CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2018

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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We have reviewed the *Independent Auditor's Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. 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 5, 2019

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
Direct Programs:				
Urban and Community Forestry Program 2017	10.675			69,279
Subtotal			-	69,279
Pass-Through Programs:				
Ohio Department of Education Office of Child Nutrition Services:				
Summer Food Service Program for Children 2018	10.559	087593		164,944
Subtotal - Child Nutrition Cluster			-	164,944
Total Department of Agriculture			-	234,223
Department of Health and Human Services				
Direct Programs:				
Healthy Start Initiative Yr 17	93.926		538,428	832,751
Healthy Start Initiative Yr 18	93.926		570,470	1,041,113
Subtotal			1,108,898	1,873,864
Substance Abuse and Mental Health Services Administration	93.243			31,423
Substance Abuse and Mental Health Services Administration	93.243			344,843
Substance Abuse and Mental Health Services Administration	93.243		574,984	663,025
Subtotal			574,984	1,039,291
Pass-Through Programs:				
Ohio Department of Health:				
Public Health Emergency Preparedness 2018	93.074	18-100-12-PH-0918		123,281
Public Health Emergency Preparedness 2019	93.074	18-2-001-2-PH-1019		78,051
City Readiness Initiative 2018	93.074	18-2-001-2-PH-0918	6,600	73,424
City Readiness Initiative 2019	93.074	18-2-001-2-PH-1019		35,347
Subtotal			6,600	310,103
Immunization Grants 2017	93.539	18-100-1-2-IM-1017		22,262
Immunization Grants 2018	93.539	18-100-1-2-GV-0119		30,065
Subtotal			-	52,327
Family Planning Services Title X FY 2018	93.217	18-200-11-RH-0418	161,900	518,289
Family Planning Services Title X FY 2019	93.217	18-200-11-RH-0519		99,249
Subtotal			161,900	617,538

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued)				
Pass-Through Programs (Continued):				
Family Planning Services Title X FY 2018	93.994	18-200-11-RH-0418	57,493	184,052
Family Planning Services Title X FY 2019	93.994	18-200-11-RH-0519		27,015
Subtotal			57,493	211,067
HIV Prevention 2017	93.940	18-200-12-HP-1017	51,617	53,009
HIV Prevention 2018	93.940	18-200-12-HP-1118	318,370	562,781
Subtotal			369,987	615,790
Sexually Transmitted Diseases Diagnosis & Treatment 2017	93.977	18-2-001-2-ST-0917		22,008
Sexually Transmitted Diseases Diagnosis & Treatment 2018	93.977	18-2-001-2-ST-1018		89,159
Subtotal			-	111,167
Cuyahoga County Board of Health:				
Block Grants for Prevention and Treatment of Substance Abuse:				
Alcohol, Drug Addiction and Mental Health Service 2017 Prevention	93.959			6,458
Subtotal			-	6,458
Western Reserve Area Agency on Aging (WRAAA):				
WRAAA OAA/ADRN Project 2017	93.044			45,045
WRAAA OAA/ADRN Project 2018	93.044			197,458
WRAAA Supporting Services 2017	93.044			911
WRAAA Supporting Services 2018	93.044			50,981
Subtotal - Aging Cluster			-	294,395
WRAAA Supportive Services/MIPPA 2014	93.071			15,100
Subtotal			-	15,100
WRAAA HEAP Outreach Program FY 2018	93.568			16,105
Subtotal			-	16,105
Cuyahoga County:				
Temporary Assistance to Needy Families	93.558	AG1400113		60,496
Subtotal - TANF Cluster			-	60,496
Total Department of Health and Human Services			2,279,862	5,223,701

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

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			34,612
CDBG Yr 38	14.218			4,170
CDBG Yr 39	14.218			102,127
CDBG Yr 40	14.218		815,256	2,222,030
CDBG Yr 41	14.218		58,608	569,963
CDBG Yr 42	14.218		612,856	2,438,699
CDBG Yr 43	14.218		5,524,900	13,141,972
CDBG Yr 44	14.218		2,890,948	4,148,284
Neighborhood Stabilization Program 1	14.218		34,590	167,053
Neighborhood Stabilization Program 3	14.218			246
Subtotal - CDBG Entitlement Grant Cluster			9,937,158	22,829,156
ARRA Neighborhood Stabilization Program	14.256			79,188
Subtotal			-	79,188
HOME Investment Partnerships Program 2012	14.239			37,356
HOME Investment Partnerships Program 2013	14.239			462,481
HOME Investment Partnerships Program 2014	14.239			1,398,162
HOME Investment Partnerships Program 2015	14.239			2,008,007
HOME Investment Partnerships Program 2016	14.239			1,078,709
HOME Investment Partnerships Program 2017	14.239			198,560
Subtotal			-	5,183,275
Emergency Shelter Grants Program 2015	14.231			26
Emergency Shelter Grants Program 2016	14.231		316,933	316,932
Emergency Shelter Grants Program 2017	14.231		1,377,238	1,393,400
Emergency Shelter Grants Program 2018	14.231			11,597
Subtotal			1,694,171	1,721,955
Housing Opportunities for Persons With AIDS 2015	14.241		47,905	47,905
Housing Opportunities for Persons With AIDS 2017	14.241		553,355	553,355
Housing Opportunities for Persons With AIDS 2018	14.241		355,797	355,797
Subtotal			957,057	957,057
Empowerment Zones Program	14.246			407,252
Subtotal			-	407,252
Link59, LLC HUD 108	14.248			2,963,940
Subtotal			-	2,963,940

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing & Urban Development (Continued):				
Direct Programs (Continued):				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		95,685	1,421,683
Subtotal			95,685	1,421,683
Total Department of Housing & Urban Development			12,684,071	35,563,506
Department of Justice				
Direct Programs:				
Greater Cleveland Drug Court - Men's Treatment	16.585			62,114
Recovery Project II	16.585			121,887
Subtotal			-	184,001
Public Safety Partnership and Community Policing Grants:				
Cleveland Universal Hiring II 2013	16.710			499,297
Cleveland Universal Hiring II 2014	16.710			223,644
Subtotal			-	722,941
2015 Justice and Mental Health Collaboration Program	16.745		176,281	176,281
Cleveland Justice and Mental Health Strategic Planning Program	16.745			3,116
Subtotal			176,281	179,397
FY 2017 Sexual Assault Kit	16.833		933	13,443
Subtotal			933	13,443
2015-Edward Byrne Memorial-JAG	16.738		99,644	103,213
2016-Edward Byrne Memorial-JAG	16.738		13,895	321,155
Subtotal			113,539	424,368
Pass-Through Programs:				
Ohio Department of Public Safety:				
2017-Edward Byrne Memorial-NOLETF	16.738	2017-JG-A01-6444		50,551
Subtotal			-	50,551

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Justice (Continued):				
Pass-Through Programs (Continued):				
Center for Court Innovation:				
2016 Community Court Grant Program	16.738	2015-DC-NY-K002		145,051
Subtotal			-	145,051
Subtotal			113,539	619,970
State of Ohio - Office of Criminal Justice Services:				
Equitable Sharing Program - Asset Forfeiture Program	16.922			873,475
Subtotal			-	873,475
State of Ohio - Office of Criminal Justice Services:				
Violence Against Women Act Formula Grants:				
OVW Technical Assistance for the Domestic Violence Homicide Reduction Initiative Program	16.526	2014-HI-AX-K003		111,128
Subtotal			-	111,128
KEYS 4 Deaf Access	16.529	2016-FW-AX-K004		2,270
Subtotal			-	2,270
VAWA Team Approach 2016 Law	16.588	2016-VP-VA2-V041		7,375
VAWA Team Approach 2017 Law	16.588	2017-VP-VA2-V041		113,001
VAWA Team Approach 2017 Safety	16.588	2017-VP-VA2-V042		85,351
FY 2016 VAWA Sexual Assault	16.588	2016-VP-VA2-V045	3,588	3,588
FY 2017 VAWA Sexual Assault	16.588	2017-VP-VA2-V045	27,727	27,727
Subtotal			31,315	237,042
Total Department of Justice			322,068	2,943,667
Department of Commerce				
Direct Programs:				
Habitat Conservation - Marine Debris	11.463			7,665
Subtotal			-	7,665
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		3,272,667
Subtotal - Economic Development Cluster			-	3,272,667
Total Department of Commerce			-	3,280,332

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Labor				
Pass-Through Programs:				
Ohio Department of Jobs and Family Services:				
WIOA Adult Program	17.258	G-1819-15-0177		460,175
Subtotal			-	460,175
WIOA Youth Program	17.259	G-1819-15-0177		249,918
Subtotal			-	249,918
WIOA Dislocated Worker Program	17.278	G-1819-15-0177		127,021
Subtotal			-	127,021
Subtotal - WIOA Cluster			-	837,114
WIOA Sector Partnership - NEG Grant	17.277	G-1819-15-0177		7,573
Subtotal			-	7,573
Workforce Innovation Fund - Wage Pathways	17.283	G-1819-15-0518		83,794
Subtotal			-	83,794
Employment Service/Wagner-Peyser Funded Activities	17.207	G-1819-15-0177		76,021
Local Veterans' Employment Representative Program	17.804	G-1819-15-0177		35,880
Subtotal - Employment Services Cluster			-	111,901
Total Department of Labor			-	1,040,382
Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106			15,986,381
Subtotal			-	15,986,381
Pass-Through Programs:				
Ohio Department of Transportation:				
Highway Planning and Construction:		See Footnote 2		
Safe Routes to Schools Program	20.205	PID106357		255
Subtotal - Highway Planning and Construction Cluster			-	255

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Transportation (Continued):				
Pass-Through Programs (Continued):				
Selective Traffic Enforcement Program 2018	20.600	STEP-2018-00095		11,130
Cuyahoga County OVI Task Force 2018	20.600	OVI-2018-University Hospitals Clev-00010		4,264
Subtotal - Highway Safety Cluster			-	15,394
Impaired Driving Enforcement Program 2018	20.608	IDEP-2018-00095		10,910
Impaired Driving Enforcement Program 2019	20.608	IDEP-2019-00081		3,273
Subtotal			-	14,183
Total Department of Transportation			-	16,016,213
Department of Environmental Protection Agency				
Direct Programs:				
Air Pollution Control Program Support 2018	66.001			498,312
Air Pollution Control Program Support 2019	66.001			227,655
Subtotal			-	725,967
Bioretention at Wildwood Park	66.469		160,590	169,775
Subtotal			160,590	169,775
Total Department of Environmental Protection Agency			160,590	895,742
Department of Homeland Security				
Direct Programs:				
FEMA Disaster Grant	97.036			4,330,020
Subtotal			-	4,330,020
Assistance to Firefighters 2015	97.044			370,647
Assistance to Firefighters 2016	97.044			204,545
Subtotal			-	575,192
Staffing for Adequate Fire and Emergency Response 2014	97.083			723,988
Subtotal			-	723,988
Bio-Watch Program 2017	97.091			213,111
Bio-Watch Program 2018	97.091			115,256
Subtotal			-	328,367

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Homeland Security (Continued):				
Pass-Through Programs:				
Cuyahoga County Department of Justice Affairs:				
State Homeland Security Programs 2015	97.067	EMW-2015-SS-00086		50,000
Urban Area Security Initiative 2016	97.067	EMW-2016-SS-00104-S01		118,772
Subtotal			-	168,772
Total Department of Homeland Security			-	6,126,339
Grand Total			$ 15,446,591	$ 71,324,105

(Concluded)

See notes to the Schedule of Expenditures of Federal Awards

CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 2018:

Beginning loans receivable balance as of January 1, 2018	$1,913,340
Loans made during 2018	428,243
Loan principal repaid on loans issued prior to 2018	(331,316)
Loan loss 2018	(67,197)
Ending loans receivable balance as of December 31, 2018	$1,943,070

Cash balance on hand in the revolving loan fund as of December 31, 2018	
Cash balance, unobligated	$1,521,470
Revolving loan committed but not disbursed	171,757
Total unobligated cash and committed but not disbursed cash	1,693,227
Total value of revolving loan portion of the EDA 11.307 program	3,636,297
Less: City's matching share	(363,630)
Total federal value of revolving loan portion as of December 31, 2018	$3,272,667

Binkowsky-Dougherty Distribution, LLC	55,737
Certified Aircraft Maintenance, LLC	3,321
Cleanlife Energy, LLC	49,468
Cleveland Whiskey, LLC	102,371
Evergreen Real Estate Corporation	123,134
Green City Growers Cooperative	121,913
Gypsy Brewery, LLC	289,542
Hansa Import House Co.	41,447
Hemingway at 7000 LLC (formerly Hemingway at 6555 LLC)	424,225
Ohio City Galley, LLC	180,000
Northeast Ohio Neighborhood Real Estate	24,199
Patterson-Britton	31,013
Platform Beers, LLC	198,934
TBS Ohio, LLC	65,000
Tremont Athletic Club, LLC	99,523
SIFCO Industries, LLC	133,243
Total	$1,943,070

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 2018	$	-
Amount expensed by the City in 2018 not reimbursed in 2018		255
Expended and reported by the City in 2018	$	255

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.

CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITOR'S 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, 2018 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, 2019, wherein we noted the City implemented GASB Statement No. 75.

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, 2019

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITOR'S 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, 2018. 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.

Auditor's 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, 2018.

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, 2018, 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, 2019, 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, 2019

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None

Identification of major programs:

- CFDA 14.218 – Community Development Block Grant Cluster
- CFDA 14.239 – HOME Investment Partnerships Program
- CFDA 97.036 – Disaster Grants – Public Assistance

Dollar threshold to distinguish between Type A and Type B Programs:	$2,139,723
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, 2018

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CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2018

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, 2019

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, 2018. 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 2018 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 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, 2018, 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, 2018, 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 2009 through 2018.

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 383 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, electric distribution system and two airports.

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

Internal Control

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

As a recipient of federal, state and county financial assistance, the City is also responsible for maintaining a rigorous internal control structure that ensures full compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management, external auditors and the internal audit staff of the City. The City is required to undergo an annual audit in conformity with the provisions of the United States Office of Management and Budget's Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). The information related to the Uniform Guidance, including the schedule of federal awards expenditures, findings and recommendations and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separate report.

Accounting and Financial Reporting

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

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

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

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

Budgeting Procedures

Detailed provisions regulating the City's budget, tax levies and appropriations are set forth in the Ohio Revised Code (ORC) 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.

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for other postemployment benefits (OPEB) that are provided by other entities. As required, the City has implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The City has determined that GASB Statement No. 85 has no impact on its financial statements as of December 31, 2018.

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The City has determined that GASB Statement No. 86 has no impact on its financial statements as of December 31, 2018.

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 63 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 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.

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 6.2% in 2018 as a result of the increased income tax rate.

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 2018, 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	18.95	%
Trade, transportation and utilities	17.94	
Professional and business services	14.19	
Government	12.82	
Manufacturing	11.77	
Leisure and hospitality	9.73	
Financial activities	6.11	
Mining, logging and construction	3.63	
Other services	3.60	
Information	1.26	
Total	100.00	%

Current Projects and 2018 Accomplishments

The 2018 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 2018 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.

- Eleven affordable multi-family projects with 483 units were completed in 2018. Included in these projects were Emerald Alliance VIII, a 66 unit permanent supportive housing project and Cedar Development Phase I, containing 61 units. In addition, 13 vacant homes in the City were renovated by Habitat for Humanity. Construction began on several projects including TOD Aspen Place Apartments, which will have 66 units and Slavic Village Green Homes which will have 25 units.

- The commercial revitalization team completed 35 storefront projects in 2018 which included eight comprehensive building rehabilitations, 19 neighborhoods business signs and eight downtown projects.

- The Department closed out the Lead Hazard control grant, completing remediation of lead hazards in 224 homes.

Department of Building and Housing

- The Department inspected, condemned and razed over 940 structures.

- Initiated 1,504 court cases against negligent property owners.

- Issued 4,534 violation notices.

- Issued 17,173 construction permits valued at $1.461 billon in new construction.

- Boarded-up and secured 2,235 vacant structures.

- Issued 1,191 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. The project will free up over 100 acres for development.

- The Department of Economic Development, through its partnerships, provided assistance to conduct 24 environmental assessments throughout the City. The assessments helped to further over 200 acres for redevelopment.

- The Neighborhood Retail Assistance Program provided $245,000 of assistance for six projects that leveraged almost $1 million of total project investment, helping to replace vacant storefronts with restaurants, cafés and locally-owned retail shops. The six small businesses will create 18 new jobs and include Vintage Tea, AAA Construction & Development and Doc's Auto Clinic.

- Under the Vacant Property Initiative (VPI) Program, the City provided approximately $1 million in assistance to six borrowers. The total project cost for these borrowers is nearly $5 million and will create over 280 new jobs with a few borrowers being Standard & Poor (S&P) Data's second Cleveland expansion, SIFCO Industries and The Hive.

Department of Public Health (CDPH)

- The Division of Environment inspected approximately 3,100 food operators for a total of approximately 7,800 inspections, 125 pools and 235 schools. The Division responded to over 400 cases where high levels of lead were found in a child's blood. The Division investigated over 6,100 citizen nuisance complaints and issued 1,500 tickets.

- The Division of Health program, Mom's First, served over 1,480 participants in 2018. 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 and conducted 9,093 HIV tests. The Department received the Most Strategic Marketing Creative Award from Commuter Ads, due to the audio and scroller visual ads for HIV testing in RTA buses.

- Over 900 childhood immunizations and 1,000 flu shots were administered. Over 4,180 patients were seen in the health centers.

- Vital statistics issued 56,102 birth certificates, 65,338 death certificates and 6,065 burial permits.

- The Division of Air Quality completed 292 inspections including 227 asbestos inspections, 20 Title V facilities inspections, 14 Federally Enforceable Permit to Install and Operate (FEPTIO) facility inspections, 14 unannounced minor facility inspections and 12 gasoline dispensing facilities inspections. The Division resolved 84% of the violations discovered during the year.

- The Division of Air Quality launched its new health outreach and indoor air quality program to better educate and address citizen concerns.

- As part of the Department's responsibility to provide disease surveillance and emergency preparedness, epidemiologists investigated 12 outbreaks and participated in over 20 functional and full-scale exercises.

Department of Aging

- Provided core services to 6,399 unduplicated clients, including both older adults and adults with disabilities.

- Secured approximately $650,000 in grants to support programs for seniors and adults with disabilities.

- The Annual Senior Day program in May 2018 attracted more than 2,000 older adults. The Annual Cleveland Senior Walk, held in September 2018, had over 1,000 participants. The Annual Disability Awareness Day luncheon held in November included over 200 participants.

- Year two implementation of six age friendly strategies was successfully undertaken as part of the Age Friendly Cleveland plan. These strategies include home repair coordination, long-term care continuum analysis, transit oriented development for aging in place, age friendly business certification, safe biking classes for older riders and drivers and a mature workers campaign.

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 2018, OEO completed an analysis of the Cleveland Resident Employment Law. In November, legislation was passed amending the Ordinance to increase the HUD threshold from very low income to low income and to allow the individual to retain the low income status rather than the company.

- 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 665 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 2018, the certification team utilized the electronic certification process by preparing business certifications electronically, instead of hard copy, eliminating the need to print each certificate and mail it to each business, saving both time and money.

Department of Public Works

- The Division of Recreation served 101,856 nutritious after school and summer meals.

- The Bureau of Cultural Arts had the most artistic entries for the 2018 National Arts Program of anyone in the nation, with 321 entries from the Division of Recreation.

- The Bureau of Cultural Arts Mural Mania program allows youth to design and paint indoor murals at recreation centers with the guidance of recreation instructors. As a result of this, two new murals were painted at Hamilton and Collinwood in 2018.

- In collaboration with the Department of Human Resources' Wellness Works Program, the Bureau Cultural Arts conducted a Come Paint With Me program. Employees from all City divisions were invited to attend and participate in the do it yourself lunchtime paint party. The classes began in May and went through December, with a group of 15-20 participants at each class.

- The Division of Recreation sent a youth basketball team to Jerusalem to compete in the Children's Games and the team won the silver medal.

- In collaboration with the Mayor's Office, the Division of Recreation has contracted with Frontline Services to incorporate trauma informed care specialists inside each recreation facility.

- The Division of Recreation held their first boxing show at Zelma George Recreation Center in 2018.

- In November 2018, the Division of Recreation began a partnership with the Cleveland Legion, a professional sports team, to discuss the design and implementation of a sports program in recreation. The program is set to begin in early 2020.

- The Division of Recreation partnered with Kids Book Bank to provide summer reading for youth and as a result, every recreation center was provided with books to give to the youth. Books were also provided to youth at the outdoor pools during the summer season.

- The Department took back the operation of Highland Park Golf Course. The course opened for operation in July of 2018 and is preparing for a full season in 2019.

