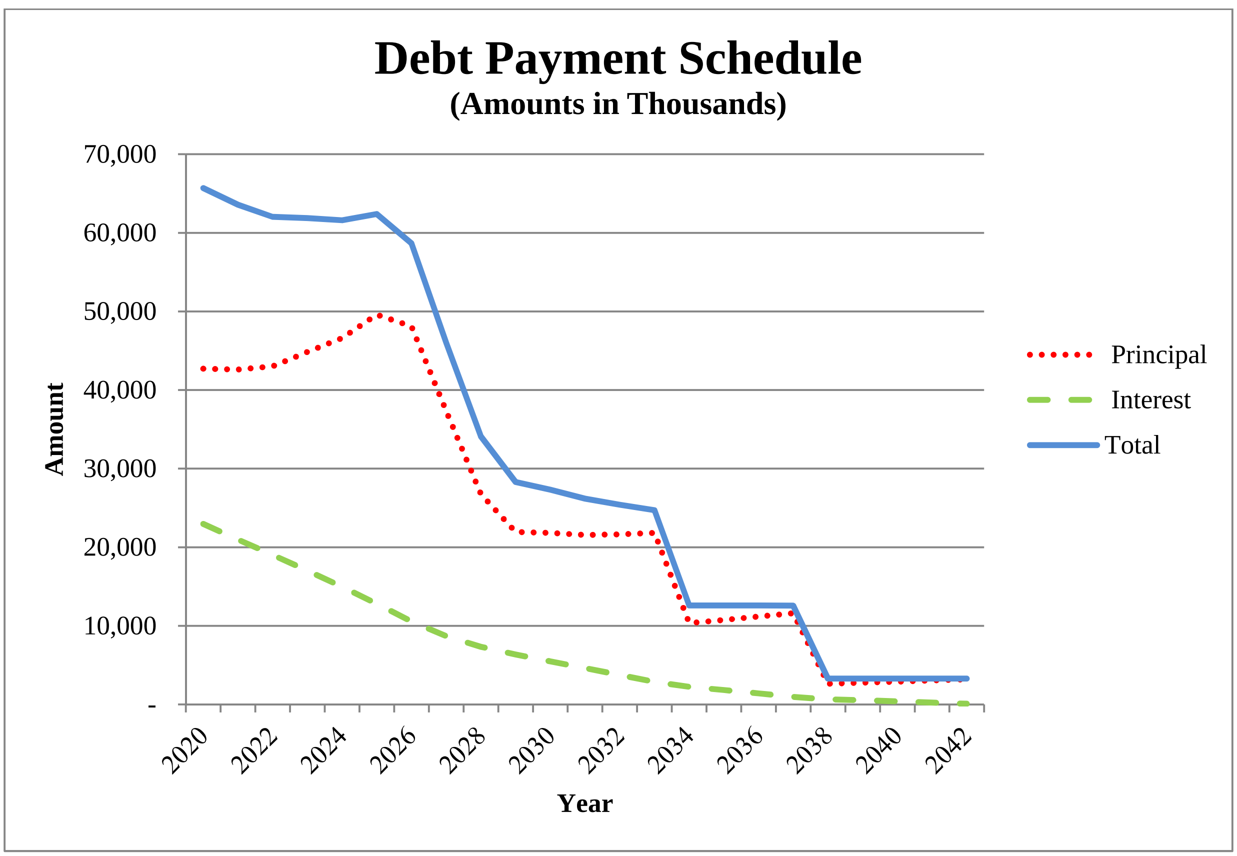
CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division’s outstanding revenue bonds as of December 31, 2019, are as follows:

	Moody’s Investors Service	Standard & Poor’s
Waterworks Revenue Bonds	Aa2	AA+
Second Lien Water Revenue Bonds	Aa3	AA

Effective July 29, 2019, Moody’s Investors Service lowered its rating on the Division’s Senior Lien Water Revenue Bonds to Aa2 (stable) from Aa1 and lowered its rating on the Second Lien Water Revenue Bonds to Aa3 from Aa2. This stemmed from the rating agency’s review of a number of credits nationwide in light of a court ruling in Puerto Rico regarding linkages between a utility and the city.

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, investors and creditors. The Division’s revenue bond coverage for 2019 and 2018 was 248% and 247%, respectively.



CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Debt service on the Division's bonded debt began 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 – Debt and Other Long-Term Obligations on pages 26 – 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 exceed liabilities and deferred inflows of resources by $1,528,597,000 and $1,500,852,000 at December 31, 2019 and 2018, respectively.

Of the Division's net position, $1,154,482,000 at December 31, 2019, 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, $57,322,000 at December 31, 2019, 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, $316,793,000, at December 31, 2019, 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 2019 by $27,745,000. The following table identifies the key elements of the Division's results of operations for the years ended December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Operating revenues	$ 320,155	$ 306,150
Operating expenses	289,977	273,156
Operating income (loss)	30,178	32,994
Non-operating revenue (expense):		
Investment income	2,888	9,146
Interest expense	(23,214)	(26,004)
Amortization of bond premiums and discounts	6,927	5,935
Gain (loss) on disposal of capital assets	(27)	(2,368)
Other	(715)	129
Total non-operating revenue (expense), net	(14,141)	(13,162)
Income (loss) before capital and other contributions	16,037	19,832
Capital and other contributions	11,708	10,822
Change in net position	$ 27,745	$ 30,654

Operating Revenue: In 2019, total operating revenues of the Division increased $14,005,000 or 4.6%. The rise is primarily attributed to an increase in metered service revenue of $12,914,000 as a result of a rate increase for the City and suburbs. Another increase in operating revenue was attributed to the fixed fee revenue. This increased $1,537,000 related to an increase in customers.

Operating Expenses: The overall increase in operating expenses of $16,821,000 in 2019 was primarily related to a $16,024,000 increase in salary and benefit costs. This is mainly attributed to an increase in pension expense of $11,609,000. An additional component that had an increase was credit card processing fees, which increased $779,000 due to more residents paying online or via credit card.

Additionally, there was a $4,813,000 increase in maintenance expense that was attributed to the repairs of hydrants, water mains, connections and valves.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Non-Operating Revenue: One component of non-operating revenue, investment income, decreased $6,258,000. This is primarily due to the fees associated with the termination of the interest rate swaps. The amortization of bond premiums and discounts increased $992,000 related to the annual amortization of the bonds.

Non-Operating Expense: Interest expense decreased $2,790,000 in 2019. This is related to the interest payments on the bonds and loans. The loss on disposal of capital assets was $2,341,000 lower than in 2018 related to less items being disposed of. In 2018 there were several meters that the Division realized a loss on; whereas, in 2019 there was only furniture and fixtures.

Capital and Other Contributions: In 2019, capital and other contributions amounted to $11,708,000. This was due to the Division acquiring the distribution mains in the city of Highland Heights.

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, 2019
(Amounts in Thousands)

ASSETS	
CAPITAL ASSETS:	
Land	$ 5,443
Land improvements	17,808
Utility plant	1,972,905
Buildings, structures and improvements	265,256
Furniture, fixtures and equipment	610,807
	2,872,219
Less: Accumulated depreciation	(1,319,641)
	1,552,578
Construction in progress	162,063
CAPITAL ASSETS, NET	1,714,641
RESTRICTED ASSETS:	
Cash and cash equivalents	61,088
Accrued interest receivable	65
TOTAL RESTRICTED ASSETS	61,153
TOTAL NONCURRENT ASSETS	1,775,794
CURRENT ASSETS:	
Cash and cash equivalents	405,002
Restricted cash and cash equivalents	3,695
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $16,810	48,485
Unbilled revenue	10,191
Accrued interest receivable	3
Due from other City of Cleveland departments, divisions or funds	2,670
Materials and supplies - at average cost	10,226
Prepaid expenses	3,097
TOTAL CURRENT ASSETS	483,369
TOTAL ASSETS	2,259,163
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on bond refunding	20,167
Pension	35,436
OPEB	4,560
TOTAL DEFERRED OUTFLOWS OF RESOURCES	60,163

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

STATEMENT OF NET POSITION
DECEMBER 31, 2019
(Amounts in Thousands)

NET POSITION	
Net investment in capital assets	$ 1,154,482
Restricted for capital projects	1
Restricted for debt service	57,321
Unrestricted	316,793
TOTAL NET POSITION	1,528,597
LIABILITIES	
LONG-TERM LIABILITIES: - excluding amounts due within one year	
Accrued wages and benefits	1,076
OWDA loans	58,878
Revenue bonds	482,497
Net pension liability	111,359
Net OPEB liability	51,511
TOTAL LONG-TERM LIABILITIES	705,321
CURRENT LIABILITIES:	
Accounts payable	13,607
Customer deposits and other liabilities	2,780
Current portion of accrued wages and benefits	9,407
Due to other City of Cleveland departments, divisions or funds	1,958
Accrued interest payable	9,370
Current payable from restricted assets	3,695
Current portion of long-term debt, due within one year	42,716
TOTAL CURRENT LIABILITIES	83,533
TOTAL LIABILITIES	788,854
DEFERRED INFLOWS OF RESOURCES	
Pension	1,732
OPEB	143
TOTAL DEFERRED INFLOWS OF RESOURCES	1,875

See notes to financial statements.