- Approximately 125 youths participated in Legends Browns Clinics held in the summer where different drills and activities were implemented by the Cleveland Browns. Cleveland Browns players participated in the camps and spoke with the youth ages 8-15, holding clinics at various turf football field that were renovated by the Cleveland Browns.

- The Division of Park Maintenance serviced 58,463 vacant properties, mowing each vacant lot four times through the year and performed 1,478 illegal dumpsite clean-ups.

- The Division of Park Maintenance, Urban Forestry unit, trimmed 5,429 trees, removed 1,045 trees and planted 377 new trees.

- The Division of Motor Vehicle Maintenance (MVM) purchased 70 new vehicles, which included 45 police vehicles, nine ambulances, five waste collection trucks, four street sweepers, three plow trucks, two fire trucks and two leaf box trucks.

- 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 222,559 tons of debris and recycled 19,152 tons of materials.

- The Division of Streets resurfaced 422,485 square yards of curb-to-curb projects.

- The Division of Traffic Engineering painted 526 miles of lane lines. All traffic signal bulbs are now Light Emitting Diode (LED) bulbs.

Department of Public Safety

- In 2018, the Division of Police (CPD) completed the full upgrade to the Computer Aided Dispatch (CAD) System and trained officers to fully utilize the state of the art technology. Officers now directly receive vital information that enables them to provide safety and aid much faster to the citizens of the City.

- The Field Based Reporting system was fully implemented and the CPD members were trained in 2018. This system allows all officers to enter police reports directly into the Law Enforcement Records Management System (LERMS) from the mobile data terminals in the police patrol vehicles.

- CPD began transitioning to electronic grand jury packets with the assistance of the Cuyahoga County Prosecutor's Office in 2018. The training and full utilization of this system should be completed in 2019. With this new process, detectives will be able to submit evidence, track cases and provide better service to victims in a more efficient manner.

- Planning has started for the 2019 Major League Baseball All-Star week which will take place in July 2019. This event will see thousands of people ascending into the downtown area creating logistical and safety concerns. CPD has been working closely with Major League Baseball and federal, state and local law enforcement partners to ensure a seamless coordination of all resources to once again showcase the City as an elite host to major national events.

- The Division of Fire (CFD) accredited their Fire Training Academy through the State of Ohio in 2018. This accreditation is part of a plan to lower our Insurance Service Office (ISO) Rating to one which should result in lower insurance rates and make the City more attractive to prospective businesses.

- In 2018, CFD implemented a replacement records management system which allows much of the day-to-day operation to be digitized and also allows for the division to implement field-based code inspection reporting.

- In 2018, CFD formed a partnership with the Cleveland Division of Water which implemented the CityWorks Software platform for use in tracking city fire hydrant maintenance and testing. CFD previously utilized an entirely paper-based system to record, track and notify the Division of Water of the hydrant maintenance activities. A fully digital platform is now implemented, resulting in real-time tracking and notification of out of service hydrants.

- CFD saw numerous equipment upgrades in 2018, including mini Carbon Monoxide Detectors for company medical bags, thermal imaging cameras for all companies and new treadmills for the stations.

- The Division of Emergency Medical Service (EMS) logistics section replaced/replenished over 300 First Aid Kits and 110 naloxone kits utilized by the CPD to provide life-saving first aid. The training of First Aid, CPR, choking, automated external defibrillator (AED) training as well as proper application of the halo chest seal, quick clot and tactical tourniquet plus recognition of opioid overdoses and proper administration of naloxone to reverse the effects of opioids continued within the CPD.

- EMS continues to partner with the 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. The partnership expanded in 2018, with the addition of the EMS Fellowship, which provides training to the fellow in EMS operations, communications, event medicine, disaster medicine, special operations, quality improvement, education, critical care transport and EMS Administration. EMS welcomed the first EMS Fellow, Dr. Brian Miller.

- 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 was introduced in 2018. 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 and Cuyahoga County Sheriff have reached an agreement to have the Cuyahoga County Sheriff assume all jail duties for the City as of August 2018. All City jail facilities were closed and all arrests within the City are booked, processed and housed at the County jail.

- The Office of Professional Standards and the Civilian Police Review Board are working closely with the Department of Justice (DOJ) and the monitoring team to ensure that citizen complaints involving sworn and civilian employees of the Division of Police 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 construction of the new kennel was completed in early 2019 for the Division of Animal Care & Control. The kennel held a grand opening ceremony in March of 2019.

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 429,000 city and suburban accounts in the Cleveland metropolitan area. Of these 429,000 accounts, approximately 117,000 accounts were located within the City; accounting for 24.2% of the Division's metered sales revenue. The Division also sells water to master meter communities that operate their own distribution systems and they provide billing and payment services for the Northeast Ohio Regional Sewer District (NEORSD) and other communities. The major capital projects included both City and suburban water main renewals, phase two of the automated meter reading (AMR) deployment and construction of the Aurora Road pump station.

- The Division of Cleveland Public Power (CPP) provided approximately 75,000 residential and business customers in the City with reliable and affordable power. In 2018, CPP sold approximately 1.658 billion Kilowatt hours (kWh) of electricity. In 2018, the major capital projects for the Division of CPP included the construction of the Southern Transmission Line, as well as installation of underground cables and duct lines.

- 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 catch basins and 12 pump/lift stations. In 2018, the Division's sewers transported 1,698,122 thousand cubic feet (Mcf's) of water. In 2018, the major capital projects included sewer installations, rehabilitation of the East 75th Street sewer lines and building improvements.

Department of Port Control

- During 2018, Cleveland Hopkins International Airport (CLE) enplaned approximately 4,837,000 passengers and had aircraft landed weight of 5,686,461,000 pounds.

- The new Transportation Security Administration (TSA) checked bag inspection system was completed and accepted by TSA. The system possesses a state-of-the-art checked bag conveyance system plus mobile inspection table technology, where robotic carts introduce bags to the TSA where additional screening of bags may be required. The carts reduce the lifting and movement of heavy bags that often lead to workforce injuries.

- Signature Flight Support began collecting landing fees at Burke Lakefront Airport. The collection began in October of 2018. Collections are now made in real time without the need for billing. The percentage of collections has increased to 98% from approximately 84% in previous years.

- CLE embarked on an upgrade to the Noise Monitoring Systems after the current system had a catastrophic failure. Four of the ten noise monitors were replaced with new state-of-the-art equipment that provides increased surveillance, remote calibration and access controls. Future observance of the new Metroplex air routes will determine where the remaining six monitors will be placed.

Department of Law

- Drafted approximately 580 contracts and reviewed 963 contracts for legal form and correctness.

- Prepared and processed 479 pieces of legislation for introduction to City Council.

- Obtained 647 search warrants for Housing Court enforcement actions and helped the Department of Building and Housing obtain legal authorization for 772 demolitions of unsafe structures in the City.

- Responded to 237 subpoenas for public records.

- Processed 15,023 requests on the City's web-based records request system GovQA.

- Processed 682 claims for property damage and other losses.

- Represented the City in 672 civil cases pending in various Ohio state and federal courts.

- Prosecuted 1,506 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. Successfully prosecuted civil nuisance abatement actions for numerous properties across the City.

- Processed 2,792 citizen complaints in the prosecutor's office.

- Issued 16,382 misdemeanor charges, of which, 1,244 were domestic-violence and issued 4,782 felony charges, of which, 384 were domestic violence.

- Issued 5,517 operating vehicle impaired charges and 56,158 traffic offense charges.

- Represented the City in 47 liquor permit hearings and processed 214 liquor permit requests.

Office of Capital Projects

- The Office of Capital Projects completed construction on several projects including, but not limited to the:
    - Martin Luther King Bridge, Brooklawn Culvert replacement,
    - Willow Avenue Lift Bridge,
    - Martin Luther King Boulevard rehabilitation from Kinsman Road to Shaker Boulevard,
    - West 3rd Street resurfacing and streetscape from Superior Avenue to Al Lerner Boulevard,
    - Opportunity Corridor,
    - Cedar Redevelopment Phase II, East 59th Street resurfacing,
    - West 73rd Street from Detroit Road to Father Frascati Drive.

- In conjunction with the City's resurfacing program, 563 American with Disability Act (ADA) ramps were installed.

- Completed 88 required inspections and inventory of bridges.

- The Office of Capital Projects inspected 857 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 four recreation centers, mechanical improvements at four recreation centers and a concession building at Impett Park. Other public facility improvements included Willard Park Garage Phase I, Ridge Road fire damage repair, City Hall internal improvements including Internal Audit, Human Resources and Risk Management offices, 4th and 5th District Police parking lots and repairs at Fire Station 39.

- Managed the Towpath Trail Project, including groundbreaking for Stage One, Harvard to Steelyard Commons and substantial completion of Stage Three, Steelyard Commons to Literary Avenue.

- Continued oversight of right of way and real estate matters for roads and bridge reconstruction projects including: Hope Memorial Bridge Rehabilitation, Opportunity Corridor, Orville Roadway Extension, Hudson and Frank Roadway Extensions, West 19th Street, Main Avenue Bridge Rehabilitation and Battery Park Avenue Extension.

- 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 and the Rocket Mortgage FieldHouse Transformation 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 is using 9.0% less energy per square foot of building space, saving more than $4 million per year.

- The City is recognized as a SolSmart Bronze City for advancing solar energy growth. The City achieved this recognition partly for completing a solar guide, making it easier for residents and businesses to go solar.

- Continued implementation of Mayor Jackson's Sustainable Cleveland 2019 initiative, including hosting the tenth annual Sustainable Cleveland Summit and celebrating the Year of Vibrant Green Space throughout 2018.

- Promoted green building by continuing to implement the Sustainable Municipal Building Policy that was adopted in 2013. This policy requires that green building practices are incorporated into the siting, design, construction, remodeling, repair, maintenance, operation and deconstruction of all City facilities.

- 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; $350,000 from the U.S. Environmental Protection Agency (EPA) and City of Cleveland Community Cost Share funds to install four bio-retention cells at Wildwood Park to improve water quality at nearby beaches; $250,000 from the NEORSD to install a rain collection cistern at the new City Kennel; $110,000 from Partners for Places and Gund Foundation to support climate action, with a focus on racial equity and engagement; $5,000 from Cuyahoga County Solid Waste District; $5,000 from the Urban Sustainability Directs Network to support racial equity training for 75 City employees; $45,000 from Ohio Development Services Agency Local Government Innovation Fund for completing a comprehensive alternative fuel vehicle fleet and infrastructure analysis for municipal operations.

- Continued implementation of the City's Bikeway Implementation Plan.

- Updated the Cleveland Climate Action Plan over a 13-month period by partnering with 90 organizations and engaging more than 400 residents in 12 neighborhood workshops. During the process, the Cleveland Climate Action Fund supported 21 resident-led, neighborhood-based climate action projects.

- Launched www.cuyahoga50.org, representing a collaboration of more than 100 organizations to celebrate the progress and address today's threats to clean water for all.

- Installed and activated two dedicated Fleet Electric Vehicle Charging stations at City facilities.

- Distributed more than 350 rain barrels to City residents at nine community rain barrel workshops.

2019 Budget

As a continuation of enhanced services resulting from the 0.5% local income tax increase, the City currently has a structurally balanced budget as of 2019. The continuation of service related enhancements will impact the Departments of Public Safety, Public Works and Public Health. The City intends to maintain the continuation of stringent, conservative fiscal policies which supports financial accountability and efficient delivery of services throughout the City.

The estimate of receipts and expenditures for all General Fund departments and divisions for the 2019 budget are:

- Total revenues and other financing sources are projected to increase from $642.6 million in 2018 to $651.2 million in 2019. The City's income tax is the largest source of revenues, generated by a 2.5% rate on wages for City residents and non-residents.

- Total expenditures and other financing uses are estimated to increase from $634.9 million in 2018 to $651.1 million in 2019. This increase, again, can be attributed to the increase in income tax receipts as the City will continue to provide enhanced services.

- Since January 2018, The Cleveland Division of Police has recruited 261 new police officers of which 132 finished the Academy and the remaining 129 new officers were slated for graduation in the 1st quarter of 2019. The budget also supports additional staffing in the Homicide Unit, Gang Impact Unit and Sex Crimes Unit. The Division of Fire has graduated 58 firefighters supporting their deployment of fire services citywide. The Division of Emergency Medical Service has graduated 62 trainees in 2018 and 22 additional trainees will graduate in 2019. The Division of Animal Care and Control was near completion on the $7.3 million construction of a new kennel. The Office of Prevention, Intervention and Opportunity for Youth and Young Adults has aligned key external partnerships with city programs and services to create necessary support systems, jobs, recreational and educational opportunities that establish viable option for success for at risk young people in the City. The programming is based on a new model for addressing youth violence as a public health issue and engages clinically trained trauma care coaches at each of the City's recreation centers to deal with toxic stress. The Safe Routes to School Demolition program will continue to raze blighted and abandoned structures within 1,000 feet of walking routes to schools. The first phase eliminated 820 structures including residential, mixed use and commercial buildings. An additional 750 structures will be razed in 2019.

Long-term financial planning:

The City has a long-term goal of increasing the Rainy Day Reserve Fund to 10.0% of General Fund budgetary expenditures and other financing uses (approximately $63.5 million). The fund balance in the Rainy Day Reserve Fund at December 31, 2018 was $31.4 million. This will allow the City to obtain the lowest rates possible when issuing debt and also withstand economic downturns with minimum disruptions to City services. The City also has a goal of having a structurally balanced budget where the cost to run the City is in line with the revenue collected. A structurally balanced budget allows the City to eliminate the dependency on a carry-over balance. The City was able to achieve a structurally balanced budget for 2018 and 2019.

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

- The Cleveland Clinic and Case Western Reserve University continued construction. This project is intended to burnish the City's image as a center of medicine and medical education. The four-story building will house the Cleveland Clinic Lerner College of Medicine, Case Western Reserve University's School of Medicine, School of Dental Medicine and Frances Payne Bolton School of Nursing. It will include a free-standing, two or three story dental clinic. The Health Education Campus is scheduled to open in the summer of 2019.

- The Rocket Mortgage FieldHouse is being transformed into a state-of-the-art facility. The transformation project has resulted in the extension of the Cleveland Cavaliers lease until 2034. The project is anticipated to be completed in October of 2019.

- New apartments are being built in Downtown including the Beacon, a residential apartment building that will have 187 units, three restaurants and a parking garage. The Beacon will combine the historic charm of nostalgic Downtown while providing the area with a modern aesthetic in the middle of the active city and is set to open in 2019. The Lumen, an apartment building being built at Playhouse Square will add to the distinct identity of the Playhouse Square District and will be a 34 story tower that will have 318 apartments and 550 parking spaces. The Lumen at Playhouse Square is expected to open in 2020.

Business Incentives and Creating Economic Development

Tax Abatements are a requirement in the City's CAFR, based upon GASB Statement No. 77, *Tax Abatement Disclosures*. Footnote 20 discloses the lost tax dollars and the costs to government entities. The following reveals benefits derived from offering business incentives.

Department of Economic Development

The City uses tax increment financing (TIF) authorized by the 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, over 5,600 jobs have been created, with a total payroll in excess of $238.0 million resulting in nearly $6.0 million of 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.

Weston Inc., a local industrial real estate development firm, has agreed to purchase the 22-acre former Midland Steel Site from the City's Industrial/Commercial Land Bank. While older industrial space exists in Cleveland, there has been a lack of new industrial development in recent years. As Cleveland companies have seen growth over the last decade, the department has received numerous requests from companies looking for 50,000 to 100,000 square feet of modern industrial space. The lack of new inventory has forced many companies to move to the suburbs or potentially leave Northeast Ohio.

Weston Inc.'s proposed Madison Industrial Park development, a 162,000 square foot industrial building, is an exciting reversal of that trend. In order to facilitate the development, the City will sell the site to Weston Inc. and issue a ten year, 60% Enterprise Zone Tax Abatement. In return for these incentives, Weston Inc., through its tenants, has agreed to ensure the creation of 100 new full-time jobs at the site. Total investment will be around $5.6 million, with potential for more investment in later phases.

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 31st, all CRA tax abatement information with the State of Ohio.

The City, pursuant to various sections (5709 and 3735) under the ORC, 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 2017, a total of 498 units met the GBS.

- Single family – 57 new construction, 93 rehabs
- Multi-family – 175 new construction, 173 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, 2018, represents the 38th 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, 2017. 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 34 years (years ended 1984 – 2017). 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 S. Price, Ph.D..Chief of Education

Matt Gray..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 A. Langhenry..Director, Department of Law

Michael C. McGrath..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

Dan Williams ....Director, Media Relations

Tania Menesse. ....Director, Department of Community Development

Grady Stevenson .... Director, Community Relations Board

David Ebersole.. Director, Department of Economic Development

Merle Gordon.. Director, Department of Public Health

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

Michael Cox..Director, Department of Public Works

Nycole West .... Director, Department of Human Resources

Robert Kennedy. ....Director, Department of Port Control

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

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

Sabra T. Pierce-Scott…..Director, Mayor's Office of Quality Control and Performance Management

Grace A. Kilbane…..Executive Director, Workforce Development Board

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

Dona Brady .... Ward 11

Anthony Brancatelli .... Ward 12

Jasmin Santana .... Ward 14

Matt Zone .... Ward 15

Brian Kazy .... Ward 16

Martin J. Keane .... Ward 17

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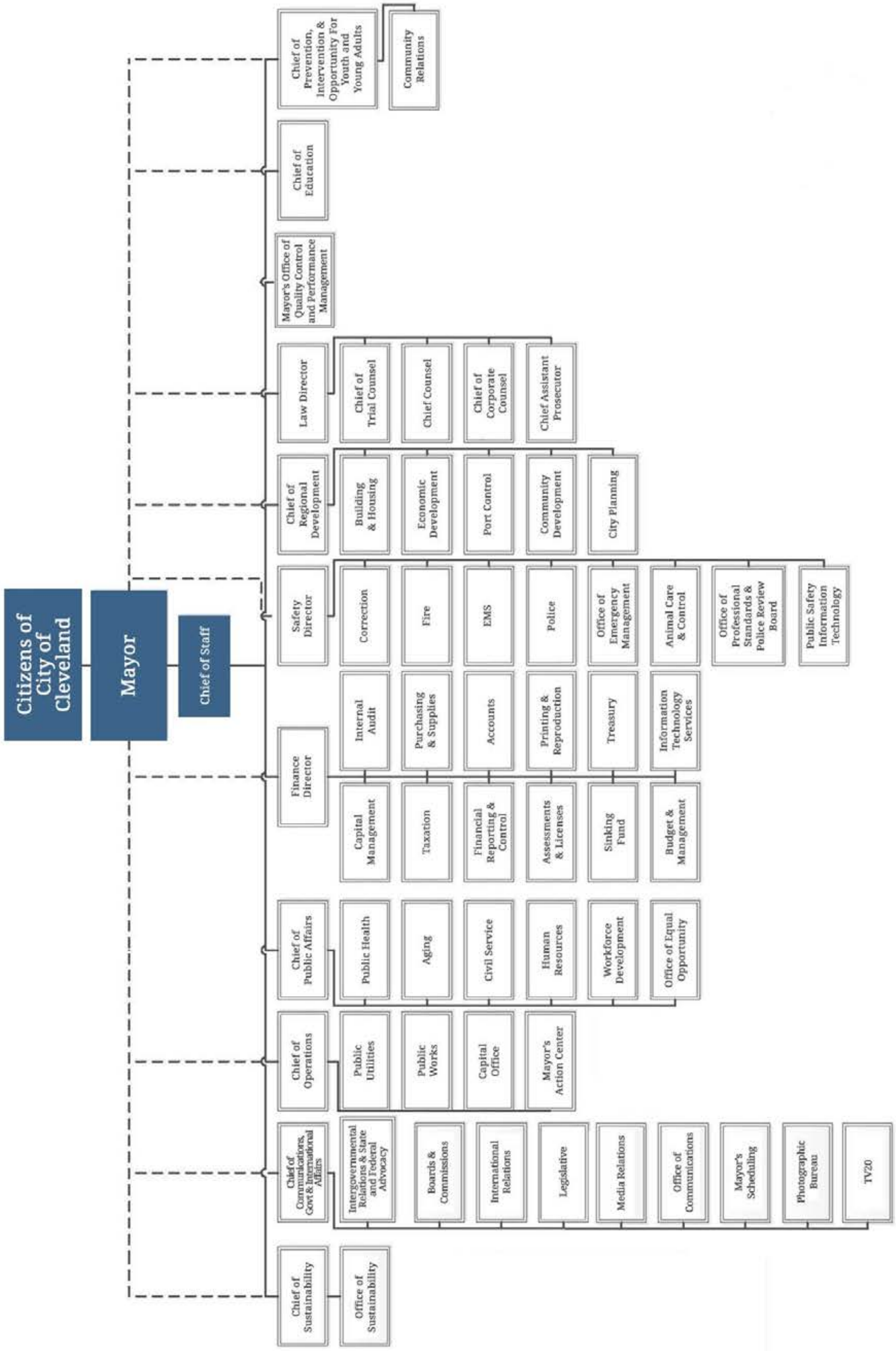
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

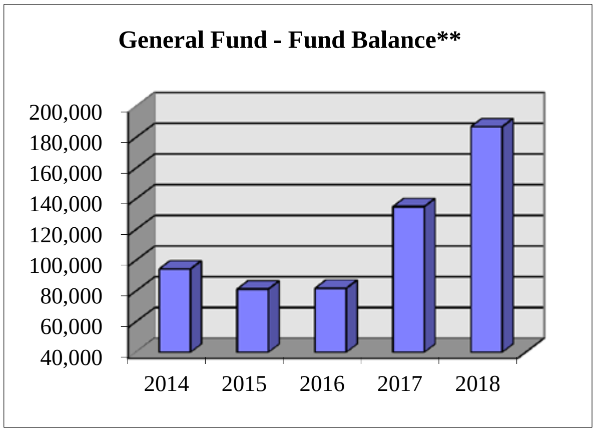
Executive Director/CEO

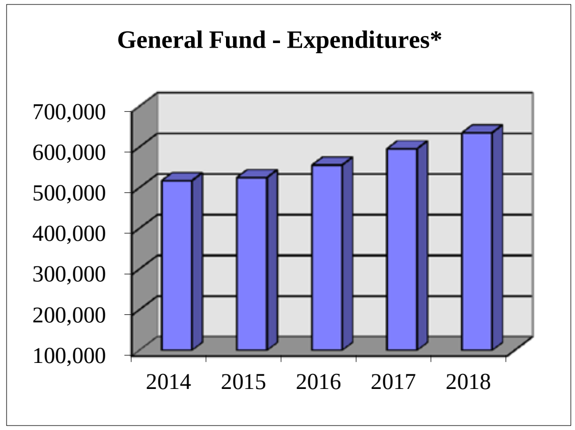


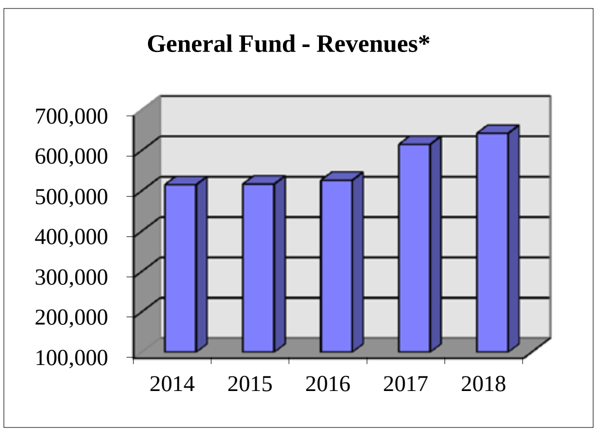
Citizens of City of Cleveland
Mayor
Chief of Staff
Chief of Sustainability
Office of Sustainability
Chief of Communications, Govt & International Affairs
Intergovernmental Relations & State and Federal Advocacy
Boards & Commissions
International Relations
Legislative
Media Relations
Office of Communications
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

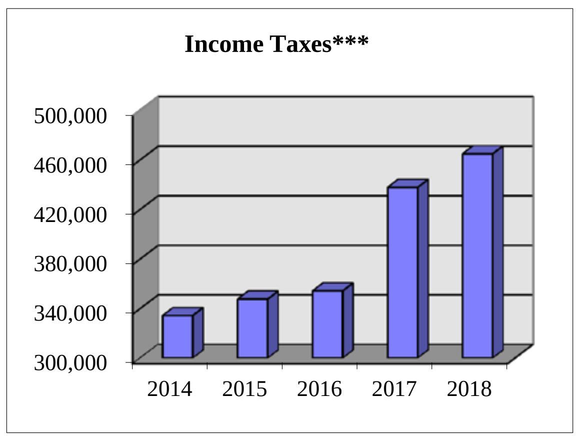
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(Amounts in Thousands)









For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
2014	94,327	515,233	517,156	334,264
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

* *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

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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, 2018, 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.

Auditor's 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, 2018, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

During the year ended December 31, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the City restated net position at January 1, 2018 for the change in accounting principle (See Note 21). 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 combining and individual nonmajor fund financial statements and schedules, capital assets schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory 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, 2019 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, 2019

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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, 2018. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 56.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2018 by approximately $2.208 billion (net position).

- Of the approximately $2.208 billion of net position, governmental activities accounted for approximately ($30.4) million of net position, while business-type activities net position accounted for approximately $2.238 billion.

- The City's net position increased by $54.1 million as compared to 2017. The governmental activities net position decreased by $15.0 million and the business-type activities net position increased by $69.1 million.

- At the end of the current year, unassigned fund balance for the General Fund was $116.5 million, which represents the amount available for spending at the City's discretion. The unassigned fund balance equals 20.1% of the total General Fund expenditures and other financing uses.

- In 2018, the City's total long-term debt and other long-term debt-related obligations, excluding premiums, accreted interest and discounts increase by $10.0 million. The increase is due to new debt issued exceeding the amount of debt retired, refunded or defeased in 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of five components: (1) government-wide financial statements, (2) fund financial statements, (3) General Fund budget and actual statement, (4) notes to the financial statements and (5) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

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

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

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

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

The government-wide financial statements can be found on pages 56-59 of this report.

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

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

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

The City presents 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, which is considered to be a major fund. Data from the other 30 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 60-63 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 64-68 of this report.

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

The basic fiduciary fund financial statement can be found on page 69 of this report.

Notes to the financial statements. The notes provide additional information that is essential to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 71-131 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, 2018 and 2017

	Governmental Activities		Business-Type Activities (Amounts in Thousands)		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets:						
Current and other assets	$ 1,021,723	$ 839,764	$ 1,228,070	$ 1,182,124	$ 2,249,793	$ 2,021,888
Capital assets	1,237,652	1,249,228	3,039,201	3,048,697	4,276,853	4,297,925
Total assets	2,259,375	2,088,992	4,267,271	4,230,821	6,526,646	6,319,813
Deferred outflows of resources	194,274	214,811	99,170	134,475	293,444	349,286
Liabilities:						
Net pension liability	631,189	726,412	127,074	177,738	758,263	904,150
Net OPEB liability	540,378	464,572	86,570	77,664	626,948	542,236
Long-term obligations	969,452	878,549	1,635,759	1,699,189	2,605,211	2,577,738
Other liabilities	168,394	162,830	233,190	225,696	401,584	388,526
Total liabilities	2,309,413	2,232,363	2,082,593	2,180,287	4,392,006	4,412,650
Deferred inflows of resources	174,607	86,890	45,948	16,171	220,555	103,061
Net position:						
Net investment in capital assets	714,288	719,579	1,544,414	1,482,861	2,258,702	2,202,440
Restricted	188,612	161,003	219,202	214,161	407,814	375,164
Unrestricted	(933,271)	(896,032)	474,284	471,816	(458,987)	(424,216)
	(30,371)	(15,450)	2,237,900	2,168,838	2,207,529	2,153,388
Beginning net position	(15,450)	418,205	2,168,838	2,136,573	2,153,388	2,554,778
Change in net position	(14,921)	28,534	69,062	108,860	54,141	137,394
Restatement - see Note 21		(462,189)		(76,595)	-	(538,784)
Ending net position	$ (30,371)	$ (15,450)	$ 2,237,900	$ 2,168,838	$ 2,207,529	$ 2,153,388

The net pension liability is reported by the City at December 31, 2018 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. This implementation also had the effect of restating net position at December 31, 2017 from $2,692,172,000 to $2,153,388,000. Additional information on the restatement can be found in Note – 21 Restatement.

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 $2.208 billion at the close of the most recent fiscal year. This represents an increase of 2.5% in 2018. Of the net position from governmental activities, $714.3 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, $188.6 million, represents resources that are subject to external restrictions on how they may be used. The deficit of $933.3 million is due to net pension and OPEB liability.

In 2018, the total assets and deferred outflows of resources from governmental activities increased by $149.8 million. This increase is primarily attributed to an increase in cash and cash equivalents of approximately $164.8 million offset by a decrease in deferred outflows of resources of $20.5 million. The increase in cash and cash equivalents is primarily attributed to the issuance of $80.4 million in various general purpose General Obligation Bonds, Series 2018 and $55.2 million in Subordinate Lien Income Tax Bonds, Series 2018A. The decrease in deferred outflows of resources is mainly attributed to changes in assumptions and increases in investment returns in the pension plan and offset by an increase in OPEB deferred outflows of resources.

Also in 2018, the total liabilities and deferred inflows of resources from governmental activities increased by $164.8 million. This was caused primarily by an increase in pension deferred inflows of resources due to an increase in investment returns and changes in assumptions in the OPEB plan.

Of the business-type net position, $1.544 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 $219.2 million of net position is subject to external restrictions on their use. The remaining balance of $474.3 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

In 2018, business-type total assets and deferred outflows of resources increased by $1.1 million. This increase is primarily due to an increase in cash and cash equivalents relating to the issuance of Airport revenue bonds and unspent bond proceeds. This increase is offset by a decrease in deferred outflow of resources mainly attributed to changes in assumptions and increases in investment returns in the pension plan.

Business-type total liabilities and deferred inflows of resources decreased by $67.9 million due to a decrease in net pension liability of $50.7 million offset by an increase in net OPEB liability of $8.9 million attributed to investment returns not meeting expectations and changes in assumptions and an increase in deferred inflows of resources of $29.8 million which $26.6 million is due to an increase in pension deferred inflows of resources. Long-term obligations excluding net pension liability and net OPEB liability decreased by $63.4 million mainly due to scheduled debt principal payments.

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

Changes in Net Position
For the Years Ended December 31, 2018 and 2017

(Amounts in Thousands)

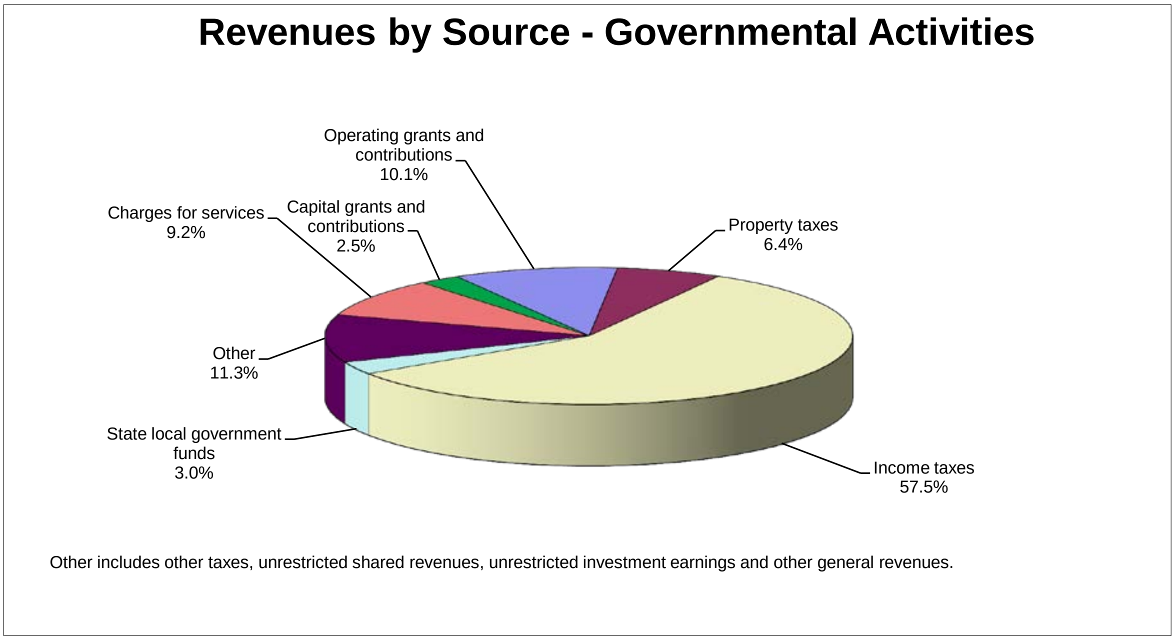
	Governmental Activities 2018	Governmental Activities 2017	Business-Type Activities 2018	Business-Type Activities 2017	Total 2018	Total 2017
Revenues:						
Program revenues:						
Charges for services	$ 76,726	$ 76,132	$ 714,588	$ 684,374	$ 791,314	$ 760,506
Operating grants and contributions	84,101	74,011	10,742	9,154	94,843	83,165
Capital grants and contributions	21,128	35,875	78,329	112,091	99,457	147,966
General revenues:						
Income taxes	480,966	451,929			480,966	451,929
Property taxes	53,839	51,985			53,839	51,985
Other taxes	45,235	46,704			45,235	46,704
Unrestricted shared revenues	19,338	37,428			19,338	37,428
State local government funds	25,191	24,331			25,191	24,331
Unrestricted investment earnings	10,730	4,392	24	13	10,754	4,405
Other	19,070	14,374		8	19,070	14,382
Total revenues	836,324	817,161	803,683	805,640	1,640,007	1,622,801
Expenses:						
General Government	157,730	160,117			157,730	160,117
Public Works	151,476	137,256			151,476	137,256
Public Safety	415,703	357,248			415,703	357,248
Community Development	33,464	28,555			33,464	28,555
Building and Housing	15,294	14,240			15,294	14,240
Public Health	19,189	18,038			19,189	18,038
Economic Development	27,251	36,189			27,251	36,189
Interest on debt	26,286	28,630			26,286	28,630
Water			302,725	293,148	302,725	293,148
Electricity			218,261	197,613	218,261	197,613
Airport facilities			173,624	172,383	173,624	172,383
Nonmajor activities			44,863	41,990	44,863	41,990
Total expenses	846,393	780,273	739,473	705,134	1,585,866	1,485,407
Changes in net position before transfers	(10,069)	36,888	64,210	100,506	54,141	137,394
Transfers	(4,852)	(8,354)	4,852	8,354	-	-
Changes in net position	$ (14,921)	$ 28,534	$ 69,062	$ 108,860	$ 54,141	$ 137,394

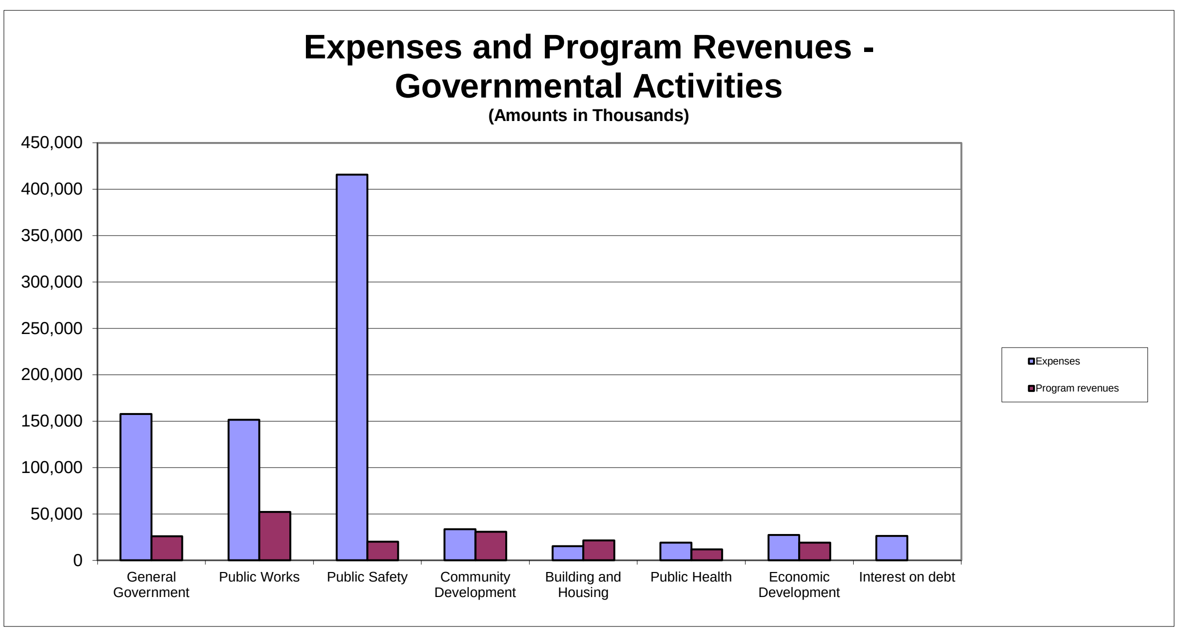
Governmental activities decreased the City's net position by $15.0 million as compared to a $28.5 million increase in 2017. The decrease is primarily attributed to increases in Public Safety expenses of $58.5 million largely due to OPEB expenses in 2018 and increases in salary costs related to the ratification of union contracts that resulted in increased wages and retro pay. There was also a decrease in Public Works capital grants and contributions of $16.2 million related to their projects. This decrease was offset by an increase in income tax of $29.0 million due to the first full year of the 2.5% tax rate collection.

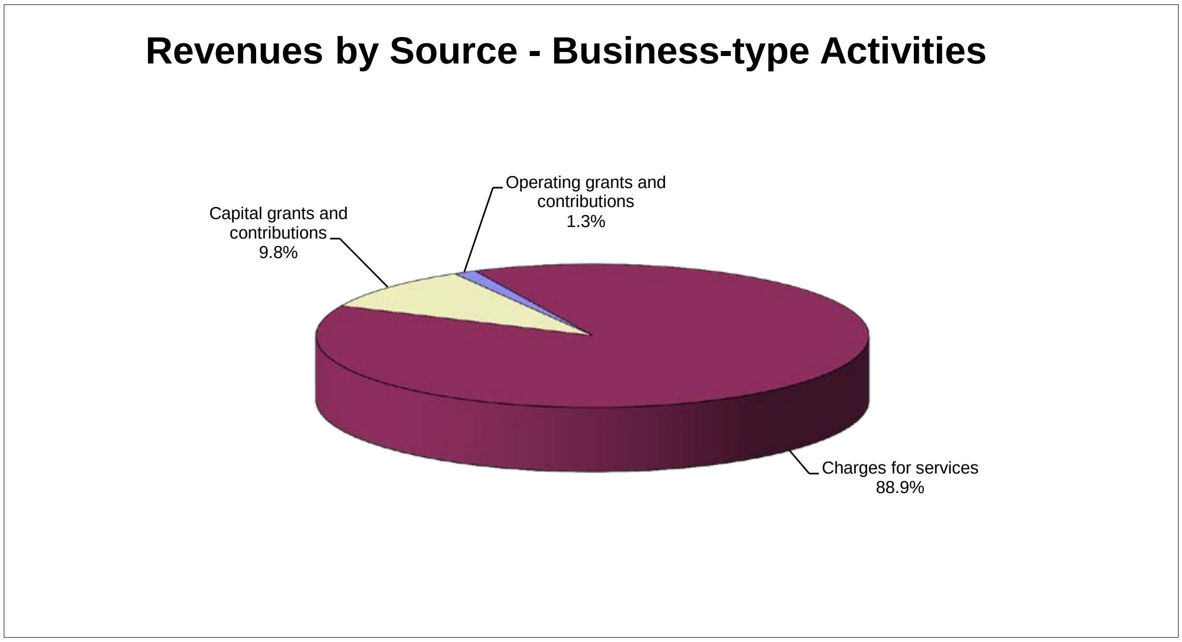
Business-type activities increased the City's net position by $69.1 million in 2018 compared to $108.9 million increase in 2017. The change from the prior year is attributed to a decrease in capital grants and contributions of $33.8 million due to the Division of Water's acquisitions of distribution mains decreasing from four cities in 2017 to one city in 2018 and an increase in the Division of Cleveland Pubic Power's operating expenses mainly due to a $18.3 million increase in purchased power costs. This is offset by an increase in charges for services of $17.0 million in the Division of Cleveland Public Power mainly due to an increase in the Energy Adjustment Charge.