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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, 2019
(Amounts in Thousands)

OPERATING REVENUES:	
Charges for services	$ 320,155
TOTAL OPERATING REVENUES	320,155
OPERATING EXPENSES:	
Operations	142,497
Maintenance	74,855
Depreciation	72,625
TOTAL OPERATING EXPENSES	289,977
OPERATING INCOME (LOSS)	30,178
NON-OPERATING REVENUE (EXPENSE):	
Investment income (loss)	2,888
Interest expense	(23,214)
Amortization of bond discounts and premiums	6,927
Gain (loss) on disposal of capital asset	(27)
Other	(715)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(14,141)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	16,037
Capital and other contributions	11,708
INCREASE (DECREASE) IN NET POSITION	27,745
NET POSITION, BEGINNING OF YEAR	1,500,852
NET POSITION, END OF YEAR	$ 1,528,597

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, 2019
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 319,655
Cash payments to suppliers for goods and services	(110,207)
Cash payments to employees for services	(83,450)
Other	(135)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	125,863
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of revenue bonds, loans and notes	108,718
Acquisition and construction of capital assets	(75,616)
Principal paid on long-term debt	(45,226)
Interest paid on long-term debt	(20,567)
Cash paid to escrow agent for refunding	(107,793)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(140,484)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	2,914
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	2,914
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,707)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	481,492
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 469,785

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$ 30,178
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	72,625
(Increase) decrease in assets:	
Accounts receivable, net	2,618
Unbilled revenue	(75)
Due from other City of Cleveland departments, divisions or funds	(39)
Materials and supplies, net	(540)
Prepaid expenses	(1,656)
(Increase) decrease in deferred outflows of resources:	
Pension	(18,004)
OPEB	(525)
Increase (decrease) in liabilities:	
Accounts payable	(654)
Customer deposits and other liabilities	(36)
Accrued wages and benefits	710
Due to other City of Cleveland departments, divisions or funds	217
Net pension liability	48,470
Net OPEB liability	9,434
Increase (decrease) in deferred inflows of resources:	
Pension	(13,854)
OPEB	(3,006)
TOTAL ADJUSTMENTS	95,685
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 125,863

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Contributions and accounts payable related to capital assets	$ 15,403

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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.

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.

Inventory of Supplies: The Division's inventory is valued at average cost. Inventory costs are charged to operations when consumed.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in the financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expense is reported in the year in which services are consumed.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments: The Division follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application,* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs. The Division's investments in money market mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

The Division has invested funds in the STAR Ohio during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

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 their acquisition value on the date contributed. 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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019, total interest costs incurred amounted to $23,745,000, of which $531,000 was capitalized.

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.

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.

Deferred Outflows/Inflows 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 future period(s) and so will not be recognized as an outflow of resources (expense) 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 (revenues) until that time.

Net Pension/OPEB Liabilities: For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expenses, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2019, is as follows:

	Interest Rate	Original Issuance	2019
		(Amounts in Thousands)	
Water Revenue Bonds:			
Series G 1993 due through 2021	5.50%	$ 228,170	$ 24,325
Series X 2012 due through 2042	3.63%-5.00%	44,410	27,575
Series Y 2015 due through 2037	4.00%-5.00%	116,205	116,205
Series AA 2015 due through 2033	Variable	90,800	90,800
Series BB 2017 due through 2032	5.00%	15,760	15,715
Series CC 2017 due through 2028	5.00%	54,730	48,950
Series DD 2019 due through 2033	2.00%-5.00%	97,160	97,160
Second Lien Series A 2012 due through 2022	4.00%-5.00%	76,710	18,335
Second Lien Series B 2017 due through 2027	5.00%	43,095	42,495
Ohio Water Development Authority Loans payable annually through 2032	0.00%-3.00%	152,767	67,309
		$ 919,807	548,869
Adjustments:			
Unamortized discount and premium			35,222
Current portion			(42,716)
Total Long-Term Debt			$ 541,375

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

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

Summary: Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2019	Due Within One Year
	(Amounts in Thousands)				
Water Revenue Bonds:					
Series G 1993 due through 2021	$ 35,550	$	$ (11,225)	$ 24,325	$ 11,840
Series T 2009 due through 2021	37,065		(37,065)	-	
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	1,380		(1,380)	-	
Series X 2012 due through 2042	27,575			27,575	
Series Y 2015 due through 2037	116,205			116,205	1,245
Series Z 2015 due through 2019	995		(995)	-	
Series AA 2015 due through 2033	90,800			90,800	
Series BB 2017 due through 2032	15,715			15,715	
Series CC 2017 due through 2028	54,730		(5,780)	48,950	6,070
Series DD 2019 due through 2033		97,160		97,160	8,385
Second Lien Series A 2012 due through 2022	24,755		(6,420)	18,335	6,745
Second Lien Series B 2017 due through 2027	42,495			42,495	
Ohio Water Development Authority Loans payable annually through 2032	75,475		(8,166)	67,309	8,431
Total revenue bonds/loans	604,170	97,160	(152,461)	548,869	42,716
Accrued wages and benefits	9,773	9,526	(8,816)	10,483	9,407
Net pension liability	62,889	48,470		111,359	
Net OPEB liability	42,077	9,434		51,511	
Total	$ 718,909	$ 164,590	$ (161,277)	$ 722,222	$ 52,123

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
	(Amounts in Thousands)		
2020	$ 42,716	$ 22,966	$ 65,682
2021	42,605	20,976	63,581
2022	43,013	19,019	62,032
2023	44,840	17,022	61,862
2024	46,626	14,969	61,595
2025-2029	183,758	45,745	229,503
2030-2034	97,211	18,990	116,201
2035-2039	38,930	5,380	44,310
2040-2042	9,170	703	9,873
Total	$548,869	$165,770	$714,639

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 is 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).

At December 31, 2019, the amount financed on these eleven loan projects, less principal payments made, totaled $67,309,000 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, 2019:

Series X, 2012	$16,835,000
Second Lien Series A, 2012	$45,850,000

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

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 may be maintained for certain series of bonds and charges for fees to customers must be sufficient in amount, 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, 2019, 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 reserve 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. At December 31, 2019, only the Series G, 1993 Bonds were covered by the reserve fund.

Contingency Fund: The balance in this fund must be maintained at $3,500,000.

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

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 April 25, 2019, Water Revenue Bonds, Series DD, 2019, were issued in the amount of $97,160,000. The bonds were issued to currently refund $24,575,000 of outstanding Series T Bonds, $54,935,000 of Series U Bonds, $26,495,000 of Series V Bonds and $1,230,000 of Series W Bonds. As part of this bond deal, the City also terminated all interest rate swaps entered into with Morgan Stanley and JP Morgan and made a termination payment of $7,328,000 on the Series U and Series V swaps from the proceeds of the bonds. In addition, the Division used cash on hand in the amount of $570,500 to terminate the swaps associated with the Series AA Bonds. Through this refunding, the City was able to eliminate the risk associated with most of the Division's variable rate debt by refunding them with fixed rate bonds and by terminating all existing swaps. Additionally, the Division achieved present value debt service savings of $995,000.

On May 17, 2018, the Water Revenue Bonds, Series AA, 2015 were directly purchased by Royal Bank of Canada for a period of three years upon the expiration of the previous direct placement. The bonds remain in a variable rate mode with the Division now paying on a monthly basis an amount equal to SIFMA plus a spread.

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 $481,560,000 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 44.0% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $639,557,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were $44,670,000 and $105,691,000, respectively.

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

Interest Rate Swap Transactions: As part of the issuance of the $97,160,000 Water System Revenue Bonds, Series DD, 2019, bond proceeds and cash on hand were used to make termination payments to JP Morgan Chase Bank, N.A. and Morgan Stanley Capital Services, Inc. with respect to interest rate swap agreements related to the Series U, Series V and Series AA Bonds.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2019, totaled $10,943,000 and the Division's bank balances were $9,833,000 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,* $9,833,000 of the bank balances at December 31, 2019, 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: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. 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 (STAR Ohio); 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.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Division (excluding Star Ohio and money market mutual funds) as of December 31, 2019:

Type of Investment	Fair Value	Fair Value Measurement Level 2
	(Amounts in Thousands)	
Commercial Paper	$ 7,204	$ 7,204
Total Investments	$ 7,204	$ 7,204

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, 2019, include STAR Ohio, commercial paper and money market mutual funds. Investments in STAR Ohio, Government Obligations 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 STAR Ohio 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, 2019

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, 2019, 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, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Accounting*, since they have a maturity of three months or less:

Type of Investment	2019 Value	2019 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 396,854	$ 396,854	$ 396,854
Commercial Paper	7,204	7,204	7,204
Money Market Mutual Funds	54,784	54,784	54,784
Total Investments	458,842	458,842	458,842
Total Deposits	10,943	10,943	10,943
Total Deposits and Investments	$ 469,785	$ 469,785	$ 469,785