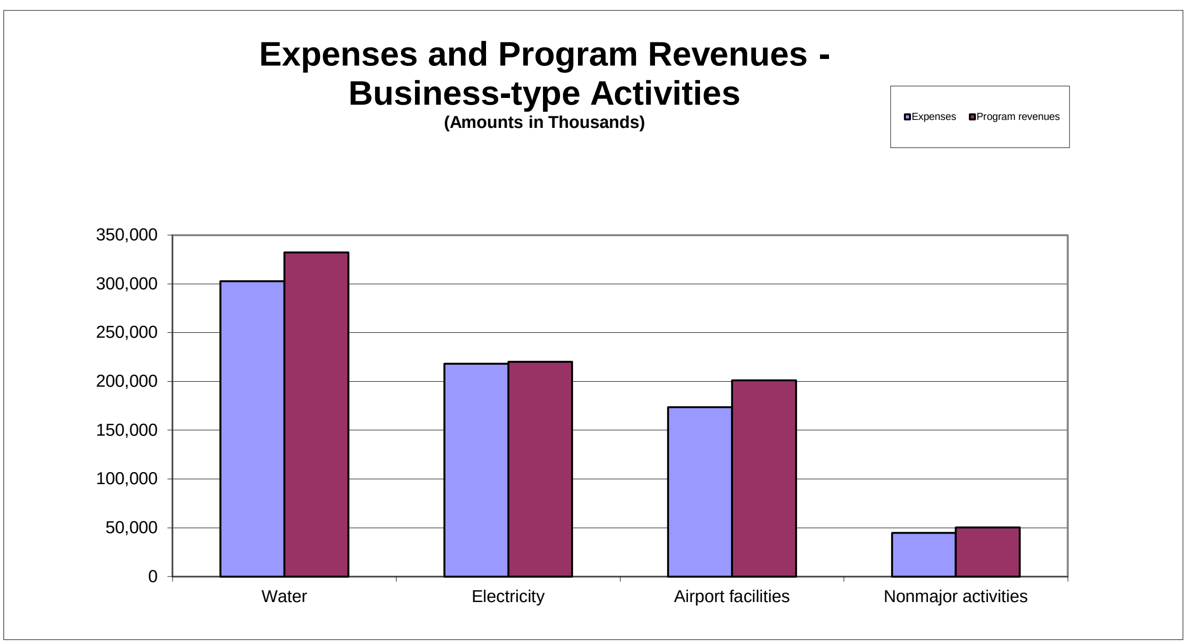
The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $3.5 million computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $51.7 million. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	**Business-Type Activities**	**Total**
		(Amounts in Thousands)	
Total 2018 program expenses under GASB 75	$ 846,393	$ 739,473	$ 1,585,866
OPEB expense under GASB 75	(43,538)	(8,178)	(51,716)
2018 contractually required contribution	866	-	866
Adjusted 2018 program expenses	803,721	731,295	1,535,016
Total 2017 program expenses under GASB 45	(780,273)	(705,134)	(1,485,407)
Increase in program expenses not related to OPEB	$ 23,448	$ 26,161	$ 49,609


Revenues by Source - Governmental Activities
Operating grants and contributions 10.1%
Charges for services 9.2%
Capital grants and contributions 2.5%
Property taxes 6.4%
Other 11.3%
State local government funds 3.0%
Income taxes 57.5%
Other includes other taxes, unrestricted shared revenues, unrestricted investment earnings and other general revenues.


Expenses and Program Revenues - Governmental Activities
(Amounts in Thousands)
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
General Government
Public Works
Public Safety
Community Development
Building and Housing
Public Health
Economic Development
Interest on debt
Expenses
Program revenues


Revenues by Source - Business-type Activities
Operating grants and contributions 1.3%
Capital grants and contributions 9.8%
Charges for services 88.9%


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

Business-type activities are principally accounted for in the City's Enterprise Funds. The City operates three major Enterprise Funds encompassing two airports, a water system and an electric distribution system. The City also operates other Enterprise Funds consisting of a sewer system, cemeteries, a public auditorium, municipal parking lots and public market facilities. The City owns two golf courses, 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 Cuyahoga, Medina, Summit, Portage, Lake and Geauga Counties. They provide water to approximately 429,000 city and suburban accounts in the Cleveland Metropolitan Area. Operating revenue in 2018 increased to $306.2 million from $301.5 million in 2017. The rise is primarily attributed to an increase in construction related revenue and partially offset by a decrease in fire line revenue. Operating expenses, exclusive of depreciation, increased approximately 6.7% to $197.9 million compared to $185.4 million in 2017.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 75,000 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 2018 operating revenue increased by 8.7% to $211.9 million from $194.9 million in 2017. Purchased power expense increased by 14.8% to $141.7 million in 2018 from $123.4 million in 2017. Operating expenses, exclusive of depreciation and purchased power increased 1.6% to $45.2 million compared to $44.5 million in 2017.

Department of Port Control: The City's Department of Port Control includes the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport. During 2018, 23 passenger airlines provided scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities. The Divisions' change in net position for 2018 was $27.7 million. Landing fee revenue increased due to the landing fee settlement having less of an adjustment in 2018. Terminal and concourse rental were impacted by the increase in non-airline revenues from parking and rideshare fees. This increase reduced the total airline rent charged, reducing these types of revenues. Capital and other contributions decreased related to receiving less for the in-line baggage as this project was nearly completed in 2017.

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 $666.7 million, an increase of $162.7 million and approximately 32.3% in comparison with the prior year. The components of the governmental fund balances include an unassigned balance of $116.5 million, which indicates the amount available for spending at the City's discretion. An additional $416.7 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 expenses. An additional $62.9 million is committed to fund specific purposes and cannot be reassigned without legislative approval. The remaining assigned balance of $67.4 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 $116.5 million and the total fund balance was $186.9 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 20.1% of total General Fund expenditures and other financing uses, while total fund balance represents approximately 32.2% 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

2018 and 2017

(Amounts in Thousands)

	2018	2017
Revenues:		
Income taxes	$ 420,717	$ 397,564
Property taxes	34,628	33,842
State local government funds	24,970	24,375
Other taxes	45,149	46,683
Other shared revenues	17,314	16,904
Licenses and permits	18,993	17,218
Charges for services	36,316	36,114
Fines, forfeits and settlements	11,323	11,280
Investment earnings	4,474	1,854
Grants	723	1,302
Miscellaneous	8,483	4,833
Total revenues	623,090	591,969
Expenditures:		
General Government	90,785	92,883
Public Works	74,705	71,107
Public Safety	328,661	316,948
Community Development	295	290
Building and Housing	11,138	10,380
Public Health	7,846	6,336
Economic Development	1,538	1,573
Other	9,030	6,640
Capital outlay	9,050	2,378
Total expenditures	533,048	508,535
Excess (deficiency) of revenues over (under) expenditures	90,042	83,434
Other financing sources (uses):		
Transfers out	(47,241)	(35,546)
Sale of City assets	9,248	5,250
Net change in fund balance	52,049	53,138
Fund balance at beginning of year	134,860	81,722
Fund balance at end of year	$ 186,909	$ 134,860

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $632.3 million in 2018, an increase of approximately $35.1 million from 2017. 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 2018, 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 $23.2 million in 2018, primarily due to the increased income tax 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)	
2018	$ 4,312,945	$ 415,800	$ 4,728,745
2017	$ 4,240,407	$ 387,919	$ 4,628,326

Property tax revenue increased by $786,000 as a result of an increase in residential property valuations.

State Local Government Funds, Other Taxes and Other Shared Revenues

State Local Government Funds, Other Taxes and Other Shared Revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other Taxes and Other Shared Revenues include state income, sales, admission, motor vehicle, parking, hotel, commercial activity, corporate franchise, casino, homestead and rollback, public utility, estate and cigarette taxes as well as liquor fees. State Local Government Funds revenue increased by $595,000 or 2.4% due to economic growth in 2018. Other Taxes decreased by $1.5 million or 3.3% from 2017 levels primarily as a result of a decrease in electric excise tax revenues. Other Shared Revenues increased by $410,000 or 2.4% from 2017 levels primarily as a result of the Highland Hills Joint Economic Development Zone Shared Income Tax Revenue.

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 $580.3 million in 2018, an increase of 6.7% from 2017. 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 2018	% of Total	Actual 2017	% of Total	Increase (Decrease)	% Change
			(Amounts in Thousands)			
Current:						
General Government	$ 90,785	15.64	$ 92,883	17.07	$ (2,098)	(2.26)
Public Works	74,705	12.87	71,107	13.07	3,598	5.06
Public Safety	328,661	56.64	316,948	58.25	11,713	3.70
Community Development	295	0.05	290	0.05	5	1.72
Building and Housing	11,138	1.92	10,380	1.91	758	7.30
Public Health	7,846	1.35	6,336	1.17	1,510	23.83
Economic Development	1,538	0.27	1,573	0.29	(35)	(2.23)
Other	9,030	1.56	6,640	1.22	2,390	35.99
Capital Outlay	9,050	1.56	2,378	0.44	6,672	280.57
Transfers Out	47,241	8.14	35,546	6.53	11,695	32.90
Total Expenditures and Other Financing Uses	$ 580,289		$ 544,081		$ 36,208	

The total expenditures and other financing uses increased by $36.2 million. The growth was primarily caused by increases in Public Safety, capital outlay and transfers out. The increase in Public Safety was due to increases in salaries. Capital outlay increased as a result of capital expenditures related to demolition, vehicles and other related projects. Transfers out grew due to increased transfers to the Division of Streets for additional streets resurfacing and funds for economic development purposes and capital expenditures for the First Energy Stadium.

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

The unrestricted net position of the Division of Water, Cleveland Public Power and the Department of Port Control Funds amounted to $347.1 million, $10.3 million and $92.8 million, respectively, at December 31, 2018. The change in net position for each of the respective funds amounted to increases of $30.7 million, $1.9 million and $27.7 million during 2018. 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, 2018 and 2017, the City had approximately 7,330 and 7,002 full-time employees, respectively. Of the 7,330 full-time employees, approximately 5,407 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 – 1,119 members; Cleveland Police Patrolmen's Association (CPPA) – 1,314 members; the Association of Cleveland Firefighters – 753 members; Municipal Foreman and Laborers Union, Local 1099 – 418 members; and Local 507 – 304 members.

There have been no significant labor disputes or work stoppages in the City within the last 35 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)**	
2018	$	475,000
2017	$	439,600

In 2018, there was an increase in salaries and wages payable due to a 2% increase in cost of living, plus a 2% retroactive cost of living increase from the prior year.

GENERAL FUND BUDGETARY ANALYSIS

In 2018, the principal differences between the original and final budgeted expenditures included a $7.5 million decrease in General Government and a $9.7 million decrease in Public Safety, both attributed to changes in anticipated staffing. There was an increase of $3.1 million in the other budgeted expenditures as a result of the Police headquarters lease agreement entered into in 2018. There was also an increase of $28.7 million in capital outlay due to the costs associated with vehicles, equipment, demolition and other capital expenditures.

The major differences between the final amended budget and the actual total revenues were increases of $7.2 million in other taxes, $2.5 million in licenses and permits, $2.5 million in investment earnings and $3.9 million in miscellaneous. The increase in other taxes was primarily attributed to admissions tax, parking tax and hotel tax collections. Licenses and Permits increased mainly due to building permits and certificates of occupancy. The growth in investment earnings resulted from higher interest rates and miscellaneous revenue increased due to the City's receipt of the Workers' Compensation refund.

The major differences between the final amended budget and the actual total expenditures were decreases of $4.6 million in General Government and $10.8 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, 2018, amounts to $4.277 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 decrease in the City's capital assets for the current fiscal year was 0.49% (a 0.93% decrease for governmental activities and a 0.31% decrease for business-type activities). A summary of the City's capital assets at December 31, 2018 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
	(Amounts in Thousands)		
Land	$ 67,996	$ 192,202	$ 260,198
Land improvements	70,544	66,005	136,549
Utilit plant		1,688,941	1,688,941
Buildings, structures and improvements	345,886	288,692	634,578
Furniture, fixtures, equipment and vehicles	82,188	191,268	273,456
Infrastructure	432,546	309,065	741,611
Construction in progress	238,492	303,028	541,520
Total	$ 1,237,652	$ 3,039,201	$ 4,276,853

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

- The Division of Cleveland Public Power incurred $24.1 million of capital additions relating to the Southern Transmission Line, general engineering services, underground cable reconstruction and duct lines.
- The Division of Water incurred $48.8 million of capital additions mainly consist of suburban water main renewals and related engineering services, phase two of the automated meter reading implementation, network upgrades and construction of the Aurora Road pump station.

- The Department of Port Control capital improvements totaled approximately $26.8 million. Major projects were North Airfield Improvements Project, Phase II , Snow Removal Equipment Acquisition, Burke Shoreline Restoration and Burke Runway 6R/24L Rehabilitation, Phase I.

- The Division of Water Pollution Control had capital improvements of $14.2 million. The major capital additions were sewer installations, East 75th Street rehabilitation, building improvements and East 103rd Street rehabilitation.

- 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 $2.301 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, 2018 is summarized below (excluding unamortized discounts, premiums and accreted interest).

	Balance January 1, 2018	Debt Issued	Debt Refunded or Defeased	Debt Retired	Balance December 31, 2018
			(Amounts in Thousands)		
Governmental Activities:					
General Obligation Bonds	$ 211,400	$ 80,435	$	$ (24,700)	$ 267,135
Urban Renewal Bonds	835			(835)	-
Subordinated Income Tax Refunding Bonds	32,960			(3,985)	28,975
Subordinate Lien Income Tax Bonds	296,285	55,245		(11,840)	339,690
Non-Tax Revenue Bonds	56,705			(3,734)	52,971
Annual Appropriation Bonds	9,455			(310)	9,145
Certificates of Participation	92,300			(7,140)	85,160
Capital Lease Obligations	4,363			(2,489)	1,874
Note/Loans Payable	1,344	15		(335)	1,024
Total Governmental Activities	705,647	135,695	-	(55,368)	785,974
Business –Type Activities:					
Revenue Bonds	1,501,493	156,930	(132,940)	(86,415)	1,439,068
Loans Payable	83,478			(7,933)	75,545
Total Business –Type Activities	1,584,971	156,930	(132,940)	(94,348)	1,514,613
Total	$ 2,290,618	$ 292,625	$ (132,940)	$ (149,716)	$ 2,300,587

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 $18.0 million in 2018 which represents approximately 49.7% 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 50.3% 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, 2018:

	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	A+	N/A
Stadium Certificates of Participation	A3	A	N/A
Waterworks Improvement Revenue Bonds	Aa1	AA+	N/A
Second Lien Water Revenue Bonds	Aa2	AA	N/A
Public Power System Revenue Bonds	A3	A-	N/A
Airport System Revenue Bonds***	A3	A	BBB+
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 February 23, 2018 S&P Global Ratings raised its rating on the City's Non-tax Revenue Bonds to A+ from A.

*** On August 29, 2018 S&P Global Ratings raised its rating on the City's Airport System Revenue Bonds to A (stable) and Moody's Investors Service raised its rating on Airport's bonds to A3 (stable).

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, 2018 was:

Net General Bonded Debt:	$279,415,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.91%
Net General Bonded Debt Per Capita:	$704.14

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 $496,518,271 and unvoted debt limit (5.50%) is $260,080,999. At December 31, 2018, the City had capacity under the indirect debt limitation calculation per the ORC to issue approximately $140 million in additional unvoted debt. However, these debt limitations are not expected to affect the financing of any currently planned facilities or services.

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

The City reports a deferred outflow of resource and a liability in the amount of the fair value of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2018 and an investment loss or gain as appropriate, based on the change in fair value. The specific terms and conditions of each swap have been provided by the respective counterparty for each swap and confirmed by the City's financial advisor.

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

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

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

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

Other Impacting Factors

- On January 31, 2019, the Ohio Water Development Authority approved a loan for phase one of the E. 185th Street and Marcella Road relief sewer. The total loan amount is $15,770,000 and repayment is scheduled to begin on January 1, 2021.

- Effective March 1, 2019, the City entered into an amendment to extend the period of time during which PNC Bank, National Association, will be the holder of the Airport System Revenue Bonds, Series 2013A.

- On April 25, 2019, the City issued $97,160,000 Water System Revenue Bonds, Series DD, 2019.

- Effective May 14, 2019, the City entered into first amendments to the Letter of Credit and Reimbursement Agreements on the Airport System Revenue Bonds, Series 2008D and the Airport System Revenue Bonds, Series 2009D.

NEED ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2018
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 647,249	$ 642,491	$ 1,289,740
Investments	6,556		6,556
Receivables:			
Taxes	153,545		153,545
Accounts	11,799	211,888	223,687
Recoverable costs of purchased power		4,418	4,418
Grants	9,463		9,463
Loans	135,636		135,636
Unbilled revenue		19,782	19,782
Accrued interest	529	49	578
Assessments	46,612		46,612
Less: Allowance for doubtful accounts	(40,407)	(29,955)	(70,362)
Receivables, net	317,177	206,182	523,359
Internal balances	94	(94)	-
Due from other governments	45,873	10,035	55,908
Inventory of supplies	1,103	23,145	24,248
Prepaid expenses and other assets	3,671	2,519	6,190
Restricted assets:			
Cash and cash equivalents		341,208	341,208
Accrued interest receivable		366	366
Accrued passenger facility charge		2,218	2,218
Total restricted assets	-	343,792	343,792
Capital assets:			
Land and construction in progress	306,488	495,230	801,718
Other capital assets, net of accumulated depreciation	931,164	2,543,971	3,475,135
Total capital assets	1,237,652	3,039,201	4,276,853
Total assets	2,259,375	4,267,271	6,526,646
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps		7,980	7,980
Loss on refunding	15,072	47,830	62,902
Pension	125,802	35,169	160,971
OPEB	53,400	8,191	61,591
Total deferred outflows of resources	194,274	99,170	293,444

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2018
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 21,505	$ 44,634	$ 66,139
Accrued wages and benefits	32,579	8,556	41,135
Claims payable	9,701		9,701
Due to other governments	91,469	148,633	240,102
Accrued interest payable	5,770	23,392	29,162
Unearned revenue	7,370		7,370
Liabilities payable from restricted assets		7,975	7,975
Long-term obligations:			
Due within one year	105,046	104,371	209,417
Due in more than one year	864,406	1,531,388	2,395,794
Net pension liability	631,189	127,074	758,263
Net OPEB liability	540,378	86,570	626,948
Total liabilities	2,309,413	2,082,593	4,392,006
DEFERRED INFLOWS OF RESOURCES			
Property tax	57,594		57,594
Special assessment - TIF	14,396		14,396
Derivative instruments-interest rate swaps	6	8,016	8,022
Pension	83,862	31,538	115,400
OPEB	18,749	6,394	25,143
Total deferred inflows of resources	174,607	45,948	220,555
NET POSITION			
Net investment in capital assets	714,288	1,544,414	2,258,702
Restricted for:			
Capital	57,251	515	57,766
Debt service	49,037	203,046	252,083
Loans	29,495		29,495
Other purposes	52,829	15,641	68,470
Unrestricted	(933,271)	474,284	(458,987)
Total net position	$ (30,371)	$ 2,237,900	$ 2,207,529

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Functions/Programs:				
Governmental activities:				
General Government	$ 157,730	$ 20,408	$ 4,450	$ 1,259
Public Works	151,476	17,973	14,729	19,561
Public Safety	415,703	15,123	5,067	
Community Development	33,464	359	30,325	
Building and Housing	15,294	19,008	2,360	
Public Health	19,189	3,715	8,327	
Economic Development	27,251	140	18,843	308
Interest on debt	26,286			
Total governmental activities	846,393	76,726	84,101	21,128
Business-type activities:				
Water	302,725	306,159	8,346	17,686
Electricity	218,261	218,096	409	1,458
Airport facilities	173,624	145,981	1,399	53,867
Nonmajor activities:				
Sewer	29,061	30,019	376	811
Public Auditorium	3,259	1,264	1	
Westside Market	2,377	1,360	18	
Eastside Market	60			4,291
Municipal Parking Lots	6,869	10,131	65	216
Cemeteries	2,387	1,445	109	
Golf Courses	850	133	19	
Total business-type activities	739,473	714,588	10,742	78,329
Total	$ 1,585,866	$ 791,314	$ 94,843	$ 99,457

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 (as restated)

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
$ (131,613)	$	$ (131,613)
(99,213)		(99,213)
(395,513)		(395,513)
(2,780)		(2,780)
6,074		6,074
(7,147)		(7,147)
(7,960)		(7,960)
(26,286)		(26,286)
(664,438)	-	(664,438)
	29,466	29,466
	1,702	1,702
	27,623	27,623
	2,145	2,145
	(1,994)	(1,994)
	(999)	(999)
	4,231	4,231
	3,543	3,543
	(833)	(833)
	(698)	(698)
-	64,186	64,186
(664,438)	64,186	(600,252)
480,966		480,966
53,839		53,839
45,235		45,235
19,338		19,338
25,191		25,191
10,730	24	10,754
19,070		19,070
(4,852)	4,852	-
649,517	4,876	654,393
(14,921)	69,062	54,141
(15,450)	2,168,838	2,153,388
$ (30,371)	$ 2,237,900	$ 2,207,529

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(Amounts in Thousands)

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 173,275	$ 430,331	$ 603,606
Investments		6,556	6,556
Receivables:			
Taxes	117,843	35,702	153,545
Accounts	11,790		11,790
Grants	351	9,112	9,463
Loans	54	135,582	135,636
Accrued interest	17	512	529
Assessments	41,530	5,082	46,612
Less: Allowance for doubtful accounts	(40,407)		(40,407)
Receivables, net	131,178	185,990	317,168
Due from other funds	3,042	7,336	10,378
Due from other governments	21,964	23,909	45,873
Prepaid expenses and other assets	3,035	168	3,203
TOTAL ASSETS	$ 332,494	$ 654,290	$ 986,784
LIABILITIES			
Accounts payable	$ 6,384	$ 11,401	$ 17,785
Accrued wages and benefits	29,103	1,774	30,877
Due to other governments	3,058	87,310	90,368
Unearned revenue	63	7,307	7,370
Due to other funds	3,653	9,468	13,121
Total liabilities	42,261	117,260	159,521
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow	103,324	57,200	160,524
Total deferred inflows of resources	103,324	57,200	160,524
FUND BALANCES			
Nonspendable	3,035	168	3,203
Restricted		416,726	416,726
Committed		62,927	62,927
Assigned	67,388	9	67,397
Unassigned	116,486		116,486
Total fund balances	186,909	479,830	666,739
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 332,494	$ 654,290	
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.			1,234,169
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			88,534
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.			(950,080)
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.			6,219
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			(578,333)
OPEB			(497,619)
Net position of governmental activities			$ (30,371)

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, 2018

(Amounts in Thousands)

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Income taxes	$ 420,717	$ 52,589	$ 473,306
Property taxes	34,628	18,037	52,665
State local government funds	24,970		24,970
Other taxes	45,149		45,149
Other shared revenues	17,314	36,552	53,866
Licenses and permits	18,993	2,203	21,196
Charges for services	36,316	2,878	39,194
Fines, forfeits and settlements	11,323	3,973	15,296
Investment earnings	4,474	5,712	10,186
Grants	723	59,662	60,385
Contributions		4,398	4,398
Miscellaneous	8,483	6,585	15,068
Total revenues	623,090	192,589	815,679
EXPENDITURES:			
Current:			
General Government	90,785	6,558	97,343
Public Works	74,705	30,244	104,949
Public Safety	328,661	3,762	332,423
Community Development	295	30,581	30,876
Building and Housing	11,138	2,691	13,829
Public Health	7,846	9,889	17,735
Economic Development	1,538	25,312	26,850
Other	9,030		9,030
Capital outlay	9,050	79,762	88,812
Debt service:			
Principal retirement		55,368	55,368
Interest		31,006	31,006
General Government		1,485	1,485
Other		1,077	1,077
Total expenditures	533,048	277,735	810,783
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	90,042	(85,146)	4,896
OTHER FINANCING SOURCES (USES):			
Transfers in		112,956	112,956
Transfers out	(47,241)	(69,685)	(116,926)
Issuance of bonds		135,680	135,680
Premium on bonds		16,868	16,868
Sale of City assets	9,248		9,248
Loan proceeds		15	15
Total other financing sources (uses)	(37,993)	195,834	157,841
NET CHANGE IN FUND BALANCES	52,049	110,688	162,737
FUND BALANCES AT BEGINNING OF YEAR	134,860	369,142	504,002
FUND BALANCES AT END OF YEAR	$ 186,909	$ 479,830	$ 666,739

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, 2018

(Amounts in Thousands)

Amounts reported for governmental activities in the statement of activities (pages 60 and 61) are different because:	
Net change in fund balances - total governmental funds (page 61)	$ 162,737
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.	(9,323)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,341
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.	(93,667)
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.	(6,366)
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	(28,969)
OPEB	(42,747)
The net revenue of certain activities of internal service funds is reported with governmental activities.	(4,927)
Change in net position of governmental activities (pages 58 and 59)	$ (14,921)

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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual*	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 411,521	$ 411,521	$ 413,158	$ 1,637
Property taxes	34,045	34,045	34,628	583
State local government funds	24,211	24,211	25,007	796
Other taxes	38,079	38,079	45,241	7,162
Other shared revenues	13,027	13,027	13,020	(7)
Licenses and permits	16,428	16,428	18,909	2,481
Charges for services	35,566	35,566	36,370	804
Fines, forfeits and settlements	10,683	10,683	11,259	576
Investment earnings	1,500	1,500	3,999	2,499
Grants	417	417	621	204
Miscellaneous	27,213	27,213	31,135	3,922
Total revenues	612,690	612,690	633,347	20,657
EXPENDITURES:				
Current:				
General Government	108,611	101,131	96,576	4,555
Public Works	74,861	76,041	74,648	1,393
Public Safety	355,138	345,438	334,594	10,844
Community Development	298	298	294	4
Building and Housing	12,899	11,674	11,261	413
Public Health	8,760	8,660	7,733	927
Economic Development	1,854	1,579	1,532	47
Other	21,723	24,823	24,585	238
Capital outlay	1,842	30,525	30,525	-
Total expenditures	585,986	600,169	581,748	18,421
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,704	12,521	51,599	39,078
OTHER FINANCING SOURCES (USES):				
Transfers in	11,256	11,256		(11,256)
Transfers out	(38,374)	(53,191)	(53,189)	2
Sale of City assets	1,000	1,000	9,248	8,248
Total other financing sources (uses)	(26,118)	(40,935)	(43,941)	(3,006)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	586	(28,414)	7,658	36,072
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			2,804	2,804
NET CHANGE IN FUND BALANCE	586	(28,414)	10,462	38,876
FUND BALANCE AT BEGINNING OF YEAR	32,851	32,851	32,851	-
FUND BALANCE AT END OF YEAR	$ 33,437	$ 4,437	$ 43,313	$ 38,876

***** 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, 2018
(Amounts in Thousands)

	Business Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 411,768	$ 47,030	$ 95,415	$ 86,913	$ 641,126	$ 45,008
Restricted cash and cash equivalents	2,307	723	4,945	1,509	9,484	
Receivables:						
Accounts	69,217	25,074	4,233	113,364	211,888	9
Recoverable costs of purchased power		4,418			4,418	
Unbilled revenue	10,116	2,811	5,012	1,843	19,782	
Accrued interest	5			44	49	
Less: Allowance for doubtful accounts	(18,114)	(8,180)	(634)	(3,027)	(29,955)	
Receivables, net	61,224	24,123	8,611	112,224	206,182	9
Due from other funds	2,631	3,407	8	56	6,102	2,887
Due from other governments			9,777	258	10,035	
Inventory of supplies	9,686	10,061	2,802	596	23,145	1,103
Prepaid expenses and other assets	1,441	394	491	94	2,420	567
Total current assets	489,057	85,738	122,049	201,650	898,494	49,574
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	67,417	4,178	236,296	23,833	331,724	
Accrued interest receivable	89	5	243	29	366	
Accrued passenger facility charges			2,218		2,218	
Total restricted assets	67,506	4,183	238,757	23,862	334,308	-
Capital assets:						
Land	5,443	5,574	167,457	13,728	192,202	663
Land improvements	17,748	392	94,931	11,981	125,052	179
Utility plant	1,943,497	624,614		183,614	2,751,725	
Buildings, structures and improvements	262,443	23,340	348,490	119,528	753,801	4,483
Furniture, fixtures, equipment and vehicles	608,639	92,338	79,061	24,968	805,006	19,070
Infrastructure			1,016,148		1,016,148	
Construction in progress	117,078	25,593	125,207	35,150	303,028	
Less: Accumulated depreciation	(1,255,553)	(410,561)	(1,032,609)	(209,822)	(2,908,545)	(20,128)
Total capital assets, net	1,699,295	361,290	798,685	179,147	3,038,417	4,267
Total noncurrent assets	1,766,801	365,473	1,037,442	203,009	3,372,725	4,267
Total assets	2,255,858	451,211	1,159,491	404,659	4,271,219	53,841
DEFERRED OUTFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	7,980				7,980	
Loss on refunding	22,283	11,769	13,320	458	47,830	
Pension	17,432	5,477	7,087	3,169	33,165	5,592
OPEB	4,035	1,277	1,642	710	7,664	1,317
Total deferred outflows of resources	51,730	18,523	22,049	4,337	96,639	6,909

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2018
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	$ 17,077	$ 13,180	$ 12,402	$ 2,678	$ 45,337	$ 3,762
Accrued wages and benefits	8,816	2,645	3,222	1,519	16,202	12,218
Claims payable					-	9,701
Due to other funds	1,741	520	1,132	2,800	6,193	53
Due to other governments			4,523	144,110	148,633	1,101
Accrued interest payable	8,930	1,057	12,989	416	23,392	
Current payable from restricted assets	2,307	723	4,945		7,975	
Current portion of long-term obligations	45,226	5,640	39,970	3,984	94,820	
Total current liabilities	84,097	23,765	79,183	155,507	342,552	26,835
Noncurrent liabilities:						
Accrued wages and benefits	957	389	764	179	2,289	1,035
Construction loans payable	67,309			46	67,355	
Accreted interest payable		20,937			20,937	
Revenue bonds payable	522,692	192,321	676,943	46,764	1,438,720	
Net pension liability	62,889	21,587	24,436	11,878	120,790	17,722
Net OPEB liability	42,077	13,762	17,585	7,625	81,049	13,804
Other		1,771			1,771	
Total noncurrent liabilities	695,924	250,767	719,728	66,492	1,732,911	32,561
Total liabilities	780,021	274,532	798,911	221,999	2,075,463	59,396
DEFERRED INFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	7,980			36	8,016	
Pension	15,586	4,630	6,519	2,801	29,536	5,068
OPEB	3,149	997	1,282	554	5,982	1,028
Total deferred inflows of resources	26,715	5,627	7,801	3,391	43,534	6,096
NET POSITION						
Net investment in capital assets	1,090,009	176,289	137,794	139,538	1,543,630	4,267
Restricted for capital projects	1	493	21		515	
Restricted for debt service	63,757	2,493	128,548	8,248	203,046	
Restricted for passenger facility charges			15,641		15,641	
Unrestricted	347,085	10,300	92,824	35,820	486,029	(9,009)
Total net position	$ 1,500,852	$ 189,575	$ 374,828	$ 183,606	2,248,861	$ (4,742)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(10,961)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 2,237,900	

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, 2018
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 306,150	$ 211,864	$ 145,981	$ 44,352	$ 708,347	$ 148,245
Total operating revenue	306,150	211,864	145,981	44,352	708,347	148,245
OPERATING EXPENSES:						
Operations	127,859	28,074	81,305	24,150	261,388	152,452
Maintenance	70,042	17,113	4,015	9,577	100,747	3,092
Purchased power		141,679			141,679	
Depreciation	75,255	20,428	53,453	9,897	159,033	600
Total operating expenses	273,156	207,294	138,773	43,624	662,847	156,144
OPERATING INCOME (LOSS)	32,994	4,570	7,208	728	45,500	(7,899)
NON-OPERATING REVENUES (EXPENSES):						
Investment income (loss)	9,146	703	4,562	1,051	15,462	566
Interest expense	(26,004)	(9,876)	(27,233)	(1,000)	(64,113)	
Passenger facility charges			19,425		19,425	
Gain (loss) on disposal of capital assets	(2,368)	(242)		(51)	(2,661)	
Other revenues (expenses)	6,064	6,725	(2,019)	306	11,076	
Total non-operating revenues (expenses)	(13,162)	(2,690)	(5,265)	306	(20,811)	566
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	19,832	1,880	1,943	1,034	24,689	(7,333)
Capital contributions and other contributions	10,822		25,747	6,201	42,770	39
Transfers in				3,200	3,200	770
Change in net position	30,654	1,880	27,690	10,435	70,659	(6,524)
NET POSITION AT BEGINNING OF YEAR (as restated)	1,470,198	187,695	347,138	173,171		1,782
NET POSITION AT END OF YEAR	$ 1,500,852	$ 189,575	$ 374,828	$ 183,606		$ (4,742)
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					(1,597)	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 69,062	

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, 2018
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 303,576	$ 212,784	$ 148,644	$ 43,226	$ 708,230	$ 148,314
Cash payments to suppliers for goods or services	(99,987)	(17,668)	(51,327)	(16,798)	(185,780)	(123,148)
Cash payments to employees for services	(81,745)	(19,523)	(32,766)	(14,079)	(148,113)	(27,270)
Cash payments for purchased power		(138,880)			(138,880)	
Agency activity on behalf of other sewer authorities				4,645	4,645	
Other	(556)	(5,566)		42	(6,080)	
Net cash provided by (used for) operating activities	121,288	31,147	64,551	17,036	234,022	(2,104)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Cash received through transfers from other funds				3,200	3,200	770
Cash received for royalties				19	19	
Grants	32				32	
Cash received from electric excise tax		6,232			6,232	
Net cash provided by (used for) noncapital financing activities	32	6,232	-	3,219	9,483	770
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			19,445		19,445	
Proceeds from sale of revenue bonds, loans and notes		52,954	120,014		172,968	
Acquisition and construction of capital assets	(55,747)	(26,708)	(37,159)	(14,509)	(134,123)	(188)
Principal paid on long-term debt	(44,314)	(7,705)	(38,535)	(3,794)	(94,348)	
Interest paid on long-term debt	(24,022)	(8,570)	(29,894)	(2,514)	(65,000)	
Cash paid to escrow agent for refunding		(52,923)	(82,035)		(134,958)	
Capital grant proceeds			26,791	1,617	28,408	
Net cash provided by (used for) capital and related financing activities	(124,083)	(42,952)	(21,373)	(19,200)	(207,608)	(188)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(521,835)		(64,459)	(9,914)	(596,208)	
Proceeds from sale and maturity of investment securities	541,914		64,459	9,914	616,287	
Interest received on investments	9,094	880	4,590	1,189	15,753	566
Net cash provided by (used for) investing activities	29,173	880	4,590	1,189	35,832	566
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,410	(4,693)	47,768	2,244	71,729	(956)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	455,082	56,624	288,888	110,011	910,605	45,964
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 481,492	$ 51,931	$ 336,656	$ 112,255	$ 982,334	$ 45,008

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	$ 32,994	$ 4,570	$ 7,208	$ 728	$ 45,500	$ (7,899)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	75,255	20,428	53,453	9,897	159,033	600
Noncash capital expense				16	16	
(Increase) Decrease in Assets:						
Receivables, net	2,593	3,985	7,382	(8,517)	5,443	17
Prepaid expenses and other assets	(674)	(141)	(24)	(94)	(933)	(266)
Due from other funds	1,893	(184)	10	(1)	1,718	170
Inventory of supplies	(1,296)	(595)	99	9	(1,783)	3
(Increase) Decrease in Deferred Outflows of Resources:						
Pension	16,807	6,019	6,769	2,937	32,532	5,329
OPEB	(3,508)	(1,109)	(1,427)	(618)	(6,662)	(1,146)
Increase (Decrease) in Liabilities:						
Accounts payable	2,447	(253)	(5,727)	116	(3,417)	1,318
Accrued wages and benefits	872	240	(934)	141	319	(69)
Net pension liability	(24,955)	(7,901)	(10,158)	(4,389)	(47,403)	(8,151)
Net OPEB liability	4,387	1,388	1,785	773	8,333	1,432
Claims payable					-	896
Due to other funds	(104)	142	365	(1,662)	(1,259)	(60)
Due to other governments			(1,051)	14,909	13,858	385
Unearned revenue				(120)	(120)	
Accrued expenses and other liabilities	(1,723)	(255)			(1,978)	
Increase (Decrease) in Deferred Inflows of Resources:						
Pension	13,151	3,816	5,519	2,357	24,843	4,309
OPEB	3,149	997	1,282	554	5,982	1,028
Total adjustments	88,294	26,577	57,343	16,308	188,522	5,795
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 121,288	$ 31,147	$ 64,551	$ 17,036	$ 234,022	$ (2,104)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:						
Contributions and accounts payable related to capital assets	$ 13,129	$ 723	$ 4,945	$ 7,436	$ 26,233	$ 39

(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, 2018
(Amounts in Thousands)

		Agency Funds
ASSETS		
Cash and cash equivalents	$	31,881
Taxes receivable		20,300
Due from other governments		1,704
Total assets	$	53,885
LIABILITIES		
Due to other governments	$	28,321
Due to others		25,564
Total liabilities	$	53,885

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, 2018 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, 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.

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 Sewer, Public Auditorium, West Side Market, East Side Market, Municipal Parking Lots, Cemeteries and Golf Courses.

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

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

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

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

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

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

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

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

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

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

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

5. The Required Supplementary Information is essential to a user's understanding of the City'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 three appropriation amendments during 2018 which reallocated appropriations and increased the budget by 1.8% 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, 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 2018 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)	$	7,658
Adjustments:		
Revenue Accruals		(10,257)
Expenditure and other financing sources (uses) Accruals		5,259
Encumbrances and Pre-Encumbrances		49,389
Net Change in Fund Balance	$	52,049

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 2018. 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 four swap agreements outstanding at December 31, 2018, one for its Subordinated Income Tax Variable Rate Refunding Bonds, one on the Parking Facilities Refunding Revenue Bonds and two associated with the 2015 Water Revenue Bonds Series AA and 2010 Water Revenue Bonds Series U and V.

Grants 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.

F. ***Accounting Pronouncements***

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for other postemployment benefits that are provided by other entities. As required, the City has implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The City has determined that GASB Statement No. 85 has no impact on its financial statements as of December 31, 2018.

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The City has determined that GASB Statement No. 86 has no impact on its financial statements as of December 31, 2018.

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 $950.1 million difference are as follows:

		(Amounts in Thousands)
Bonds and notes payable	$	(784,100)
Other payable		(20,000)
Interest rate swap		(6)
Unamortized bond premium/discount		(64,816)
Accrued interest payable		(5,770)
Capital leases payable		(1,874)
Claims and adjustments		(10,682)
Loss on refunding		15,072
Compensated absences		(77,904)
Net adjustment to *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(950,080)

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	$	122,214
Deferred inflows of resources - pension		(80,796)
Net pension liability		(619,751)
Net adjusment to *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(578,333)

		(Amounts in Thousands)
Deferred outflows of resources - OPEB	$	52,610
Deferred inflows of resources - OPEB		(18,134)
Net OPEB liability		(532,095)
Net adjusment to *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(497,619)

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 $9.3 million difference are as follows:

		(Amounts in Thousands)
Capital outlay	$	66,955
Contributed Capital		1,705
Depreciation expense		(66,148)
Capital asset disposal		(11,835)
Net adjustment to *changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	(9,323)

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 $8.3 million difference are as follows:

		(Amounts in Thousands)
Reversal of prior year deferred inflows of resources	$	(80,193)
Current year deferred inflows of resources		88,534
Net adjustment to *changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	8,341

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 $93.7 million which is detailed as follows:

		(Amounts in Thousands)
Debt issued or incurred:		
Issuance of general obligation bonds and other obligations	$	(135,695)
Accrued interest		3,526
Interest rate swap		2
Premium on debt		(16,868)
Principal repayments:		
General obligation debt and other obligations		52,879
Payment on capital lease		2,489
Net adjustment to *changes in fund balances - total* governmental funds to arrive at *change in net position of governmental activities*	$	(93,667)

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 $6.4 million difference are as follows:

		(Amounts in Thousands)
Compensated absences	$	(5,298)
Claims judgements		(1,068)
Net adjustment to *changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	(6,366)

NOTE 4 – POOLED AND SEGREGATED CASH AND INVESTMENTS

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

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

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

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

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

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was $129,763,000 and the actual bank balance totaled $147,608,000. 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,* $147,608,000 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, 2018:

Type of Investment	**Fair Value**	**Fair Value Measurements Using Level 1**	**Level 2**
		(Amounts in Thousands)	
U.S. Treasury Bills	$11,055	$ 11,055	$
Commercial Paper	49,074		49,074
Manuscript Debt	5,296		5,296
Other	333		333
Total Investments	$65,758	$ 11,055	$ 54,703

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, 2018 include U.S. Treasury Bills, 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, PNC Treasury Money Market 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:

Type of Investment	**Value**	**Cost**	**Investment Maturities** Less than One Year	5 Years or More
			(Amounts in Thousands)	
U.S. Treasury Bills	$ 11,055	$ 11,035	$ 11,055	$
STAR Ohio	713,349	713,349	713,349	
Commercial Paper	49,074	49,074	49,074	
Money Market Mutual Funds	760,515	760,515	760,515	
Manuscript Debt	5,296	5,296		5,296
Other	333	333	333	
Total Investments	1,539,622	1,539,602	1,534,326	5,296
Total Deposits	129,763	129,763	129,763	
Total Deposits and Investment	$ 1,669,385	$ 1,669,365	$ 1,664,089	$ 5,296