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 STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2019, the investments in STAR Ohio, commercial paper and money market mutual funds are approximately 86.5%, 1.6% and 11.9%, respectively, of the Division’s total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE D – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 5,443	$	$	$ 5,443
Construction in progress	117,078	72,011	(27,026)	162,063
Total capital assets, not being depreciated	122,521	72,011	(27,026)	167,506
Capital assets, being depreciated:				
Land improvements	17,748	60		17,808
Utility plant	1,943,497	31,111	(1,703)	1,972,905
Buildings, structures and improvements	262,443	2,813		265,256
Furniture, fixtures, equipment and vehicles	608,639	14,091	(11,923)	610,807
Total capital assets, being depreciated	2,832,327	48,075	(13,626)	2,866,776
Less: Accumulated depreciation	(1,255,553)	(77,659)	13,571	(1,319,641)
Total capital assets being depreciated, net	1,576,774	(29,584)	(55)	1,547,135
Capital assets, net	$ 1,699,295	$ 42,427	$ (27,081)	$ 1,714,641

Commitments: The Division has outstanding commitments at December 31, 2019, of approximately $168,083,000 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE E – 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 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 (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees, other than full-time police and firefighters, participate in 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 PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 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 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 3.0% 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 3.0%.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $8,502,000 for 2019. 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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)	
Proportionate Share of the Net Pension Liability	$	111,359
Proportion of the Net Pension Liability		0.407826%
Changes in Proportion		0.012167%
Pension Expense	$	25,140

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2019, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	15,694
Differences between expected and actual economic experience		5
Change in proportionate share		1,465
Change in assumptions		9,770
Division's contributions subsequent to the measurement date		8,502
Total Deferred Outflows of Resources	$	35,436
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	1,606
Change in Division's proportionate share		126
Total Deferred Inflows of Resources	$	1,732

The $8,502,000 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, 2020. 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 Thousands)	
2020	$	11,302
2021		5,300
2022		1,574
2023		7,072
2024		(17)
Thereafter		(29)
Total	$	25,202

NOTE E – DEFINED BENEFIT PENSION PLANS (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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 3%, simple Through 2018, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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.

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 2.94% for 2018.

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) 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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 contractually required rates, as actuarially determined. 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 PLANS (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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
		(Amounts in Thousands)	
Division's proportionate share of the net pension liability	$ 165,321	$ 111,359	$ 67,287

NOTE F – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability: The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Division's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

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

Plan Description – OPERS: OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, 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 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the Board 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 0.0% for both plans in 2019. 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to the OPEB plan.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS (Amounts in Thousands)	
Proportion of the Net OPEB Liability:		
Current Measurement Date		0.403070%
Prior Measurement Date		0.389228%
Change in Proportionate Share		0.013842%
Proportionate Share of the Net		
OPEB Liability	$	51,511
OPEB Expense	$	5,903

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2019, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between expected and actual economic experience	$	18
Net difference between projected and actual earnings in OPEB plan investments		2,409
Changes in assumptions		1,695
Change in Division's proportionate share and difference in employer contributions		438
Total Deferred Outflows of Resources	$	4,560
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	143
Total Deferred Inflows of Resources	$	143

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)	
2020	$	2,099
2021		701
2022		403
2023		1,214
Total	$	4,417

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 OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date as of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases,	
including inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00%, initial
	3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

During 2018, OPERS managed investments in three investment portfolios; the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care Portfolio was a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate: A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date as of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031 and the municipal bond rate was applied to all health care costs after that date.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 66,104	$ 51,511	$ 40,252

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 49,700	$ 51,511	$ 54,010

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, which the City is responsible for. 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 2019.

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides 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 from the Division of Water Pollution Control for such services was approximately $2,260,000 in 2019. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $669,000 in 2019.

NOTE H – RELATED PARTY TRANSACTIONS (Continued)

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, 2019 was as follows:

		(Amounts in Thousands)
Electricity Purchases	$	17,637
Utilities Administration and Utilities Fiscal Control		8,874
City Administration		4,554
Motor Vehicle Maintenance		2,832
Telephone Exchange		1,158

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 $4,826,000 for December 31, 2019.

NOTE J – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. The investments of the pension and other employee benefit plan in which the Division participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

Effective June 10, 2020, the City issued $15,815,000 Water Revenue Bonds, Series EE, 2020. These bonds were issued to refund $14,565,000 of outstanding Water Revenue Bonds, Series X, 2012. As a result of this refunding, the City achieved net present value debt service savings of $2.725 million or 18.7%. The Series EE Bonds were issued as federally taxable bonds. On June 11, 2020, the City issued $70,270,000 Water Revenue Bonds, Series FF, 2020. These tax-exempt bonds refunded the variable rate $90,800,000 Water Revenue Bonds, Series AA, 2015. The bonds were refunded as fixed rate bonds to take advantage of low interest rates. The Series FF Bonds were issued at a rate of 1.54%.

CITY OF CLEVELAND, OHIO
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 Six Measurement Years (1), (2)

	Division's Proportion of the Net Pension Liability	Division's Proportionate Share of the Net Pension Liability (Asset)	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		(Amounts in Thousands)			
2014	0.411161%	$ 48,397	$ 46,600	103.86%	86.36%
2015	0.411161	49,432	51,458	96.06	86.45
2016	0.396321	69,902	50,533	138.33	81.08
2017	0.379883	87,844	50,392	174.32	77.25
2018	0.395659	62,889	52,731	119.26	84.66
2019	0.407826	111,359	58,257	191.15	74.70

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.

(2) Information prior to 2014 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:
Change in assumptions. There were no changes in the methods or assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes in assumptions that affected the total pension liability since the prior measurement date: (a) a reduction of the discount rate from 8.0% to 7.5%, (b) for defined benefit investments, decreasing the wage inflation rate from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumption in 2018. For 2019, the following were the most significant changes that affected the total pension since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% to 7.2%.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

Required Supplementary Information (Continued)

Schedule of Contributions - Net Pension Liability
Ohio Public Employees Retirement System
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2013	$ 6,058	$ (6,058)	$ -	$ 46,600	13.00%
2014	6,175	(6,175)	-	51,458	12.00
2015	6,064	(6,064)	-	50,533	12.00
2016	6,047	(6,047)	-	50,392	12.00
2017	6,855	(6,855)	-	52,731	13.00
2018	8,156	(8,156)	-	58,257	14.00
2019	8,502	(8,502)	-	60,729	14.00

(1) Represents Division'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

Required Supplementary Information (Continued)

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

	Division's Proportion of the Net OPEB Liability	Division's Proportionate Share of the Net OPEB Liability	Division's Covered Payroll	Division's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
		(Amounts in Thousands)			
2017	0.373155%	$ 37,690	$ 50,392	74.79%	54.04%
2018	0.389228	42,077	52,731	79.80	54.14
2019	0.403070	51,511	58,257	88.42	46.33

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.

(2) Information prior to 2017 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

For 2019, the single discount rate changed from 3.85% to 3.96%.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

Required Supplementary Information (Continued)

Schedule of Contributions - Net OPEB Liability
Ohio Public Employees Retirement System
Last Four Years (1), (2), (3)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2016	$ 1,008	$ (1,008)	$ -	$ 50,392	2.00%
2017	527	(527)	-	52,731	1.00
2018	-	-	-	58,257	0.00
2019	-	-	-	60,729	0.00

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Directed Plan.

(3) Represents Division's calendar year. Information prior to 2016 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

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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, 2019

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above 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, 2019, 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.

Subsequent Event Footnote

As discussed in Note J to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Division. 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, 2019, 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 and OPEB liabilities and pension and OPEB 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 25, 2020

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water Pollution Control (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2019. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 16.

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 12 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 116,977 customer accounts in the City, of which 95.6% are residential and 4.4% commercial. Also, in 2019, the Division's sewers transported 1,674,321 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 HomeServe USA's residential service line protection plan. Accounts are billed monthly 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 YEAR'S DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $109,933,000 and $103,813,000 at December 31, 2019 and 2018, respectively. Of these amounts, $29,788,000 and $28,688,000 are unrestricted net position at December 31, 2019 and 2018, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net position rose by $6,120,000 in 2019, primarily due to an increase of $3,455,000 in capital and other contributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total debt increased in 2019 by $4,781,000 due to the receipt of an Ohio Water Development Authority (OWDA) loan which was offset by payment of principal on the Division's revenue bonds and outstanding loans.

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 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 basic financial statements can be found on pages 23 - 47 of this report. Required supplementary information can be found on pages 48 - 51 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below are the statements of net position information for the Division as of December 31, 2019 and December 31, 2018:

	2019	2018
	(Amounts in Thousands)	
Assets:		
Capital assets, net	$ 114,468	$ 100,828
Restricted assets	5,869	9,422
Current assets	202,377	193,043
Total assets	322,714	303,293
Deferred outflows of resources	4,660	2,636
Net position:		
Net investment in capital assets	77,238	72,531
Restricted for capital projects	250	
Restricted for debt service	2,657	2,594
Unrestricted	29,788	28,688
Total net position	109,933	103,813
Liabilities:		
Long-term obligations	60,108	48,925
Current liabilities	157,106	150,794
Total liabilities	217,214	199,719
Deferred inflows of resources	227	2,397

Current assets: The Division's current assets increased by $9,334,000. Net accounts receivable increased by $8,425,000, primarily attributed to rising sewer rates. In addition, cash and cash equivalents increased by $1,035,000.