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, 2018, the investments in U.S. Treasury Bills, STAR Ohio, commercial paper, money market mutual funds, manuscript debt and other are approximately 0.72%, 46.33%, 3.19%, 49.40%, 0.34%, and 0.02%, 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	$	1,289,740
Investments		6,556
Restricted:		
Cash and cash equivalents		341,208
Total	$	1,637,504
Fund Financial Statements		
Balance Sheet – Governmental Funds:		
Unrestricted:		
Cash and cash equivalents	$	603,606
Investments		6,556
		610,162
Statement of Net Position – Proprietary Funds:		
Enterprise Funds:		
Unrestricted:		
Cash and cash equivalents		641,126
Restricted:		
Cash and cash equivalents		341,208
Internal Service Funds:		
Unrestricted:		
Cash and cash equivalents		45,008
Subtotal		1,027,342
Statement of Fiduciary Assets and Liabilities:		
Unrestricted:		
Cash and cash equivalents		31,881
Total	$	1,669,385

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, 2018, are as follows:

	Restated Balance January 1, 2018	Additions	(Reductions)	Balance December 31, 2018	Due Within One Year
		(Amounts in Thousands)			
Governmental Long-Term Obligations and Notes					
General Obligation Bonds due through 2046	$ 211,400	$ 80,435	$ (24,700)	$ 267,135	$ 25,340
Other Obligations:					
Urban Renewal Bonds due through 2018, 6.75%	835		(835)	-	
Subordinated Income Tax Refunding Bonds due through 2024, 5.00%	32,960		(3,985)	28,975	4,245
Subordinate Lien Income Tax Bonds due through 2046, 1.375% to 6.34%	296,285	55,245	(11,840)	339,690	12,430
Non-Tax Revenue Bonds:					
Stadium due through 2020, 4.00% to 5.00%	4,445		(1,420)	3,025	1,475
Taxable Economic and Community Dev. (Core City Bonds) due through 2033, 1.60% to 3.75%	46,770		(2,120)	44,650	2,200
Lower Euclid Ave. TIF 2003A due through 2032, 2.00% to 4.00%	5,490		(194)	5,296	218
Annual Appropriation Bonds - Flats East Bank due through 2035, 5.75% to 6.00%	9,455		(310)	9,145	325
Certificates of Participation-Stadium due through 2028, 1.47% to 5.00%	92,300		(7,140)	85,160	7,445
State Infrastructure Bank Loan	552		(271)	281	281
West 150th Street Improvement Loan	792		(64)	728	64
Ohio Water Development Authority and Public Works Commission Loans due through 2028, 2.40%		15		15	14
Capital Lease Obligations, due through 2020, 1.39% to 3.22%	4,363		(2,489)	1,874	1,386
Cleveland Browns Stadium	22,000		(2,000)	20,000	2,000
Accrued wages and benefits	42,927	41,355	(40,227)	44,055	31,998
Net pension liability:					
Ohio Public Employees Retirement System	256,877		(74,742)	182,135	
Ohio Police and Fire Pension Fund	469,535		(20,481)	449,054	
Net OPEB liability:					
Ohio Public Employees Retirement System	112,691	13,137		125,828	
Ohio Police and Fire Pension Fund	351,881	62,669		414,550	
Police and fire overtime	38,862	12,580	(9,771)	41,671	4,845
Fire deferred vacation	2,142	136	(24)	2,254	98
Estimated claims payable	11,229	2,806	(3,353)	10,682	10,682
	2,013,791	268,378	(205,966)	2,076,203	105,046
Unamortized (discount)/premium - net	55,742	16,868	(7,794)	64,816	
Total Governmental Activities, Net	$ 2,069,533	$ 285,246	$ (213,760)	$ 2,141,019	$ 105,046

(Continued)

	Restated Balance January 1, 2018	Additions	(Reductions)	Balance December 31, 2018	Due Within One Year
Business-Type Activities (Enterprise Funds)		**(Amounts in Thousands)**			
Airport System Revenue Bonds:					
Series 2006A due through 2021, 5.25%	$ 41,210	$	$ (9,015)	$ 32,195	$ 9,660
Series 2007B due through 2027, 5.0%	6,635		(700)	5,935	730
Series 2008D due through 2024, Variable Rate	5,975			5,975	
Series 2009C due through 2019, 4.00% to 5.00%	98,660		(89,430)	9,230	9,230
Series 2009D due through 2024, Variable Rate	26,950		(3,400)	23,550	3,450
Series 2011A due through 2024, 3.00% to 5.00%	42,325		(7,965)	34,360	8,185
Series 2012A due through 2031, 5.00%	235,150			235,150	
Series 2013A due through 2033, Variable Rate	56,205		(2,085)	54,120	2,070
Series 2014A&B due through 2027, Variable Rate	27,145		(3,510)	23,635	3,675
Series 2016A due through 2031, 5.00%	108,120		(2,935)	105,185	2,970
Series 2016B due through 2024, 5.00%	36,235			36,235	
Series 2018A due through 2048, 5.00%		87,940		87,940	
Series 2018B due through 2048, 3.50% to 5.00%		21,745		21,745	
	684,610	109,685	(119,040)	675,255	39,970
Public Power System Revenue Bonds:					
Series 2008 due through 2038, 4.00% to 5.40%	83,593		(55,690)	27,903	
Series 2008 Accreted Interest Payable	18,445	2,492		20,937	
Series 2014 due through 2038, 5.50%	76,885			76,885	
Series 2016 due through 2024, 5.00%	41,695		(4,450)	37,245	4,640
Series 2018 due through 2038, 5.00%		47,245		47,245	1,000
	220,618	49,737	(60,140)	210,215	5,640
Water Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	46,200		(10,650)	35,550	11,225
Series P 2007 due through 2018, 5.00%	6,025		(6,025)	-	
Series T 2009 due through 2021, 4.00% to 5.00%	47,480		(10,415)	37,065	12,490
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%	1,530		(150)	1,380	150
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	
Series Z 2015 due through 2019, 4.00% to 5.00%	3,410		(2,415)	995	995
Series AA 2015 due through 2033, Variable Rate	90,800			90,800	
Series BB 2017 due through 2032, 3.00% to 5.00%	15,760		(45)	15,715	
Series CC 2017 due through 2028, 5.00%	54,730			54,730	5,780
Series A Sec. Lien 2012 due through 2022, 4.00% to 5.00%	30,860		(6,105)	24,755	6,420
Series B Sub. Lien 2017 due through 2027, 5.00%	43,095		(600)	42,495	
	565,100	-	(36,405)	528,695	37,060
Water Pollution Control Revenue Bonds:					
Series 2016 due through 2045, 3.00% to 5.00%	31,840		(570)	31,270	590
Ohio Water Development Authority and Public Works Commission loans due through 2032, 0.00% to 3.00%	83,478		(7,933)	75,545	8,190
Parking Facilities Refunding Revenue Bonds:					
Series 2006 due through 2022, 5.25%	17,770		(3,200)	14,570	3,370
Public Power System Other (See Note 7)	2,358	62	(399)	2,021	250
Accrued Wages and Benefits	10,569	12,454	(11,613)	11,410	8,805
Net pension liability:					
Ohio Public Employees Retirement System	177,738		(50,664)	127,074	
Net OPEB liability:					
Ohio Public Employees Retirement System	77,664	8,906		86,570	
Estimated claims payable	306	1,238	(1,048)	496	496
	1,872,051	182,082	(291,012)	1,763,121	104,371
Unamortized (discount)/premium - net	82,540	16,714	(12,972)	86,282	
Total Business-Type Activities, Net	$ 1,954,591	$ 198,796	$ (303,984)	$ 1,849,403	$ 104,371
Total Debt and Other Long-Term Obligations	$ 4,024,124	$ 484,042	$ (517,744)	$ 3,990,422	$ 209,417

(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, 2018, $1,569,000, $11,438,000 and $8,283,000 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, 2018, $988,000, $6,284,000 and $5,521,000 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 2018:

	Original Issue Amount	Balance January 1, 2018	Additions	(Reductions)	Balance December 31, 2018
	(Amounts in Thousands)				
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	$ 44,060	$ 18,295	$ 5,265	$ (1,940)	$ 21,620
Convention Center	1,010	25		(25)	-
Residential Redevelopment	6,030	180		(180)	-
Bridges and Roadways	131,510	41,320	58,730	(3,250)	96,800
Parks & Recreation	40,530	5,765	16,440	(770)	21,435
Refunding Bonds	228,475	145,505		(18,225)	127,280
Judgments/Settlements	10,090	310		(310)	-
Total Governmental Activities	$ 461,705	$ 211,400	$ 80,435	$ (24,700)	$ 267,135
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	$ 1,001,505	$ 684,610	$ 109,685	$ (119,040)	$ 675,255
Public Power	259,868	202,173	47,245	(60,140)	189,278
Waterworks	1,069,365	565,100		(36,405)	528,695
Parking Facilities	57,520	17,770		(3,200)	14,570
Water Pollution Control	32,390	31,840		(570)	31,270
Loans					
Waterworks	152,767	83,384		(7,909)	75,475
Water Pollution Control	481	94		(24)	70
Total Business-Type Activities	$ 2,573,896	$ 1,584,971	$ 156,930	$ (227,288)	$ 1,514,613

The following is a summary of the City's future debt service requirements as of December 31, 2018:

	Governmental Activities					
Year Ending	General Obligation Bonds		Construction Loan		Subordinated Income Tax Bonds	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
			(Amounts in Thousands)			
2019	$ 25,340	$ 12,435	$ 14	$ 15	$ 16,675	$ 17,180
2020	23,690	11,233	14	14	17,150	16,539
2021	20,710	10,128	15	14	16,210	15,817
2022	19,585	9,208	15	14	18,300	15,118
2023	19,710	8,298	16	13	19,075	14,245
2024-2028	75,680	28,605	542	61	97,570	58,335
2029-2033	41,060	13,607			90,770	33,748
2034-2038	17,175	7,964			59,340	15,864
2039-2043	21,315	3,821			30,630	4,878
2044-2046	2,870	210			2,945	239
	$ 267,135	$ 105,509	$ 616	$ 131	$ 368,665	$ 191,963

Year Ending	Non-Tax Revenue Bonds		City Annual Appropriation Bonds		Certificates of Participation	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
			(Amounts in Thousands)			
2019	$ 3,893	$ 1,914	$ 325	$ 547	$ 7,445	$ 2,840
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
2024-2028	17,438	3,924	2,445	1,918	45,070	4,047
2029-2033	12,207	1,524	3,270	1,092		
2034-2038			1,600	146		
2039-2043						
2044-2046						
	$ 52,971	$ 13,480	$ 9,145	$ 5,689	$ 85,160	$ 14,916

Year Ending	Capital Lease Obligations		Note/Loans Payable		Governmental Activities Total	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
			(Amounts in Thousands)			
2019	$ 1,386	$ 16	$ 345	$ 14	$ 55,423	$ 34,961
2020	488	2	64		53,622	32,549
2021			64		50,333	30,170
2022			64		51,764	28,134
2023			64		53,098	25,923
2024-2028			315		239,060	96,890
2029-2033			93		147,400	49,971
2034-2038					78,115	23,974
2039-2043					51,945	8,699
2044-2046					5,815	449
	$ 1,874	$ 18	$ 1,009	$ 14	$ 786,575	$ 331,720

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 Department of Economic Development in 2018. 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, 2018, the amount financed on this loan project, 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 $601,000.

Year Ending December 31	Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Construction Loans Principal	Construction Loans Interest
	(Amounts in Thousands)			
2019	$ 86,630	$ 64,386	$ 8,190	$ 1,969
2020	90,420	61,355	8,455	1,741
2021	93,115	56,884	8,211	1,508
2022	93,615	52,380	8,474	1,278
2023	90,405	47,929	8,735	1,041
2024-2028	470,674	189,919	28,677	2,061
2029-2033	346,282	95,999	4,803	144
2034-2038	117,227	53,344		
2039-2043	32,055	8,483		
2044-2048	18,645	2,206		
	$ 1,439,068	$ 632,885	$ 75,545	$ 9,742

Year Ending December 31	Business-Type Activities Total Principal	Business-Type Activities Total Interest
	(Amounts in Thousands)	
2019	$ 94,820	$ 66,355
2020	98,875	63,096
2021	101,326	58,392
2022	102,089	53,658
2023	99,140	48,970
2024-2028	499,351	191,980
2029-2033	351,085	96,143
2034-2038	117,227	53,344
2039-2043	32,055	8,483
2044-2048	18,645	2,206
	$ 1,514,613	$ 642,627

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.

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 20, 2018, the City issued $80,435,000 Various Purpose General Obligation Bonds, Series 2018. 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. A large portion of the Road and Bridge Bonds will be used to convert the City's streetlights to LED lighting.

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue $260,080,999 of additional unvoted debt at December 31, 2018.

Other Governmental Obligations

***Urban Renewal Bonds*:** In 1993, the City issued $10,800,000 of Urban Renewal Bonds (Rock and Roll Hall of Fame and Museum Project) for the purpose of paying a portion of the costs of the acquisition and construction of a "port authority educational and cultural facility" to conduct programs of an educational and instructional nature relating to the field of contemporary music, including rock and roll music, which constitutes the Rock and Roll Hall of Fame and Museum (the Facility). The net proceeds were contributed to the Cleveland-Cuyahoga County Port Authority which owns and leases the Facility to Rock and Roll Hall of Fame and Museum, Inc., an Ohio non-profit corporation. The Facility opened in September 1995. The Urban Renewal Bonds are not general obligations of the City and are not secured by the full faith and credit of the City nor are they payable from the general revenues or assets of the City. The Urban Renewal Bonds are secured solely by pledged receipts, consisting of payments to be made in lieu of real property taxes pursuant to development agreements between the City and certain property owners and interest income on those payments. These bonds were paid off in March 2018.

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

Effective August 6, 2008, the City issued $59,960,000 Subordinate Lien Unrestricted Income Tax Bonds, Series 2008 (Police and Fire Pension Payment) to refund all the outstanding Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. An interest rate swap related to the Series 1994 Bonds was terminated by the City on July 28, 2008 and the termination payment of $4,325,000 owed to Ambac Financial Services, LLC, the swap counterparty, was paid from the proceeds of the Series 2008 Bonds. The City refunded the Series 1994 Bonds in order to address the increased interest rates incurred on the Bonds as a result of the downgrade of the bond insurer. The Bonds are not general obligations of the City and are not secured by its full faith and credit. The Series 2008 Bonds were retired in 2018.

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 2008 Bonds were and 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:

<u>Terms:</u> On February 7, 2003, the City sold an option to JPMorgan Chase Bank (JPM) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City's Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The swaption is now associated with 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 $28,500,000 at December 31, 2018, 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.

<u>Objective</u>: 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.

<u>Basis Risk</u>: 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.

<u>Counterparty Risk</u>: 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.

<u>Termination Risk</u>: 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.

<u>Fair Value</u>: The fair value of the swaption at December 31, 2018 as reported by JPM was approximately $6,000 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.

Effective June 13, 2017, the City issued $65,400,000 Subordinate Lien Income Tax Improvement and Refunding Bonds, Series 2017A. A portion of the proceeds of these bonds in the amount of $51,223,550 will be used to pay costs of permanent improvements to roads and bridges, to parks and recreation facilities and to various other public facilities. Other proceeds were used to refund $14,970,000 of outstanding Series 2008 and Series 2012 Subordinate Lien Income Tax Bonds. Net proceeds in the amount of $15,661,535 were deposited into an irrevocable escrow account to the pay the principal and interest on the refunded bonds when it comes due. As a result, the refunded bonds were defeased and the liability for those bonds was removed from long-term debt. This refunding resulted in $1,363,000 debt service savings and an economic gain (the difference between the present values of the old and new debt service) of $1,186,000 or 7.9%.

On December 28, 2017, the City issued $77,450,000 Subordinate Lien Income Tax Refunding Bonds, Series 2017B. These bonds were issued to advance refund $80,330,000 of outstanding public facilities improvement and bridge and roadway improvement Subordinate Lien Income Tax Bonds issued in 2013, 2014 and 2015. The City decided to refund the bonds at that time due to a provision in the new federal tax laws that eliminated tax-exempt advance refunding bonds after December 31, 2017. Net proceeds in the amount of $92,137,073, along with $962,292 from the debt service fund, were placed in an irrevocable escrow account to make the principal and interest payments on the refunded bonds until their call date. The refunded bonds were therefore defeased and were removed from long-term debt. As a result of this refunding, the City achieved an economic gain of $3,483,000 or 4.3%.

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. Net proceeds of the Series 2014 Bonds in the amount of $12,156,019 were deposited into an irrevocable escrow account to pay the principal and interest on the refunded bonds on December 1, 2014. As a result, the refunded bonds were defeased and the liability for the Series 2004 Core City Bonds was removed from long-term debt. 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 proceeds of these bonds were used to refund the outstanding $26,900,000 Series 2003 Taxable Economic and Community Development Revenue Bonds, to fund a bond reserve fund and to pay the costs of issuing the bonds. The Series 2003 Bonds were refunded in order to address increased interest rates incurred on the bonds due to the collapse of the auction rate securities market. The Series 2008 Bonds, which were special obligations of the City, were issued as variable rate demand obligations secured by a letter of credit provided by Citizens Bank. Upon the expiration of the letter of credit in 2011, the City obtained a new letter of credit for the Series 2008 Bonds from PNC Bank. At the expiration of the PNC Bank letter of credit, the City elected to refund the outstanding $25,360,000 Series 2008 Bonds with $25,360,000 Taxable Economic and Community Development Bonds, Series 2013A, effective May 30, 2013. The bonds 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 October 11, 2007, the City issued $108,390,000 Refunding COPS, Series 2007, to currently refund $105,800,000 of the outstanding COPS, Series 1997. These were issued as auction rate securities and a swap associated with this transaction went into effect on November 15, 2007.

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

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

Effective March 21, 2013, the City completed a conversion and remarketing of the COPS, Series 2010B. This was done in order to change the index rate being charged on the bonds as well as to extend the interest rate period until March 2018. The COPS, Series 2010B, were again purchased by Wells Fargo Bank, National Association. 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 30, 2011, the City entered into an equipment lease agreement with PNC Equipment Finance LLC. This enabled the City to purchase approximately $6,585,000 of vehicles and equipment for various departments, including police cars, a fire truck, waste collection equipment and EMS ambulances. The final lease payment on the 2011 agreement was made in June 2018. On June 5, 2012, the City entered into a second vehicle lease agreement with PNC Equipment Finance LLC in the amount of $6,507,400. The funds were used to purchase a variety of vehicles including police cars, EMS ambulances and waste collection equipment. Effective June 20, 2013, the City entered into a $6,535,000 vehicle lease agreement with Huntington Public Capital Corporation. The funds were again used to purchase a variety of vehicles including police cars, EMS ambulances and waste collection equipment. Payments on all of these equipment leases are made over a period of seven years from issuance from the Restricted Income Tax Fund.

The assets recorded by the City under Capital Leases were as follows as of December 31, 2018:

		Governmental Activities (Amounts in Thousands)
Furniture, fixtures and equipment	$	43,055
Less – accumulated depreciation		(32,662)
Net book value	$	10,393

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

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

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

***Ohio Water Development Authority and Ohio Public Works Commission Loans*:** 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, 2018, follow:

	Overtime		Deferred Vacation	
Division	**Hours**	**Dollars** (Amounts in Thousands)	**Hours**	**Dollars**
Police	1,040	$ 37,190		$
Fire	122	4,481	61	2,254
Total	1,162	$ 41,671	61	$ 2,254

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.

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

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 remain 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.

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

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.

On September 7, 2017, Water Revenue Bonds, Series BB, 2017, were issued in the amount of $15,760,000. The bonds were issued to advance refund $16,835,000 of outstanding Series X Water Revenue Bonds, 2012. Net bond proceeds in the amount of $19,078,451, along with $126,167 from the Series X debt service fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. As a result of this refunding, the City realized an economic gain (the difference between the present values of the old and new debt service) of $1,367,000 or 8.1% and achieved debt service savings of $1,727,000.

At the same time the City sold the Series BB Bonds, the City also sold $54,730,000 Water Revenue Bonds, Series CC, on a forward delivery basis. The Series CC Bonds were ultimately issued effective October 3, 2017 to refund $70,325,000 of outstanding Water Revenue Bonds, Series P, 2005. Net bond proceeds in the amount of $64,119,219, along with $874,438 from the Series P Interest account and $7,080,119 released from the debt service reserve fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds. The City realized an economic gain of $10,760,000 or 15.3% from this refunding.

Effective October 10, 2017, the City issued $43,095,000 Water Revenue Bonds, Second Lien Series B, 2017. These bonds provided funds to advance refund $45,850,000 of outstanding Second Lien Series A Bonds, 2012. Net bond proceeds in the amount of $51,753,988, along with $566,000 from the Second Lien Series A Interest account, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds. As a result of this refunding, the City achieved an economic gain of $3,103,000 or 6.8%.