Restricted assets: The Division's restricted assets decreased by $3,553,000, primarily due to disbursements of bond proceeds for construction related expenses.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: At December 31, 2019, net capital assets amounted to $114,468,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2019, is as follows:

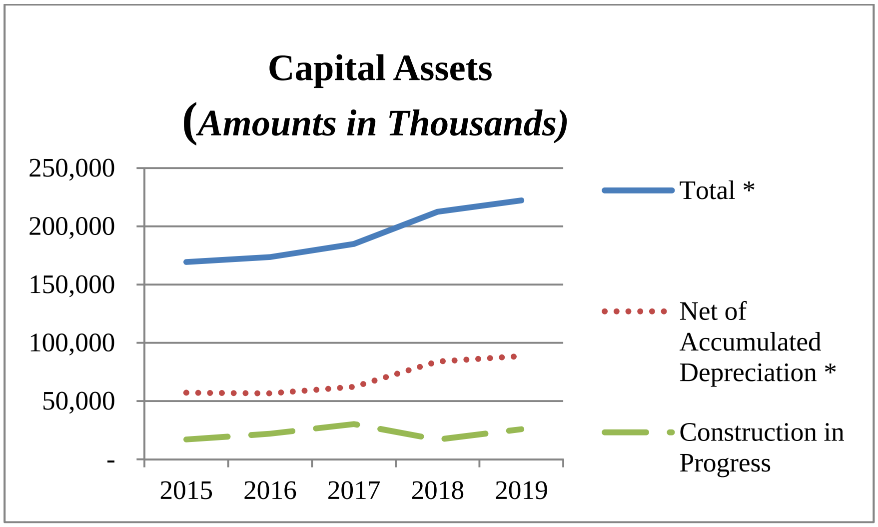
	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
	(Amounts in Thousands)			
Land	$ 297	$	$ (2)	$ 295
Land improvements	145	11		156
Utility plant	183,614	8,058		191,672
Buildings, structures and improvements	10,175	1,300		11,475
Furniture, fixture, equipment and vehicles	18,300	1,197	(919)	18,578
Construction in progress	16,926	18,904	(9,967)	25,863
Total	229,457	29,470	(10,888)	248,039
Less: Accumulated depreciation	(128,629)	(5,861)	919	(133,571)
Capital assets, net	$ 100,828	$ 23,609	$ (9,969)	$ 114,468

In 2019, the principal outlays for construction in progress included manholes and catch basins, East 75th Street rehabilitation, building improvements, and pump station renovations.

The major capital additions for the year included:

- East 185th Street and Marcella Road
- Rehabilitating and relining sewers
- Sewer installations
- Motor vehicles

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 – Capital Assets.

Deferred outflows of resources: Deferred outflows of resources increased by $2,024,000 in 2019, primarily due to an increase of $1,992,000 in deferred outflows of resources related to pension, mainly due to investment returns falling short of expectations.

Current liabilities: Current liabilities increased by $6,312,000 in 2019, mainly due to an increase in amounts due for billings on behalf of others of $5,339,000. The growth is primarily attributed to rising sewer account balances associated with the NEORSD. A decrease in payable from restricted assets of $287,000 is due to lower amounts payable for construction related expenses at year end.

***Net pension/OPEB liabilities*:** The net pension liability is reported by the Division at December 31, 2019 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In 2018, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to OPEB. 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

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. Prior accounting for pensions (GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*) and postemployment benefits (GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Division's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code (ORC) permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As previously explained, changes in benefits, contribution rates and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Division's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 75, the Division is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Long-term debt: At the end of 2019, the Division had total debt outstanding of $36,121,000 associated with its issuance of revenue bonds, two Ohio Public Works Commission (OPWC) construction loans and one OWDA loan. The revenue bonds are backed by the net revenues of the Division. The loans are payable from revenues generated by the Division but do not have a lien on the revenues.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2019 is summarized below:

	Balance January 1, 2019	Debt Issued	Debt Retired	Balance December 31, 2019
	(Amounts in Thousands)			
Water Pollution Control Revenue Bonds, Series 2016	$ 31,270	$	$ (590)	$ 30,680
Ohio Water Development Authority Loan (OWDA)		5,395		5,395
Ohio Public Works Commission Loans (OPWC)	70		(24)	46
Total	$ 31,340	$ 5,395	$ (614)	$ 36,121

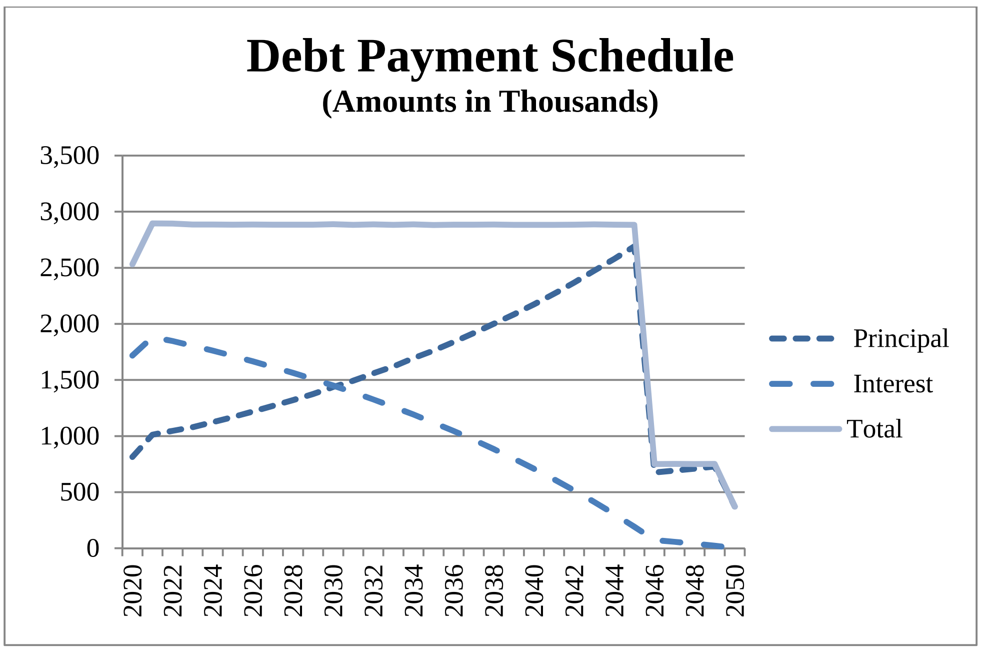
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bonds ratings for the Division's outstanding revenue bonds as of December 31, 2019, are as follows:

	Moody's Investors Service	Standard & Poor's
Water Pollution Control Revenue Bonds	Aa3	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 and investors. The Division's revenue bond coverage for 2019 and 2018 was 525% and 483%, respectively.



Additional information on the Division's long-term debt can be found in Note B – Long-term Obligations on pages 26 - 30.

Deferred inflows of resources: Deferred inflows of resources decreased by $2,170,000 in 2019. The decrease is primarily attributed to declines in pension and OPEB deferred inflows of resources due to investment returns falling short of expectations.

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 exceeded liabilities and deferred inflows of resources by $109,933,000 and $103,813,000 at December 31, 2019 and 2018, respectively.

The largest portion of the Division's net position, $77,238,000 at December 31, 2019, 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.

An additional portion of the Division's net position, $2,907,000 at December 31, 2019, 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 net position, $29,788,000 at December 31, 2019, 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 2019, the Division's operations increased its net position by $6,120,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Operating revenues	$ 32,176	$ 30,019
Operating expenses	30,255	28,854
Operating income (loss)	1,921	1,165
Non-operating revenue (expense):		
Investment income	875	642
Interest expense	(694)	
Amortization of bond premiums and discounts	273	276
Gain (loss) on the disposal of assets	(2)	(43)
Other	34	11
Total non-operating revenue (expense), net	486	886
Income (loss) before capital and other contributions	2,407	2,051
Capital and other contributions	3,713	258
Change in net position	$ 6,120	$ 2,309

Operating revenues: Operating revenues amounted to $32,176,000 in 2019, which was an increase of $2,157,000 from the previous year. The growth is primarily attributed to a $1,691,000 or 21.8% increase in fixed fee revenue due to a rate increase.

Operating expenses: In 2019, total operating expenses increased by $1,401,000. Operations expense increased by $1,374,000 compared to 2018. The growth is primarily attributed to a $1,345,000 increase in pension expense, mainly due to investment returns falling short of expectations. In addition, salary costs increased by $218,000, mainly due to fulfillment of budgeted positions.

There was $728,000 increase in maintenance expense that was primarily attributed to a $483,000 increase in salary costs related to the previously mentioned reason.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Non-operating revenues: From 2018 to 2019, non-operating revenues increased by $253,000 or 27.2%. This increase is primarily related to increase in interest revenue of $233,000 due to higher average cash balances.

Non-operating expenses: From 2018 to 2019, non-operating expenses increased by $653,000. The rise is attributed to a $694,000 increase in interest expense due to completion of various construction projects resulting in lower interest capitalization. The increase was offset by a reduction in loss on disposal of assets of $41,000.

Capital and other contributions: The Division was the recipient of multiple grants totaling $3,713,000, an increase of $3,455,000 from the prior year. The rise is primarily attributed to an increase of $3,228,000 in a grant provided by the NEORSD intended to help mitigate the detrimental effects of storm water runoff.

ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2019
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 295
Land improvements	156
Utility plant	191,672
Buildings, structures and improvements	11,475
Furniture, fixtures, equipment and vehicles	18,578
	222,176
Less: Accumulated depreciation	(133,571)
	88,605
Construction in progress	25,863
CAPITAL ASSETS, NET	114,468
RESTRICTED ASSETS	
Cash and cash equivalents	5,863
Accrued interest receivable	6
TOTAL RESTRICTED ASSETS	5,869
CURRENT ASSETS	
Cash and cash equivalents	79,530
Restricted cash and cash equivalents	1,222
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $2,483	118,643
Unbilled revenue	1,935
Accrued interest receivable	29
Due from other governments	250
Due from other City of Cleveland departments, divisions or funds	40
Materials and supplies	659
Prepaid expenses	69
TOTAL CURRENT ASSETS	202,377
TOTAL ASSETS	322,714
DEFERRED OUTFLOWS OF RESOURCES	
Pension	4,121
OPEB	539
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,660

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2019
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	77,238
Restricted for capital projects		250
Restricted for debt service		2,657
Unrestricted		29,788
TOTAL NET POSITION		109,933
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OWDA loans		5,215
OPWC loans		22
Accrued wages and benefits		180
Revenue bonds		34,426
Net pension liability		13,840
Net OPEB liability		6,425
TOTAL LONG-TERM OBLIGATIONS		60,108
CURRENT LIABILITIES		
Accounts payable		1,636
Customer deposits and other liabilities		198
Payable from restricted assets		1,222
Accrued wages and benefits		1,149
Due to other City of Cleveland departments, divisions or funds		2,688
Amounts due for billing on behalf of others		149,209
Accrued interest payable		190
Current portion of long-term debt, due within one year		814
TOTAL CURRENT LIABILITIES		157,106
TOTAL LIABILITIES		217,214
DEFERRED INFLOWS OF RESOURCES		
Pension		210
OPEB		17
TOTAL DEFERRED INFLOWS OF RESOURCES		227

See notes to financial statements.

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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, 2019
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 32,176
TOTAL OPERATING REVENUES	32,176
OPERATING EXPENSES	
Operations	14,297
Maintenance	10,097
Depreciation	5,861
TOTAL OPERATING EXPENSES	30,255
OPERATING INCOME (LOSS)	1,921
NON-OPERATING REVENUE (EXPENSE)	
Investment income	875
Interest expense	(694)
Amortization of bond premiums and discounts	273
Gain (loss) on disposal of assets	(2)
Other	34
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	486
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	2,407
Capital and other contributions	3,713
INCREASE (DECREASE) IN NET POSITION	6,120
NET POSITION, BEGINNING OF YEAR	103,813
NET POSITION, END OF YEAR	$ 109,933

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, 2019
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	31,764
Cash payments to suppliers for goods or services		(9,212)
Cash payments to employees for services		(10,667)
Agency activity on behalf of NEORSD		(3,547)
Other		(74)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		8,264
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds, loans and notes		5,369
Acquisition and construction of capital assets		(19,723)
Principal paid on long-term debt		(614)
Interest paid on long-term debt		(766)
Capital grant proceeds		3,721
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(12,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments		957
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		957
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,792)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		89,407
CASH AND CASH EQUIVALENTS, END OF YEAR	$	86,615

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$	1,921
Adjustments		
Depreciation		5,861
(Increase) decrease in assets:		
Accounts receivable, net		(8,425)
Unbilled revenue		(92)
Due from other City of Cleveland departments, divisions or funds		(13)
Materials and supplies, net		(68)
Prepaid expenses		(3)
(Increase) decrease in deferred outflows of resources:		
Pension		(1,992)
OPEB		(32)
Increase (decrease) in liabilities:		
Accounts payable		970
Customer deposits and other liabilities		8
Accrued wages and benefits		12
Due to other City of Cleveland departments, divisions or funds		103
Amounts due for billings on behalf of others		5,339
Net pension liability		5,730
Net OPEB liability		1,115
Increase (decrease) in deferred inflows of resources:		
Pension		(1,791)
OPEB		(379)
TOTAL ADJUSTMENTS		6,343
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	8,264

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Accounts payable related to capital assets	$	1,222

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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.

The Division's net position is accounted for in the accompanying statements of net position and is divided into the following categories:

- Net investment in capital assets
- Restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from 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.

Inventory of Supplies: The Division's inventory is valued at average cost. Inventory costs are charged to operations when consumed.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in the financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expense is reported in the year in which services are consumed.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables: The Division's share of the accounts receivable balance is $12,892,000, net of allowance for doubtful accounts of $2,483,000. The remaining net accounts receivable balance of $105,751,000 belongs to the Northeast Ohio Regional Sewer District (NEORSD), other municipalities in the Greater Cleveland Region and to HomeServe USA, and is 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.

Investments: The Division follows the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs. The Division's investments in money market mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

The Division has invested funds in STAR Ohio during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at their acquisition value on the date contributed. 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
Land improvements	15 to 100 years
Building, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019, total interest costs incurred amounted to $1,542,000, of which $753,000 was capitalized, net of interest income of $95,000.

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.

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.

Net Pension/OPEB Liabilities: For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expenses, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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 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, 2019 as follows:

	Interest Rate	Original Issuance	2019
		(Amounts in Thousands)	
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	4.00% - 5.00%	$ 32,390	$ 30,680
Ohio Water Development Authority (OWDA) Loans payable annually through 2050	2.47%	5,395	5,395
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	0.00%	481	46
		$ 38,266	36,121
Less:			
Unamortized discount and premium			4,356
Current portion			(814)
Total Long-Term Debt			$ 39,663

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2019	Due Within One Year
	(Amounts in Thousands)				
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	$ 31,270	$	$ (590)	$ 30,680	$ 610
Ohio Water Development Authority (OWDA) Loans payable annually through 2050		5,395		5,395	180
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	70		(24)	46	24
Total bonds and loans	31,340	5,395	(614)	36,121	814
Accrued wages and benefits	1,317	1,179	(1,167)	1,329	1,149
Net pension liability	8,110	5,730		13,840	
Net OPEB liability	5,310	1,115		6,425	
Total	$ 46,077	$ 13,419	$ (1,781)	$ 57,715	$ 1,963

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(Amounts in Thousands)		
2020	$ 814	$ 1,717	$ 2,531
2021	1,012	1,882	2,894
2022	1,046	1,847	2,893
2023	1,080	1,805	2,885
2024	1,124	1,761	2,885
2025-2029	6,352	8,066	14,418
2030-2034	7,804	6,619	14,423
2035-2039	9,602	4,814	14,416
2040-2044	11,862	2,556	14,418
2045-2049	5,497	387	5,884
2050	371	4	375
Total	$ 46,564	$ 31,458	$ 78,022

The above schedule of minimum principal and interest payments on long-term debt includes the amortization on two OPWC loans and one OWDA loan provided to the City.

On January 31, 2019, the Ohio Water Development Authority approved a loan for phase one of the E. 185th Street and Marcella Rd relief sewer. The total loan amount is $15,770,000 and repayment is scheduled to begin on January 1, 2021.

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant terms of the new loan. From the information received, the City prepared a detailed amortization schedule for the loan based upon the amount expected to be financed, regardless of whether the City has received all of the loan proceeds. At December 31, 2019, the amount financed on this loan, which is reflected in the amortization schedule, exceeds the actual loan balance shown in the long term debt outstanding by $10,443,000. However, the amortization schedule is tentative and will be revised when the final amount financed is determined.

The Ohio Public Works Commission Loans and the Ohio Water Development Authority Loan are being paid from the revenues derived from operations of the Division.

On April 14, 2016, the City issued $32,390,000 Water Pollution Control Revenue Bonds, Series 2016 (Green Bonds). This was the first series of revenue bonds issued by the Division, with the bonds being issued under and secured by a newly created Master Trust Agreement. The proceeds of these bonds were used to pay capital costs relating to the acquisition, construction and improvement of the system along with funding the debt service reserve requirement and paying the costs of issuing the bonds.

NOTE B - LONG-TERM OBLIGATIONS (Continued)

In conjunction with the issuance of the Water Pollution Control Revenue Bonds, Series 2016 the City entered into a Master Trust Agreement for the Series 2016 Bonds and any future series of revenue bonds. Under the terms of the Trust Agreement, the Bonds are special obligations payable solely from and secured by a pledge of and lien on the net revenues of the Division and the Special Funds. The Special Funds include the construction fund, the debt service fund, the debt service reserve fund, the rate stabilization fund, the contingency fund and the balance sub fund.

The indenture requires that the City will at all times prescribe, charge and collect such rates, rental and other charges for the use of the services of the system and will restrict the operating expenses of the system in such a way that the net revenues available for debt service in each fiscal year shall be not less than the greater of i) 120.0% of debt service on all bonds then outstanding and payable during the fiscal year or ii) 100.0% of the sum of (a) debt service on all bonds then outstanding payable during that fiscal year, (b) all required deposits to the debt service reserve fund during that fiscal year, (c) all required deposits to the subordinated debt service fund and to any reserve fund securing subordinated indebtedness during the fiscal year, (d) all required deposits to the contingency fund during the fiscal year and (e) debt service payable on any other obligations payable from the balance sub fund and deposits to any reserve funds securing such other obligations. As of December 31, 2019, the Division was in compliance with the terms and requirements of the indenture.