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 will be paying an interest rate equal to 65.001% of one month LIBOR plus a spread for three years ending December 1, 2019.

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

Interest Rate Swap Transactions:

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

When the Water Series R and Series S Bonds were refunded in 2010, the swap associated with these bonds was transferred to a portion of the new Series U and Series V Bonds. The portion of the swap associated with Series Q remained unchanged. The Series Q Bonds were then refunded in 2015 and the swap associated with those bonds was transferred to the new Series AA Bonds.

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

As part of the refunding of the Series M Bonds, the City amended and restated the original swap agreements to (a) eliminate the swap insurance and related insurer rights, (b) modify the payment frequency, (c) transfer the original swap agreement from Bear Stearns to JPM and (d) split each original swap agreement into two separate interest rate swaps in order to hedge separate series of bonds. The original Bear Stearns swap which has been assumed by JPM hedged the entire principal amount of Series R and certain maturities of the Series Q Bonds. The original Morgan Stanley swap hedged the entire principal amount of Series S and a portion of the Series Q Bonds. The floating rate received by the City was not altered. However, the fixed rate paid by the City was adjusted to 3.553% for the JPM swap and 3.5975% for the Morgan Stanley swap. The termination date for the swaps associated with Series Q (now the Series AA Bonds) is January 1, 2021 while the termination date for the Series R and Series S swaps is January 1, 2033. Net payments are now exchanged monthly. With the refunding of the Series R and Series S Bonds, the JPM swap now hedges all but $200,000 of the Series U Bonds and the Morgan Stanley swap hedges all but $200,000 of the Series V Bonds.

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

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

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

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

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2018 as reported by JPM and Morgan Stanley totaled $7,980,000 which would be payable by the City.

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 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.

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.

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, 2018 as reported by PNC totaled $36,000, 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, 2018 is as follows:

Bond Issue			Bond Issue		
	(Amounts in Thousands)				
Parking Facilities Bonds:			Unvoted Tax Supported General Obligation:		
Series 2006	$	6,905	Series 2011	$	17,815
Water Revenue Bonds:			Subordinate Lien Income Tax Bonds:		
Series X, 2012	$	16,835	Series 2012	$	2,915
Second Lien Series A, 2012		45,850	Series 2013A		12,745
			Series 2014A		10,040
Airport System Revenue Bonds			Series 2014B		17,055
Series 2009C	$	80,505	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 $675,255,000 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 67% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $939,120,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $68,604,000 and $103,926,000 respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay $189,278,000 in various 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 53% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $350,580,000. Principal and interest paid for the current year and total net revenues were $16,275,000 and $31,242,000 respectively.

The City has pledged future water system revenues, net of specified operating expenses, to repay $528,695,000 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 43% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $708,128,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were $49,719,000 and $117,395,000 respectively.

The City has pledged future water pollution control revenues to repay $31,270,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds are being 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 21% of net revenues. The total principal and interest remaining to be paid on the Water Pollution Control Revenue Bonds is $57,594,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $2,132,000 and $10,307,000 respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses and other operating revenues to repay $14,570,000 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 $16,531,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,152,000 and $5,750,000 respectively.

In 2018, no additional pledged revenue was required to meet the debt service on the Parking Facilities Refunding Revenue Bonds. The trust indenture requires, among other things, that the Division of Parking Facilities will fix parking rates and will charge and collect fees for the use of the parking facilities and will restrict operating expenses. As of December 31, 2018, the Division of Parking Facilities was in compliance with the terms and requirements of the trust indenture.

Derivative Instruments

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

The 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, 2018, classified by type and the changes in fair value of these derivatives during fiscal year 2018 as reported in the 2018 financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2018 and the specific terms and conditions of each swap, have been provided by the respective counterparty for each swap and confirmed by the City's financial advisor.

	Changes in Fair Value		Fair Value at December 31, 2018		
	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	$ 2	Debt	$ (6)	$ 28,500
Business-Type Activities:					
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	54	Debt	(36)	14,570
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2015 AA Water Swap	Deferred inflow	950	Debt	(746)	39,030
2010 U Water Swap	Deferred inflow	1,452	Debt	(4,832)	54,735
2010 V Water Swap	Deferred inflow	725	Debt	(2,402)	26,295

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2018, 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	$ 28,500,000	2/7/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa2/A+/AA
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 25,295,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa2/A+/AA
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 13,735,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa2/A+/AA
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A
2006 Parking Bonds	Basis Swap - Pay Floating/Receive Floating	Exchange floating rate payments on Series 2006 Parking System Bonds	$ 14,570,000	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

The following table presents the aggregate debt service requirements on the City's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2018. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2018 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented below.

Aggregate Cash Flows on Hedging Derivative Instruments

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(Amounts in Thousands)		
2019	$	$ 3,465	$ 1,894	$ 5,359
2020		3,471	1,653	5,124
2021	2,170	3,427	1,405	7,002
2022	14,830	3,166	1,145	19,141
2023	15,415	2,873	875	19,163
2024-2028	80,240	9,514	1,235	90,989
2029-2033	59,575	2,628	93	62,296
Total	$ 172,230	$ 28,544	$ 8,300	$ 209,074

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, 2018 and 2017 were as follows:

	2018	2017
	(Amounts in Thousands)	
Estimated claims payable, January 1	$ 11,535	$ 11,567
Current year claims (including IBNRs) and changes in estimates	4,044	10,081
Claim payments	(4,401)	(10,113)
Estimated claims payable, December 31	$ 11,178	$ 11,535

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 2018. There was no significant decrease in any insurance coverage in 2018. 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, 2018 and 2017 were as follows:

	2018	2017
	(Amounts in Thousands)	
Estimated claims payable, January 1	$ 8,805	$ 9,386
Current year claims (including IBNRs) and changes in estimates	96,248	87,062
Claim payments	(95,352)	(87,643)
Estimated claims payable, December 31	$ 9,701	$ 8,805

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, 2018 was $15,255,000. Of this amount, $5,794,000 was recorded as a fund liability within each respective fund. The remaining $9,461,000 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, 2018, the City had $53,650,000 in claims for which an unfavorable outcome is deemed to be reasonably possible.

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

Contingent Liabilities: The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 80,000 kilowatts of a total 771,281 kilowatts, giving the City a 10.37% share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, 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 $1,707,835 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 $166,174 and interest expense incurred on AMP's line-of-credit of $208,912. 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, 2018, of $2,021,083.

The City does have a potential PHFU liability of $3,899,873 resulting in a net total potential liability of $5,920,956, 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 11 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, 2018, transfers consisted of the following:

Transfers Out	Transfers In				
	Total	Other Govern-mental Funds	Total Govern-mental Funds	Enterprise Funds	Internal Service Funds
	(Amounts in Thousands)				
Governmental Funds:					
General	$ 47,241	$ 43,271	$ 43,271	$ 3,200	$ 770
Other Governmental	69,685	69,685	69,685		
Total Governmental Funds	116,926	112,956	112,956	3,200	770
Total	$ 116,926	$ 112,956	$ 112,956	$ 3,200	$ 770

Interfund Balances: Interfund balances at December 31, 2018 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, 2018 are as follows:

Due To	Total	Due From								
		General Fund	Other Govern-mental Funds	Total Govern-mental Funds	Division of Water Fund	Cleveland Public Power Fund	Department of Port Control Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
		(Amounts in Thousands)								
Governmental Funds:										
General	$ 3,653	$	$ 181	$ 181	$	$ 1,747	$ 8	$ 21	$ 1,776	$ 1,696
Other Governmental	9,468	2,075	7,155	9,230		20		4	24	214
Total Governmental	$ 13,121									
Enterprise Funds:										
Division of Water	$ 1,741	6		6		1,455		14	1,469	266
Cleveland Public Power	520	3		3	93			7	100	417
Department of Port Control	1,132	924		924		22		5	27	181
Other Enterprise	2,800	33		33	2,538	154			2,692	75
Total Enterprise	$ 6,193									
Internal Service Funds	53	1		1		9		5	14	38
Total Due To/Due From	$ 19,367	$3,042	$ 7,336	$ 10,378	$ 2,631	$ 3,407	$ 8	$ 56	$ 6,102	$ 2,887

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 2017 levy for collection in 2018 was based upon an assessed valuation of approximately $4.7 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 11 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 11 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 2018 operations have been reported as deferred inflows of resources in the governmental fund balance sheet for the following:

	Governmental Type Funds		
	General	Other Governmental Funds	Totals
	(Amounts in Thousands)		
Income taxes receivable	$ 27,705	$ 3,529	$ 31,234
Property taxes receivable	52,964	27,592	80,556
Special assessments receivable	5,991	19,394	25,385
Local government receivable	8,594		8,594
Estate tax receivable	10		10
Homestead rollback	3,356	1,749	5,105
Emergency medical service receivable	1,115		1,115
Motor vehicle taxes receivable		1,404	1,404
Municipal gas tax receivable		1,077	1,077
State gasoline tax receivable		2,053	2,053
Due from other governments	2,901	402	3,303
Accounts receivable	688		688
Total deferred inflows of resources	$ 103,324	$ 57,200	$ 160,524

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 2018, 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 $40,206,000 for 2018. 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
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25	12.25
2018 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 $34,978,000 for 2018. 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, 2017 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, 2017 and was determined by rolling forward the total pension liability as of January 1, 2017 to December 31, 2017. 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	$ 309,209	$ 449,054	$ 758,263
Proportion of the Net Pension Liability	1.988234%	7.316628%	
Change in Proportion	0.069631%	(0.096426)%	
Pension Expense	$ 66,309	$ 50,744	$ 117,053

At December 31, 2018, 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 economic experience	$ 307	$ 6,816	$ 7,123
Change in assumptions	36,141	19,568	55,709
Change in City's proportionate share	10,348	12,607	22,955
Contributions subsequent to the measurement date	40,206	34,978	75,184
Total Deferred Outflows of Resources	$ 87,002	$ 73,969	$ 160,971
Deferred Inflows of Resources			
Differences between expected and actual economic experience	$ 6,807	$ 791	$ 7,598
Net difference between projected and actual earnings on pension plan investments	67,003	16,306	83,309
Change in City's proportionate share	4,656	19,837	24,493
Total Deferred Inflows of Resources	$ 78,466	$ 36,934	$ 115,400

The $75,184,000 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, 2019. 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:			
2019	$ 27,841	$ 8,524	$ 36,365
2020	(1,890)	4,242	2,352
2021	(29,626)	(11,417)	(41,043)
2022	(27,717)	(4,603)	(32,320)
2023	(87)	4,346	4,259
Thereafter	(191)	965	774
Total	$ (31,670)	$ 2,057	$ (29,613)

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
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	7.5%
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 2017, 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 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
		(Amounts in Thousands)	
City's proportionate share of the net pension liability	$ 553,435	$ 309,209	$ 110,096

Actuarial Assumptions – OP&F: OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 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, 2017, are presented below:

Valuation Date	January 1, 2017
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, 2017.

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, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	16 %	5.21 %
Non-US Equity	16	5.40
Core Fixed Income *	20	2.37
Global Inflation Protected *	20	2.33
High Yield	15	4.48
Real Estate	12	5.65
Private Markets	8	7.99
Real Assets	5	6.87
Master Limited Partnerships	8	7.36
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	$ 622,507	$ 449,054	$ 307,588

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 2018, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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, 2018, 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 $866,000 for 2018. 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, 2016, rolled forward to the measurement date as of December 31, 2017, 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, 2017 and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. 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	1.955919 %	7.316628 %	
Prior Measurement Date	1.884621	7.413054	
Change in Proportionate Share	0.071298 %	(0.096426) %	
	(Amounts in Thousands)		
Proportionate Share of the Net OPEB Liability	$ 212,398	$ 414,550	$ 626,948
OPEB Expense	$ 20,243	$ 31,473	$ 51,716

At December 31, 2018, 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	$ 165	$	$ 165
Changes in assumptions	15,465	40,451	55,916
Changes in proportion and differences between City contributions and proportionate share of contributions	4,644		4,644
Contributions subsequent to the measurement date		866	866
Total Deferred Outflows of Resources	$ 20,274	$ 41,317	$ 61,591
Deferred Inflows of Resources			
Differences between expected and actual economic experience	$	$ 2,091	$ 2,091
Net difference between projected and actual earnings on OPEB plan investments	15,822	2,729	18,551
Changes in proportion and differences between City contributions and proportionate share of contributions		4,501	4,501
Total Deferred Inflows of Resources	$ 15,822	$ 9,321	$ 25,143

The $866,000 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 2019. 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)		
2019	$ 5,738	$ 4,268	$ 10,006
2020	5,738	4,268	10,006
2021	(3,068)	4,268	1,200
2022	(3,956)	4,268	312
2023		4,950	4,950
Thereafter		9,108	9,108
Total	$ 4,452	$ 31,130	$ 35,582

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, 2016, rolled forward to the measurement date as of December 31, 2017. 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	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial
	3.25%, ultimate in 2028
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 2017, 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 15.2% for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date as of December 31, 2016. 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 6.50% and a municipal bond rate of 3.31%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, 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 3.85%, 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 (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
		(Amounts in Thousands)	
City's proportionate share of the net OPEB liability	$ 282,187	$ 212,398	$ 155,949

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 2018 is 7.5%. 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	$ 203,225	$ 212,398	$ 221,885

Actuarial Assumptions – OP&F: OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017 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, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.00%	8.25%
Projected Salary Increases	3.75% to 10.50%	4.25% to 11.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%	Inflation rate of 3.25% plus productivity increase rate of 0.50%
Single Discount Rate:		
Currrent Measurement Date	3.24%	
Prior Measurement Date	3.79%	
Cost of Living Adjustments	3.00%; 2.20% Simple for increased based on the lesser of the increase in CPI and 3.00%	3.00%; 2.60% Simple for increases 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, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	16 %	5.21 %
Non-US Equity	16	5.40
Core Fixed Income *	20	2.37
Global Inflation Protected *	20	2.33
High Yield	15	4.48
Real Estate	12	5.65
Private Markets	8	7.99
Real Assets	5	6.87
Master Limited Partnerships	8	7.36
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 3.24%. 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 3.16% at December 31, 2017 and 3.71% at December 31, 2016, was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 3.24%. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025 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: 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 3.24%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.24%), or one-percentage-point higher (4.24%) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
		(Amounts in Thousands)	
City's proportionate share of the net OPEB liability	$ 518,192	$ 414,550	$ 334,802

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: The net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	(0.47) %	(2.50) %	4.50 %	(0.47) %	5.20 %
2018	7.00	7.00	4.50	7.00	5.10
2019	6.50	6.50	4.50	6.50	5.00
2020	6.00	6.00	4.50	6.00	5.00
2021	5.50	5.50	4.50	5.50	5.00
2022	5.00	5.00	4.50	5.00	5.00
2023 and later	4.50	4.50	4.50	4.50	5.00

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a 1.0% decrease in the trend rates and a 1.0% increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
		(Amounts in Thousands)	
City's proportionate share of the net OPEB liability	$ 322,030	$ 414,550	$ 539,236

Changes between Measurement Date and Report Date: In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. As of January 1, 2019, the current self-insured health care plan is no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

NOTE 14 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
		(Amounts in Thousands)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 67,240	$ 885	$ (129)	$ 67,996
Construction in progress	241,324	46,933	(49,765)	238,492
Total capital assets, not being depreciated	308,564	47,818	(49,894)	306,488
Capital assets, being depreciated:				
Land improvements	210,701	4,874	(294)	215,281
Buildings, structures and improvements	719,842	27,579	(56,013)	691,408
Furniture, fixtures, equipment and vehicles	264,764	14,723	(5,070)	274,417
Infrastructure	795,685	24,780	(2,022)	818,443
Total capital assets, being depreciated	1,990,992	71,956	(63,399)	1,999,549
Less accumulated depreciation for:				
Land improvements	(136,374)	(8,505)	142	(144,737)
Buildings, structures and improvements	(373,247)	(16,826)	44,551	(345,522)
Furniture, fixtures, equipment and vehicles	(182,555)	(13,061)	3,387	(192,229)
Infrastructure	(358,152)	(29,751)	2,006	(385,897)
Total accumulated depreciation	(1,050,328)	(68,143)	50,086	(1,068,385)
Total capital assets being depreciated, net	940,664	3,813	(13,313)	931,164
Governmental activities capital assets, net	$ 1,249,228	$ 51,631	$ (63,207)	$ 1,237,652

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
		(Amounts in Thousands)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 192,202	$	$	$ 192,202
Construction in progress	291,921	119,771	(108,664)	303,028
Total capital assets, not being depreciated	484,123	119,771	(108,664)	495,230
Capital assets, being depreciated:				
Land improvements	124,401	651		125,052
Utility plant	2,663,103	99,602	(10,980)	2,751,725
Buildings, structures and improvements	742,329	12,586	(797)	754,118
Furniture, fixtures, equipment and vehicles	778,155	36,953	(8,206)	806,902
Infrastructure	1,016,148			1,016,148
Total capital assets, being depreciated	5,324,136	149,792	(19,983)	5,453,945
Less accumulated depreciation for:				
Land improvements	(55,715)	(3,332)		(59,047)
Utility plant	(997,622)	(74,384)	9,222	(1,062,784)
Buildings, structures and improvements	(450,162)	(15,898)	634	(465,426)
Furniture, fixtures, equipment and vehicles	(590,915)	(32,185)	7,466	(615,634)
Infrastructure	(665,148)	(41,935)		(707,083)
Total accumulated depreciation	(2,759,562)	(167,734)	17,322	(2,909,974)
Total capital assets being depreciated, net	2,564,574	(17,942)	(2,661)	2,543,971
Business-Type activities capital assets, net	$ 3,048,697	$ 101,829	$ (111,325)	$ 3,039,201

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	$	27,502
Public Works		27,370
Public Safety		9,188
Building and Housing		91
Community Development		1,513
Public Health		346
Economic Development		138
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		483
Total depreciation expense charged to governmental activities	$	66,631
Business-Type Activities:		
Water	$	75,255
Electricity		20,428
Airport Facilities		53,453
Nonmajor activities		9,897
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		117
Total depreciation expense charged to business-type activities	$	159,150

Capital Commitments: Significant commitments of the City as of December 31, 2018 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				27,000
East 105 SR 10 Quebec to Chester		8,286		17,566
Demo 2018				14,000
Pedestrian Bridge				10,000
Vehicles 2019				10,000
Ken Johnson Recreation Center		278		8,739
Ward 1 Recreation Center		127		7,873
Northcoast Pedestrian Bridge		3,102		7,637
Cameras				7,000
CCDC Housing				5,650

Project Description		Spent-to-Date		Remaining Commitment
		(Amounts in Thousands)		
Business-Type Activities:				
Post PEP Plant	$	602	$	20,428
Secondary Site Improvements		502		12,248
North Airfield Construction Phase II		13,168		12,112
Trunk Main Renewal 2016				9,000
Post PEP				7,500
Sanitary Sewer System Relocation				7,000
Kirtland Crib				7,000
Billing Upgrades 2018				6,819
Crown Residuals				6,500
Secondary Station Improvements Cycle H				5,600
AMR Phase II		9,286		5,047
Watermain Renewal				5,000
General Engineering Services XI				5,000
Boosted Third High System		9		4,991

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 2018, the State funded $9,226,000 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 2018, interest expense incurred for the Enterprise Funds was $70,425,000 of which $5,780,000 was capitalized net of $532,000 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 $2,896,000 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

	Water Pollution Control	Municipal Parking Lots
	(Amounts in Thousands)	
Assets:		
Current assets	$ 193,043	$ 6,279
Restricted assets	9,422	8,731
Capital assets, net	100,828	38,674
Total assets	303,293	53,684
Deferred outflows of resources	2,636	766
Liabilities:		
Current liabilities	150,794	4,024
Long-term liabilities	48,925	13,025
Total liabilities	199,719	17,049
Deferred inflows of resources	2,397	318
Net position:		
Net investment in capital assets	72,531	27,362
Restricted for debt service	2,594	5,654
Unrestricted	28,688	4,067
Total net position	$ 103,813	$ 37,083

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

	Water Pollution Control	Municipal Parking Lots
	(Amounts in Thousands)	
Charges for services	$ 30,019	$ 10,131
Depreciation (expense)	(6,562)	(1,580)
Other operating (expenses)	(22,292)	(4,282)
Operating income (loss)	1,165	4,269
Non-operating revenues (expenses):		
Investment income (loss)	642	281
Interest expense		(1,000)
Other revenue (expenses)	244	
Capital contibutions	258	308
Change in net position	2,309	3,858
Net position at beginning of year, as restated	101,504	33,225
Net position at end of year	$ 103,813	$ 37,083

Condensed Statement of Cash Flows Information

	Water Pollution Control	Municipal Parking Lots
	(Amounts in Thousands)	
Net cash provided by (used for):		
Operating activities	$ 13,863	$ 5,708
Capital and related financing activities	(15,048)	(4,152)
Investing activities	842	219
Net increase (decrease) in cash and cash equivalents	(343)	1,775
Beginning cash and cash equivalents	89,750	13,152
Ending cash and cash equivalents	$ 89,407	$ 14,927

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	$ 5,967	$ 2,408	$ 47,639	$ 3,067	$	$ 8,318
Debt retirement	63,757	2,493	128,548	5,654		2,594
Accrued passenger facility charges			15,641			
Other	89	5	51,874	10	5,709	19
Total	$ 69,813	$ 4,906	$ 243,702	$ 8,731	$ 5,709	$ 10,931

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, 2018:

	General Fund	Other Governmental	Total Governmental
		(Amounts in Thousands)	
Fund Balances			
Nonspendable			
Prepaid expenses and other assets	$ 3,035	$ 168	$ 3,203
Nonspendable Total	3,035	168	3,203
Restricted			
Debt Service		95,553	95,553
Recreation capital expenditures		48,278	48,278
Public Facilities capital expenditures		72,521	72,521
Road & Bridges capital expenditures		102,052	102,052
Cemetery capital expenditures		622	622
Stadium capital expenditures		4,052	4,052
Other capital expenditures		8,723	8,723
Repair & building of streets		6,763	6,763
Health & wellness		1,141	1,141
Protection & enforcement		5,479	5,479
Housing, community & economic development		56,401	56,401
Parks, properties & recreational services		463	463
Municipal Court		7,324	7,324
Casino		5,028	5,028
Neighborhood & sidewalk maintenance		2,025	2,025
Utilities programs		69	69
General governance		232	232
Restricted Total	-	416,726	416,726
Committed			
Health & wellness		200	200
Protection & enforcement		1,160	1,160
Parks, properties & recreational services		631	631
Housing, community & economic development		52,427	52,427
Municipal Court		1,603	1,603
Neighborhood & sidewalk maintenance		3,924	3,924
Lakefront management		2,074	2,074
Utilities programs		249	249
General governance		659	659
Committed Total	-	62,927	62,927
Assigned			
Debt Service		9	9
General governance	7,991		7,991
Health & wellness	306		306
Protection & enforcement	6,531		6,531
Parks, properties & recreational services	2,084		2,084
Housing, community & economic development	938		938
Other purpose	49,538		49,538
Assigned Total	67,388	9	67,397
Unassigned	116,486		116,486
Total Fund Balances	$ 186,909	$ 479,830	$ 666,739

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 a level equal to two percent of the General Fund's expenditures and not exceed ten percent of the General Fund's expenditures. The City funds the Rainy Day through transfers from the General Fund, when funds become available. In order to use the Rainy Day, the City must pass an ordinance. The amount of the Rainy Day is reported within the unassigned fund balance classification in the City's General Fund.