The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund**:** All revenues of the system are required to be deposited first into the revenue fund. Every month, amounts in the fund are first applied to the payment of operating expenses. A reasonable amount is also maintained in this fund as a working capital reserve.

Debt Service Fund**:** Deposits are made from the revenue fund on a monthly basis 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 fund at any given 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. The City may elect not to secure any series of bonds with the reserve fund.

Contingency Fund**:** The balance in this fund must be maintained at a minimum of $1,000,000. Amounts in this fund may be used for the payment of capital costs or for redeeming bonds.

Balance Subfund**:** Amounts in this fund may be used for any lawful purpose of the water pollution control system.

Construction Fund**:** Proceeds of the various series of revenue bonds are deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs and issuance costs.

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.

NOTE B - LONG-TERM OBLIGATIONS (Continued)

The City has pledged future water pollution control revenues to repay $30,680,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds were used to pay capital costs relating to the acquisition, construction and improvement of the system. The bonds are payable from water pollution control net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 20.0% of net revenues.

The total principal and interest remaining to be paid on the Water Pollution Control Revenue Bonds is $55,459,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $2,135,000 and $11,214,000 respectively.

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 no SRF loan awards related to projects as of December 31, 2019.

In addition, the Division had two OPWC loan awards as of December 31, 2019. 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, 2019, totaled $11,274,000 and the Division's bank balances were approximately $13,908,000. 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*, $13,908,000 of the bank balances at December 31, 2019, was insured or collateralized with securities held by the City or by its agent in the City's name.

NOTE C – DEPOSIT AND INVESTMENTS (Continued)

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 110.0% of the carrying value of the deposits being secured.

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. 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 (STAR Ohio); 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 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, 2019 include STAR Ohio and money market mutual funds. The Division maintains the highest ratings for their investments. Investments in STAR Ohio, Morgan Stanley Government Institutional Funds and the 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 STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE C – DEPOSIT 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, 2019, 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 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Accounting,* since they have a maturity of three months or less:

Type of Investment	2019 Value	2019 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 36,140	$ 36,140	$ 36,140
Money Market Mutual Funds	39,201	39,201	39,201
Total Investments	75,341	75,341	75,341
Total Deposits	11,274	11,274	11,274
Total Deposits and Investments	$ 86,615	$ 86,615	$ 86,615

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 STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2019, the investments in STAR Ohio and money market mutual funds are 48.0% and 52.0%, respectively, of the Division's total investments.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$ (2)	$ 295
Construction in progress	16,926	18,904	(9,967)	25,863
Total capital assets, not being depreciated	17,223	18,904	(9,969)	26,158
Capital assets, being depreciated:				
Land improvements	145	11		156
Utility plant	183,614	8,058		191,672
Buildings, structures and improvements	10,175	1,300		11,475
Furniture, fixtures, equipment and vehicles	18,300	1,197	(919)	18,578
Total capital assets, being depreciated	212,234	10,566	(919)	221,881
Less: Accumulated depreciation	(128,629)	(5,861)	919	(133,571)
Total capital assets being depreciated, net	83,605	4,705	-	88,310
Capital assets, net	$ 100,828	$ 23,609	$ (9,969)	$ 114,468

Commitments: The Division had outstanding commitments of approximately $23,343,000 for future capital expenses at December 31, 2019. 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 (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code (ORC) 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): Division's employees, other than full-time police and firefighters, participate in 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 (COLA) to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 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.

When a benefit recipient has received benefits for 12 months, an annual 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 3.0% 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 3.0%.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer. For 2019, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls. The Division's contractually required contribution was $1,042,000 for 2019. 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, 2018, 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 Thousands)
Proportionate Share of the Net Pension Liability	$ 13,840
Proportion of the Net Pension Liability	0.048216%
Change in proportion	(0.001490%)
Pension Expense	$ 2,994

At December 31, 2019, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)
Deferred Outflows of Resources	
Difference in projected and actual investment earnings	$ 1,738
Differences between expected and actual economic experience	1
Change in Division's proportionate share	180
Change in assumptions	1,160
Division's contributions subsequent to the measurement date	1,042
Total Deferred Outflows of Resources	$ 4,121
Deferred Inflows of Resources	
Differences between expected and actual economic experience	$ 195
Change in Division's proportionate share	15
Total Deferred Inflows of Resources	$ 210

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The $1,042,000 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, 2020. 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 Thousands)	
Year Ending December 31:		
2020	$	1,311
2021		583
2022		145
2023		836
2024		(2)
Thereafter		(4)
Total	$	2,869

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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	3.25%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple
	through 2018, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 2.94% for 2018.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) 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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 contractually required rates, as actuarially determined. 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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 20,846	$ 13,840	$ 8,114

NOTE F – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability: The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – OPERS: OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer Defined Benefit Pension Plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 OPERS Board of Trustees (Board) in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, 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 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board 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 0.0% for both plans in 2019. 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to the OPEB plan.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS (Amounts in Thousands)
Proportion of the Net OPEB Liability:		
Current Measurement Date		0.047654%
Prior Measurement Date		0.048898%
Change in Proportionate Share		(0.001244%)
Proportion Share of the Net OPEB Liability	$	6,425
OPEB Expense	$	704

At December 31, 2019, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		OPERS (Amounts in Thousands)
Deferred Outflows of Resources		
Differences between expected and actual economic experience	$	2
Net difference between projected and actual earnings on OPEB plan investments		285
Changes in assumptions		200
Changes in Division's proportionate share and difference in employer contributions		52
Total Deferred Outflows of Resources	$	539
Deferred Inflows of Resources		
Differences between expected and actual experience	$	17
Total Deferred Inflows of Resources	$	17

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)	
2020	$	248
2021		83
2022		48
2023		143
Total	$	522

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including wage inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care Portfolio was a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate: A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date as of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 8,231	$ 6,425	$ 4,989

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
		(Amounts in Thousands)	
Division's proportionate share of the net OPEB liability	$ 6,175	$ 6,425	$ 6,712

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, which the City is responsible for. 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 2019.

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides sewer services to the City, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City, which by ordinance are provided free sewer services. Billing, 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 $2,260,000 in 2019.

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, 2019, was as follows:

	(Amounts in Thousands)
Utilities Administration and Utilities Fiscal Control	$ 1,233
City Administration	1,010
Motor Vehicle Maintenance	311
Electricity purchases	197
Street construction/repairs	81

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 $26,000 for the year ended December 31, 2019.

NOTE I – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. The investments of the pension and other employee benefit plan in which the Division participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Division’s future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

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 Six Measurement Years (1), (2)

	Division's Proportion of the Net Pension Liability	Division's Proportionate Share of the Net Pension Liability	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	(Amounts in Thousands)				
2014	0.054153 %	$ 6,375	$ 6,138	103.86%	86.36%
2015	0.054153	6,511	6,783	95.99	86.45
2016	0.047798	8,979	6,092	147.39	81.08
2017	0.047965	11,245	6,367	176.61	77.25
2018	0.049706	8,110	6,585	123.16	84.66
2019	0.048216	13,840	6,850	202.04	74.70

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.

(2) Information prior to 2014 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

Required Supplementary Information (Continued)

Schedule of Contributions - Net Pension Liability
Ohio Public Employees Retirement System
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2013	$ 798	$ (798)	$ -	$ 6,138	13.00%
2014	814	(814)	-	6,783	12.00
2015	731	(731)	-	6,092	12.00
2016	764	(764)	-	6,367	12.00
2017	856	(856)	-	6,585	13.00
2018	959	(959)	-	6,850	14.00
2019	1,042	(1,042)	-	7,443	14.00

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

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

Required Supplementary Information (Continued)

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

	Division's Proportion of the Net OPEB Liability	Division's Proportionate Share of the Net OPEB Liability	Division's Covered Payroll	Division's Proportional Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
			(Amounts in Thousands)		
2017	0.047116 %	$ 4,758	$ 6,367	74.73%	54.05%
2018	0.048898	5,310	6,585	80.64	54.14
2019	0.047654	6,425	6,850	93.80	46.33

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.

(2) Information prior to 2017 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

For 2019, the single discount rate changed from 3.85% to 3.96%.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

Required Supplementary Information (Continued)

Schedule of Contributions - Net OPEB Liability
Ohio Public Employees Retirement System
Last Four Years (1), (2), (3)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2016	$ 127	$ (127)	$ -	$ 6,367	2.00%
2017	66	(66)	-	6,585	1.00
2018	-	-	-	6,850	0.00
2019	-	-	-	7,443	0.00

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the
(3) Represents Division's calendar year. Information prior to 2016 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2019

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2019 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to 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, 2019, 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.

Subsequent Event Footnote

As discussed in Note K to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Division. 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, 2019, 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 and OPEB liabilities and pension and OPEB 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 25, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Works, Division of Parking Facilities (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2019. 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 2019, the Division's facilities included two parking garages and six surface lots, including West Side Market and Hicks lots.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEAR'S DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $40,050,000 and $37,083,000 at December 31, 2019 and 2018, respectively. Of these amounts, $4,673,000 and $4,067,000 (unrestricted net position) at December 31, 2019 and 2018, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $2,967,000 during 2019. In 2019, operating revenues decreased $510,000 due to decreases in revenue from the Lakefront Municipal lot and the North Point Garage. Investment income increased by $50,000 due to the increase in interest rates and higher cash balances. Capital contributions increased by $155,000 related to parking meter replacements and repairs to the Willard Garage elevators.

- The Division's total bonded debt decreased by $3,370,000 (23.1%) during 2019. This amount represents the principal payment made in 2019.

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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 – 44 of this report. Required supplementary information can be found on pages 46 – 49 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is a condensed statement of net position information for the Division as of December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 7,705	$ 6,279
Restricted assets	8,919	8,731
Capital assets, net	37,557	38,674
Total assets	54,181	53,684
Deferred outflows of resources	853	766
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	4,699	4,024
Long-term liabilities	10,243	13,025
Total liabilities	14,942	17,049
Deferred inflows of resources	42	318
Net positon:		
Net investment in capital assets	29,601	27,362
Restricted for debt service	5,776	5,654
Unrestricted	4,673	4,067
Total net position	$ 40,050	$ 37,083

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets:

Current, Restricted and Other Non-Capital Assets: From 2018 to 2019, the Division's current and restricted assets have increased 10.8%. This increase is primarily related to an increase in cash and cash equivalents due to decreased maintenance expenses and interest expenses.

Capital Assets*:* The Division's capital assets (net of accumulated depreciation) as of December 31, 2019 amounted to $37,557,000. The total decrease in the Division's investment in net capital assets was $1,117,000 (2.9%) in 2019. The decrease in 2019 was due to depreciation expense exceeding asset additions. During 2019, major projects included Gateway East Garage and Willard Garage.

A summary of the activity in the Division's capital assets during the year ended December 31, 2019 is as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
	(Amounts in Thousands)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,577	2,797		4,374
Buildings, structures and improvements	56,483			56,483
Furniture, fixtures, equipment and vehicles	2,233		(20)	2,213
Construction in progress	6,811	464	(2,797)	4,478
Total	72,582	3,261	(2,817)	73,026
Less: Accumulated depreciation	(33,908)	(1,581)	20	(35,469)
Capital assets, net	$ 38,674	$ 1,680	$ (2,797)	$ 37,557

Additional information on the Division's capital assets can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Liabilities:

Net Pension/Other Postemployment Benefits (OPEB) Liabilities: The net pension liability is reported by the Division at December 31, 2019 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In fiscal year 2018, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revised accounting for costs and liabilities related to OPEB. 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*) and postemployment benefits (GASB Statement No. 45, *Accounting and Financial Reporting By Employers for Postemployment Benefits Other Than Pensions*) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Division's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and OPEB. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code (the ORC) permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As previously explained, changes in benefits, contribution rates and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Division's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

Long-Term Debt: At the end of 2019, the Division had total bonded debt outstanding of $11,200,000. This is a reduction of approximately 23.1%. This reduction is the result of the annual principal payment 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 2019, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2019 is summarized below:

	Balance January 1, 2019	Debt Retired	Balance December 31, 2019
	(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006	$ 14,570	$ (3,370)	$ 11,200

The bond ratings at December 31, 2019 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.

The Division has reported deferred inflows of resources in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2019. 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 $40,050,000 at December 31, 2019.

Of the Division's net position at December 31, 2019, $5,776,000 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 $29,601,000 that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $4,673,000 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 2019 increased net position by $2,967,000. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2019 and 2018:

	2019	2018
	(Amounts in Thousands)	
Operating revenues	$ 9,621	$ 10,131
Operating expenses	6,660	5,862
Operating income (loss)	2,961	4,269
Non-operating revenue (expense):		
Investment income (loss)	331	281
Interest expense	(788)	(1,000)
Total non-operating revenue (expense), net	(457)	(719)
Income (loss) before capital contributions	2,504	3,550
Capital contributions	463	308
Change in net position	$ 2,967	$ 3,858

Operating Revenues: From 2018 to 2019, operating revenues decreased $510,000 or 5.0%. This decrease is primarily due to a decrease in parking revenue from the Lakefront Municipal lot and a decrease in rental income from the North Point Garage.

Operating Expenses: In 2019, operating and maintenance expenses increased $797,000 or 18.6%. This increase is due to expenses related to the maintenance and repairs to the garages.

Non-Operating Revenues: From 2018 to 2019, non-operating revenues increased by $50,000 or 17.8%. This increase is related to increased cash position and higher interest rates.

Non-Operating Expenses: From 2018 to 2019, non-operating expenses decreased by $212,000 or 21.2%; resulting from interest being paid on debt.

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.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. The investments of the pension and other employee benefit plan in which the Division participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

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, 2019
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	$ 7,664
Accounts receivable - net of allowance	15
Accrued interest	7
Due from other City of Cleveland departments, divisions or funds	12
Prepaid expenses	7
TOTAL CURRENT ASSETS	7,705
RESTRICTED ASSETS	
Cash and cash equivalents	8,908
Accrued interest receivable	11
TOTAL RESTRICTED ASSETS	8,919
CAPITAL ASSETS	
Land	5,478
Land improvements	4,374
Buildings, structures and improvements	56,483
Furniture, fixtures, equipment and vehicles	2,213
Construction in progress	4,478
	73,026
Less: Accumulated depreciation	(35,469)
CAPITAL ASSETS, NET	37,557
TOTAL ASSETS	54,181
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	279
Pension	507
OPEB	67
TOTAL DEFERRED OUTFLOWS OF RESOURCES	853

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

STATEMENT OF NET POSITION
December 31, 2019
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	$ 3,540
Accounts payable	559
Due to other governments	245
Due to other City of Cleveland departments, divisions or funds	76
Accrued interest payable	172
Accrued wages and benefits	107
TOTAL CURRENT LIABILITIES	4,699
LONG-TERM LIABILITIES	
Revenue bonds - excluding amount due within one year	7,816
Accrued wages and benefits	6
Net pension liability	1,644
Net OPEB liability	777
TOTAL LONG-TERM LIABILITIES	10,243
TOTAL LIABILITIES	14,942
DEFERRED INFLOWS OF RESOURCES	
Derivative instruments-interest rate swaps	14
Pension	26
OPEB	2
TOTAL DEFERRED INFLOWS OF RESOURCES	42
NET POSITION	
Net investment in capital assets	29,601
Restricted for debt service	5,776
Unrestricted	4,673
TOTAL NET POSITION	$ 40,050

See notes to financial statements.

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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, 2019
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 9,621
TOTAL OPERATING REVENUES	9,621
OPERATING EXPENSES	
Operations	4,991
Maintenance	88
Depreciation	1,581
TOTAL OPERATING EXPENSES	6,660
OPERATING INCOME (LOSS)	2,961
NON-OPERATING REVENUE (EXPENSE)	
Investment income (loss)	331
Interest expense	(788)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(457)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	2,504
Capital contributions	463
INCREASE (DECREASE) IN NET POSITION	2,967
NET POSITION, beginning of year	37,083
NET POSITION, end of year	$ 40,050

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, 2019
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 9,699
Cash payments to suppliers for goods or services	(3,077)
Cash payments to employees for services	(1,156)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	5,466
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(3,370)
Interest paid on long-term debt	(760)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(4,130)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	309
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	309
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,645
CASH AND CASH EQUIVALENTS, beginning of year	14,927
CASH AND CASH EQUIVALENTS, end of year	$ 16,572

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating Income	$ 2,961
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,581
Changes in assets:	
Accounts receivable, net	15
Due from other City of Cleveland departments, divisions or funds	16
Changes in deferred outflows of resources:	
Pension	(260)
OPEB	(6)
Changes in liabilities:	
Accounts payable	516
Due to other governments	5
Due to other City of Cleveland departments, divisions or funds	31
Accrued wages and benefits	5
Net pension liability	716
Net OPEB liability	140
Changes in deferred inflows of resources:	
Pension	(209)
OPEB	(45)
TOTAL ADJUSTMENTS	2,505
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,466

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Contributions of capital assets	$ 463

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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.

The Division's net position is accounted for in the accompanying statements of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division, including the Gateway and Willard Park garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily or monthly basis.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Division follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application,* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs. The Division's investments in money market mutual funds and State Treasury Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

The Division has invested funds in the STAR Ohio during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in the financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expense is reported in the year in which services are consumed.

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.

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 their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations.

The estimated useful lives are as follows:

Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

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 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 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) 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Net Pension/OPEB Liabilities*:** For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expenses, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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, 2019 is as follows:

	Interest Rate	Original Issuance	2019
	(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006, due through 2022	5.25%	$ 57,520	$ 11,200
Unamortized (discount) premium			156
Current portion (due within one year)			(3,540)
Total Long-Term Debt			$ 7,816

Summary: Changes in long-term obligations for the year ended December 31, 2019 are as follows:

	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2019	Due Within One Year
	(Amounts in Thousands)				
Parking Facilities Refunding Revenue Bonds:					
Series 2006, due through 2022	$ 14,570	$	$ (3,370)	$ 11,200	$ 3,540
Accrued wages and benefits	108	108	(103)	113	107
Net pension liability	928	716		1,644	
Net OPEB liability	637	140		777	
Total	$ 16,243	$ 964	$ (3,473)	$ 13,734	$ 3,647

Minimum principal and interest payments on outstanding long-term debt are as follows:

Year	Principal	Interest	Total
	(Amounts in Thousands)		
2020	$ 3,540	$ 588	$ 4,128
2021	3,730	402	4,132
2022	3,930	206	4,136
Total	$ 11,200	$ 1,196	$ 12,396

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

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.

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, AG (UBS) which is described below.

On April 16, 2013, the City entered into a novation agreement with UBS 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.

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

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 67.0% 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 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 67.0%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher or lower 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. From 2013 to early 2016, the SIFMA/LIBOR relationship was significantly lower than 67.0%. In this case payments received from the counterparty were greater than the amount owed to the counterparty which resulted in a net decrease in debt service. In addition, a reduction in federal income tax rates such as the one that was approved in late 2017, might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of the financing. However, in 2019, payments received from the counterparty exceeded payments owed to the counterparty.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

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

Fair Value: The fair value of the swap at December 31, 2019 as reported by PNC was $14,000, which would be payable by the City.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses and other operating revenues to repay $11,200,000 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 $12,396,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,130,000 and $5,227,000, respectively.

In 2019, 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, 2019, the Division was in compliance with the terms and requirements of the trust indenture.

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, 2019. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor. The Division recognized a $22,000 investment revenue pursuant to this swap in 2019.

The following table presents the fair value balance and notional amount of the Division's derivative instrument outstanding at December 31, 2019, classified by type and the change in fair value of this derivative during fiscal year 2019 as reported in the respective financial statements. The fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2019 and the specific terms and conditions of the swap, have been provided by the counterparty and confirmed by the City's financial advisor.

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

The derivative instrument is classified as a Level 2 input of the fair value hierarchy and is considered to be a significant other observable input. The derivative instrument is calculated using the zero-coupon discounting method which takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and assumes that the current forward rate implied by the yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the swap, where future amounts are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money.

	Changes in Fair Value		Fair Value at December 31, 2019		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
	(Amounts in Thousands)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	$ 22	Debt	$ (14)	$ 11,200

The table below presents the objective and significant terms of the Division's derivative instrument at December 31, 2019, along with the credit rating of the swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
			(Amounts in Thousands)				
2006 Parking Bonds	Basis Swap - Pay Floating / Receive Floating	Exchange floating rate payments on Series 2006 Parking System Revenue Bonds	$ 11,200	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

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 $5,305,000 of defeased debt outstanding at December 31, 2019.

NOTE C – 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 2019, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $896,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $54,286,000 at December 31, 2019. 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, 2019 totaled $1,245,000 and the Division's bank balances were $1,198,000. 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*, $1,198,000 of the bank balances at December 31, 2019 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 110.0% of the carrying value of the deposits being secured.

Investments: In accordance with GASB Statement No. 72, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. 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; STAR Ohio, 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 or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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, 2019 include STAR Ohio and money market mutual funds. The Division maintains the highest ratings for their investments. Investments in STAR Ohio, 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 STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2019, 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	2019 Value	2019 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 537	$ 537	$ 537
Money Market Mutual Funds	14,790	14,790	14,790
Total Investments	15,327	15,327	15,327
Total Deposits	1,245	1,245	1,245
Total Deposits and Investments	$ 16,572	$ 16,572	$ 16,572

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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 STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2019, the investments in STAR Ohio and money market mutual funds are approximately 3.5% and 96.5%, respectively, of the Division's total investments.

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	6,811	464	(2,797)	4,478
Total capital assets, not being depreciated	12,289	464	(2,797)	9,956
Capital assets, being depreciated:				
Land improvements	1,577	2,797		4,374
Buildings, structures and improvements	56,483			56,483
Furniture, fixtures, equipment and vehicles	2,233		(20)	2,213
Total capital assets, being depreciated	60,293	2,797	(20)	63,070
Less: Accumulated depreciation	(33,908)	(1,581)	20	(35,469)
Total capital assets being depreciated, net	26,385	1,216	-	27,601
Capital assets, net	$ 38,674	$ 1,680	$ (2,797)	$ 37,557

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

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 (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees, other than full-time police and firefighters, participate in the 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 COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 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 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 3.0% 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 3.0%.

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $112,000 for 2019. All required payments have been made.

NOTE F – DEFINED BENEFIT PENSION PLANS (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, 2018 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 Thousands)
Proportionate Share of the Net Pension Liability	$	1,644
Proportion of the Net Pension Liability		0.006027%
Change in Proportion		0.000062%
Pension Expense	$	361

At December 31, 2019, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		OPERS (Amounts in Thousands)
Deferred Outflows of Resources		
Differences between expected and actual economic experience	$	228
Change in proportionate share		22
Change in assumptions		145
Division's contributions subsequent to the measurement date		112
Total Deferred Outflows of Resources	$	507
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	24
Change in Division's proportionate share		2
Total Deferred Inflows of Resources	$	26

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The $112,000 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, 2020. 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 Thousands)
2020	$ 167
2021	77
2022	22
2023	105
2024	(1)
Thereafter	(1)
Total	$ 369

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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Wage Inflation	3.25%
Future Salary Increases, including wage inflation	3.25 to 10.75 %
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 3%, simple through 2018, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 2.94% for 2018.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) 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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 contractually required rates, as actuarially determined. 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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 2,437	$ 1,644	$ 996

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) 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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. 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 contractually required rates, as actuarially determined. 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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 2,437	$ 1,644	$ 996

NOTE G – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability: The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – 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.

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 OPERS Board in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, 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 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board 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 0.0% for both plans in 2019. 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 into the RMA for participants in the member-directed plan for 2018 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to the OPEB plan.

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Current measurement date	0.005957%
Prior measurement date	0.005868%
Change in Proportionate Share	0.000089%
	(Amounts in Thousands)
Proportionate Share of the Net OPEB Liability	$ 777
OPEB Expense	$ 87

At December 31, 2019, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS (Amounts in Thousands)
Deferred Outflows of Resources	
Differences between expected and actual economic experience	$ 36
Changes of assumptions	25
Changes in proportion and differences between Division contributions and proportionate share of contributions	6
Total Deferred Outflows of Resources	$ 67
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 2
Total Deferred Inflows of Resources	$ 2

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)	
2020	$	31
2021		10
2022		6
2023		18
Total	$	65

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date as of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including wage inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care Portfolio was a loss of 5.60% in 2018.

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate: A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date as of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031 and the municipal bond rate was applied to all health care costs after that date.

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 994	$ 777	$ 604

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 747	$ 777	$ 812

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:

Department	Amount (Amounts in Thousands)
Department of Community Development	$ 2

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, 2019 is as follows:

Division	Amount (Amounts in Thousands)
Parks Maintenance	$ 29
Telephone	23
Motor Vehicle Maintenance	16
Waste Collection	1
Printing	5
	$ 74

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, which the City is responsible for. 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 2019.

The City provides the choice of two separate health insurance plans to its employees. 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.

NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, 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 2019. Future minimum rentals on non-cancelable leases are as follows:

Year	Amount
	(Amounts in Thousands)
2020	$ 180
2021	180
2022	180
2023	180
2024	180
Thereafter	3,300
	$ 4,200

NOTE K – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. The investments of the pension and other employee benefit plan in which the Division participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

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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 SIX MEASUREMENT YEARS (1), (2)

	Division's Proportion of the Net Pension Liability	Division's Proportionate Share of the Net Pension Liability	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		(Amounts in Thousands)			
2014	0.006017%	$ 708	$ 685	103.36%	86.36%
2015	0.006017%	723	750	96.40	86.45
2016	0.005975%	1,032	758	136.15	81.08
2017	0.005756%	1,304	767	170.01	77.25
2018	0.005965%	928	715	129.79	84.66
2019	0.006027%	1,644	764	215.18	74.70

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year-end.

(2) Information prior to 2014 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%.

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

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2013	$ 89	$ (89)	$ -	$ 685	13.00%
2014	90	(90)	-	750	12.00
2015	91	(91)	-	758	12.00
2016	92	(92)	-	767	12.00
2017	93	(93)	-	715	13.00
2018	107	(107)	-	764	14.00
2019	112	(112)	-	800	14.00

(1) Represents Division's calendar year. Information prior to 2013 is not avaialble. 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 WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE MEASUREMENT YEARS (1), (2)

	Division's Proportion of the Net OPEB Liability	Division's Proportionate Share of the Net OPEB Liability	Division's Covered Payroll	Division's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
		(Amounts in Thousands)			
2017	0.005654%	$ 571	$ 767	74.45%	54.04%
2018	0.005868	637	715	89.09	54.14
2019	0.005957	777	764	101.70	46.33

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.

(2) Information prior to 2017 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

For 2019, the single discount rate changed from 3.85% to 3.96%.

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

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF CONTRIBUTIONS - NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS (1), (2), (3)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
			(Amounts in Thousands)		
2016	$ 15	$ (15)	$ -	$ 767	2.00%
2017	7	(7)	-	715	1.00
2018	-	-	-	764	0.00
2019	-	-	-	800	0.00

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Directed Plan.

(3) Represents Division's calendar year. Information prior to 2016 is not avaialable. The Division will continue to present information for years available until a full ten-year trend is compiled.

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF CLEVELAND

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 8/25/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370