NOTE 18 – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

The first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994.

In 2018, net revenues generated by the one remaining Gateway garage were less than the debt service payments attributed to that garage by $948,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $53,390,000 at December 31, 2018. 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, 2018, the City pledged $6,525,000.

NOTE 19 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2018, 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	$ 10,961
Sinking Fund Administration	387
Municipal Income Tax Administration	8,136
Telephone Exchange	1,317

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 billion in investment in the City. As a result of these projects, over 5,600 jobs have been created, with a total payroll in excess of $238,000,000. Nearly $6,000,000 in income tax revenue is 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. 857 housing units have been developed in TIF-supported projects, bringing new residents into the City.

Below is the information relevant to the disclosure of these programs for the year ended December 31, 2018.

Tax Abatement Program		Total Amount of Taxes Abated For the year 2018 (Amounts in Thousands)
Community Reinvestment Area (CRA)	$	4,063
Enterprise Zone Program		145
Tax Increment Financing (TIF)		2,879

NOTE 21 – RESTATEMENT

For 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* It established standards for measuring and recognizing postemployment benefits other than pension, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of GASB Statement No. 75 had the following effect on net position as reported December 31, 2017:

		Net Position December 31, 2017		Restatement		Restated Net Position December 31, 2017
		(Amounts in Thousands)				
Government-wide Governmental	$	446,739	$	(462,189)	$	(15,450)
Government-wide Business-type		2,245,433		(76,595)		2,168,838
Water Enterprise Fund		1,507,361		(37,163)		1,470,198
Cleveland Public Power Enterprise Fund		199,901		(12,206)		187,695
Port Control Enterprise Fund		362,723		(15,585)		347,138
Nonmajor Enterprise Funds		179,931		(6,760)		173,171
Internal Service Funds		13,983		(12,201)		1,782

NOTE 22 – SUBSEQUENT EVENTS

Ordinance No. 422-18 was passed on May 14, 2018, authorizing the Director of Public Utilities to apply and accept any loans related to the public improvement of E. 185th Street and Marcella Rd. 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.

Effective March 1, 2019, the City entered into an amendment to extend the period of time during which PNC Bank, National Association, will be the holder of the Airport System Revenue Bonds, Series 2013A. The bonds remain 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.

On April 25, 2019, the City issued $97,160,000 Water System Revenue Bonds, Series DD, 2019. These bonds were issued to currently refund all of the outstanding Water System Revenue Bonds, Series T and the outstanding Water System Revenue Bonds, Series W. As a result of the refunding of the Series T and Series W Bonds, the Division achieved net present value savings of approximately $865,000. The Series DD Bonds also refunded all of the outstanding Water System Revenue Bonds, Series U and the Water System Revenue Bonds Series V. These bonds were initially issued as variable rate bonds and have now been converted to fixed rate bonds through this refunding. Bond proceeds were also used to make termination payments with respect to interest rate swaps agreements and to pay the costs of issuing the Series DD Bonds.

Effective May 14, 2019, the City entered into first amendments to the Letter of Credit and Reimbursement Agreements on the Airport System Revenue Bonds, Series 2008D and the Airport System Revenue Bonds, Series 2009D. The amendments extend to January 1, 2024 the expiration date for the letters of credit provided by U.S. Bank National Association.

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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 Five Measurement Years (1), (2)

	2018	**2017**	**2016**	**2015**	**2014**
			(Amounts in Thousands)		
City's Proportion of the Net Pension Liability	1.988234%	1.918603%	1.991565%	2.005665%	2.005665%
City's Proportionate Share of the Net Pension Liability	$ 309,209	$ 434,615	$ 343,995	$ 241,132	$ 236,084
City's Covered Payroll	$ 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	116.66%	170.77%	135.47%	96.07%	103.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ending December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 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 Public Employees Retirement System
Last Six Years (1)

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

CITY OF CLEVELAND, OHIO

Required Supplementary Information (Continued)

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

	2018	2017	2016	2015	2014
	(Amounts in Thousands)				
City's Proportion of the Net Pension Liability	7.316628%	7.413054%	7.121475%	7.672388%	7.672388%
City's Proportionate Share of the Net Pension Liability	$ 449,054	$ 469,535	$ 458,129	$ 397,462	$ 373,669
City's Covered Payroll	$ 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	286.03%	297.68%	284.86%	257.23%	199.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 Six Years (1)

	2018	2017	2016	2015	2014	2013
			(Amounts in Thousands)			
Contractually Required Contributions	$ 34,978	$ 32,482	$ 32,808	$ 33,420	$ 32,108	$ 31,956
Contributions in Relation to the Contractually Required Contributions	(34,978)	(32,482)	(32,808)	(33,420)	(32,108)	(31,956)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 168,650	$ 156,994	$ 157,731	$ 160,828	$ 154,514	$ 187,096
Contributions as a Percentage of Covered Payroll	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 Two Measurement Years (1), (2)

	2018	2017
	(Amounts in Thousands)	
City's Proportion of the Net OPEB Liability	1.955919%	1.884621%
City's Proportionate Share of the Net OPEB Liability	$ 212,398	$ 190,355
City's Covered Payroll	$ 265,054	$ 254,500
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.13%	74.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 2018, the single discount rate changed from 4.23% to 3.85%.

CITY OF CLEVELAND, OHIO

Required Supplementary Information (Continued)

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

	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	$ 287,186	$ 265,054	$ 254,500
Contributions as a Percentage of Covered Payroll	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 Two Measurement Years (1), (2)

	2018	2017
	(Amounts in Thousands)	
City's Proportion of the Net OPEB Liability	7.316628%	7.413054%
City's Proportionate Share of the Net OPEB Liability	$ 414,550	$ 351,881
City's Covered Payroll	$ 156,994	$ 157,731
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	264.05%	223.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 2018, the single discount rate changed from 3.79% to 3.24%

CITY OF CLEVELAND, OHIO

Required Supplementary Information (Continued)

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

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

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 411,521	$ 411,521	$ 413,158	$ 1,637
Property taxes	34,045	34,045	34,628	583
State local government funds	24,211	24,211	25,007	796
Other taxes	38,079	38,079	45,241	7,162
Other shared revenues	13,027	13,027	13,020	(7)
Licenses and permits	16,428	16,428	18,909	2,481
Charges for services	35,566	35,566	36,370	804
Fines, forfeits and settlements	10,683	10,683	11,259	576
Investment earnings	1,500	1,500	3,999	2,499
Grants	417	417	621	204
Miscellaneous	27,213	27,213	31,135	3,922
TOTAL REVENUES	612,690	612,690	633,347	20,657
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	5,219	5,519	5,513	6
Other	2,288	2,068	1,830	238
Total council and clerk of council	7,507	7,587	7,343	244
Municipal court-judicial division:				
Personnel	20,956	19,206	18,861	345
Other	3,245	3,265	3,116	149
Total municipal court-judicial division	24,201	22,471	21,977	494
Municipal court-clerks division:				
Personnel	10,529	9,929	9,707	222
Other	1,533	1,833	1,821	12
Total municipal court-clerks division	12,062	11,762	11,528	234
Municipal court-housing division:				
Personnel	4,531	4,281	4,077	204
Other	327	327	304	23
Total municipal court-housing division	4,858	4,608	4,381	227
Office of the mayor:				
Personnel	3,119	2,439	2,256	183
Other	113	113	88	25
Total office of the mayor	3,232	2,552	2,344	208
Office of capital projects:				
Personnel	5,905	5,305	5,236	69
Other	561	486	428	58
Total office of capital projects	6,466	5,791	5,664	127

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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Office of quality control and performance management:				
Personnel	$ 1,127	$ 977	$ 911	$ 66
Other	362	112	51	61
Total office of quality control and performance management	1,489	1,089	962	127
Landmarks commission:				
Personnel	193	193	189	4
Other	12	12	5	7
Total landmarks commission	205	205	194	11
Board of building standards and appeals:				
Personnel	117	117	114	3
Other	10	10	9	1
Total board of building standards and appeals	127	127	123	4
Board of zoning appeals:				
Personnel	227	232	226	6
Other	23	23	14	9
Total board of zoning appeals	250	255	240	15
Civil service commission:				
Personnel	914	629	541	88
Other	994	594	458	136
Total civil service commission	1,908	1,223	999	224
Community relations board:				
Personnel	1,845	1,370	1,327	43
Other	1,856	1,856	1,764	92
Total community relations board	3,701	3,226	3,091	135
City planning commission:				
Personnel	1,976	1,701	1,543	158
Other	340	350	281	69
Total city planning commission	2,316	2,051	1,824	227
Boxing and wrestling commission:				
Personnel	26	26	17	9
Total boxing and wrestling commission	26	26	17	9
Office of sustainability:				
Personnel	694	694	582	112
Other	372	372	370	2
Total office of sustainability	1,066	1,066	952	114

(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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Office of equal opportunity:				
Personnel	$ 742	$ 742	$ 630	$ 112
Other	145	145	142	3
Total office of equal opportunity	887	887	772	115
Office of budget and management:				
Personnel	828	828	742	86
Other	47	47	7	40
Total office of budget and management	875	875	749	126
Department of aging:				
Personnel	1,151	1,171	1,094	77
Other	260	260	178	82
Total department of aging	1,411	1,431	1,272	159
Office of personnel:				
Personnel	1,493	1,393	1,330	63
Other	1,450	1,450	1,361	89
Total office of personnel	2,943	2,843	2,691	152
Department of law:				
Personnel	7,490	7,015	6,799	216
Other	6,027	6,677	6,293	384
Total department of law	13,517	13,692	13,092	600
Finance administration:				
Personnel	1,004	854	798	56
Other	493	493	444	49
Total finance administration	1,497	1,347	1,242	105
Division of accounts:				
Personnel	1,344	1,344	1,282	62
Other	837	837	815	22
Total division of accounts	2,181	2,181	2,097	84
Division of assessments and licenses:				
Personnel	3,376	2,701	2,587	114
Other	1,267	942	941	1
Total division of assessments and licenses	4,643	3,643	3,528	115
Division of treasury:				
Personnel	779	779	697	82
Other	121	121	98	23
Total division of treasury	900	900	795	105

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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Division of purchases and supplies:				
Personnel	$ 732	$ 732	$ 652	$ 80
Other	31	31	20	11
Total division of purchases and supplies	763	763	672	91
Bureau of internal audit:				
Personnel	613	613	563	50
Other	649	374	329	45
Total bureau of internal audit	1,262	987	892	95
Division of financial reporting and control:				
Personnel	1,471	1,221	1,153	68
Other	26	26	19	7
Total division of financial reporting and control	1,497	1,247	1,172	75
Division of information system services:				
Personnel	3,230	2,705	2,549	156
Other	3,591	3,591	3,414	177
Total division of information system services	6,821	6,296	5,963	333
TOTAL GENERAL GOVERNMENT	108,611	101,131	96,576	4,555
Public Health:				
Public health administration:				
Personnel	1,171	1,071	1,014	57
Other	485	485	469	16
Total public health administration	1,656	1,556	1,483	73
Division of health:				
Personnel	2,469	2,469	2,226	243
Other	1,678	1,678	1,580	98
Total division of health	4,147	4,147	3,806	341
Division of environment:				
Personnel	1,474	1,474	1,366	108
Other	526	526	378	148
Total division of environment	2,000	2,000	1,744	256
Division of air quality:				
Personnel	634	634	410	224
Other	323	323	290	33
Total division of air quality	957	957	700	257
TOTAL PUBLIC HEALTH	8,760	8,660	7,733	927

(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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Safety:				
Public safety administration:				
Personnel	$ 3,713	$ 3,588	$ 3,415	$ 173
Other	3,070	2,795	2,383	412
Total public safety administration	6,783	6,383	5,798	585
Division of police:				
Personnel	190,051	189,576	185,997	3,579
Other	11,277	11,802	10,795	1,007
Total division of police	201,328	201,378	196,792	4,586
Division of fire:				
Personnel	86,367	87,367	85,106	2,261
Other	3,870	3,970	3,767	203
Total division of fire	90,237	91,337	88,873	2,464
Division of emergency medical services:				
Personnel	27,214	24,714	23,963	751
Other	3,443	3,443	3,306	137
Total division of emergency medical services	30,657	28,157	27,269	888
Division of animal control services:				
Personnel	2,146	1,621	1,472	149
Other	631	806	720	86
Total division of animal control services	2,777	2,427	2,192	235
Division of correction:				
Personnel	10,591	5,391	4,499	892
Other	3,533	3,533	3,327	206
Total division of correction	14,124	8,924	7,826	1,098
Office of Professional Standards:				
Personnel	1,204	979	902	77
Other	1,057	1,057	1,015	42
Total office of professional standards	2,261	2,036	1,917	119
Police Review Board:				
Personnel	147	147	142	5
Other	17	17	1	16
Total police review board	164	164	143	21
Community Police Commission:				
Personnel	396	396	259	137
Other	381	131	79	52
Total community police commission	777	527	338	189

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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Police Inspector General:				
Personnel	$ 217	$ 42	$	$ 42
Other	11	11		11
Total police inspector general	228	53	-	53
Department of Justice:				
Personnel	3,037	2,037	1,601	436
Other	2,765	2,015	1,845	170
Total department of justice	5,802	4,052	3,446	606
TOTAL PUBLIC SAFETY	355,138	345,438	334,594	10,844
Public Works:				
Division of public works administration:				
Personnel	3,057	3,057	3,033	24
Other	211	211	194	17
Total division of public works administration	3,268	3,268	3,227	41
Division of recreation:				
Personnel	10,670	10,030	9,855	175
Other	4,375	4,525	4,505	20
Total division of recreation	15,045	14,555	14,360	195
Division of parking facilities:				
Personnel	1,174	1,049	1,004	45
Other	56	76	63	13
Total division of parking facilities	1,230	1,125	1,067	58
Division of property management:				
Personnel	5,672	5,872	5,781	91
Other	2,227	2,027	2,025	2
Total division of property management	7,899	7,899	7,806	93
Division of park maintenance and properties:				
Personnel	10,037	10,087	9,856	231
Other	5,640	6,415	6,206	209
Total division of park maintenance and properties	15,677	16,502	16,062	440
Division of waste collection and disposal:				
Personnel	15,992	16,042	15,963	79
Other	11,986	12,761	12,309	452
Total division of waste collection and disposal	27,978	28,803	28,272	531

(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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Division of traffic engineering:				
Personnel	$ 2,853	$ 2,853	$ 2,846	$ 7
Other	911	1,036	1,008	28
Total division of traffic engineering	3,764	3,889	3,854	35
TOTAL PUBLIC WORKS	74,861	76,041	74,648	1,393
Community Development:				
Director's office:				
Personnel	289	289	287	2
Other	9	9	7	2
Total director's office	298	298	294	4
TOTAL COMMUNITY DEVELOPMENT	298	298	294	4
Building and Housing:				
Director's office:				
Personnel	1,947	1,947	1,855	92
Other	682	682	638	44
Total director's office	2,629	2,629	2,493	136
Division of code enforcement:				
Personnel	8,241	7,141	7,005	136
Other	310	310	255	55
Total division of code enforcement	8,551	7,451	7,260	191
Division of construction permitting:				
Personnel	1,693	1,568	1,485	83
Other	26	26	23	3
Total division of construction permitting	1,719	1,594	1,508	86
TOTAL BUILDING AND HOUSING	12,899	11,674	11,261	413
Economic Development:				
Economic development administration:				
Personnel	1,837	1,562	1,519	43
Other	17	17	13	4
Total economic development administration	1,854	1,579	1,532	47
TOTAL ECONOMIC DEVELOPMENT	1,854	1,579	1,532	47

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, 2018

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Non-Departmental Expenditures:				
Other	$ 21,723	$ 24,823	$ 24,585	$ 238
TOTAL NON-DEPARTMENTAL EXPENDITURES	21,723	24,823	24,585	238
Capital outlay	1,842	30,525	30,525	-
TOTAL EXPENDITURES	585,986	600,169	581,748	18,421
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,704	12,521	51,599	39,078
OTHER FINANCING SOURCES (USES):				
Transfers in	11,256	11,256		(11,256)
Transfers out	(38,374)	(53,191)	(53,189)	2
Sale of City assets	1,000	1,000	9,248	8,248
TOTAL OTHER FINANCING SOURCES (USES)	(26,118)	(40,935)	(43,941)	(3,006)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			2,804	2,804
NET CHANGE IN FUND BALANCE	586	(28,414)	10,462	38,876
FUND BALANCE AT BEGINNING OF YEAR	32,851	32,851	32,851	-
FUND BALANCE AT END OF YEAR	$ 33,437	$ 4,437	$ 43,313	$ 38,876

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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.
Public Health Funds	To account for revenue earmarked for the improvement of public health.

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, 2018
(Amounts in Thousands)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
ASSETS				
Cash and cash equivalents	$ 6,627	$ 18,012	$ 27,518	$ 52,157
Investments				-
Receivables:				
Taxes		8,110		8,110
Grants				-
Loans				-
Accrued interest			26	26
Assessments				-
Receivables, net	-	8,110	26	8,136
Due from other funds	1	3,165		3,166
Due from other governments	6,606			6,606
Prepaid expenses and other assets	126			126
TOTAL ASSETS	$ 13,360	$ 29,287	$ 27,544	$ 70,191
LIABILITIES				
Accounts payable	$ 481	$ 2,247	$	$ 2,728
Accrued wages and benefits	1,242			1,242
Due to other governments			762	762
Unearned revenue				-
Due to other funds	214			214
Total liabilities	1,937	2,247	762	4,946
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	4,534	3,463		7,997
Total deferred inflows of resources	4,534	3,463	-	7,997
FUND BALANCES				
Nonspendable	126			126
Restricted	6,763	23,577	26,782	57,122
Committed				-
Assigned				-
Total fund balances	6,889	23,577	26,782	57,248
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 13,360	$ 29,287	$ 27,544	$ 70,191

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**
$	$ 998	$	$ 12,535	$ 12,925	$	$ 23,928
33	3,461	1,793			171	244
5,406	6,267		17,435	65,108		
1,445	922	2,684				31
6,884	10,650	4,477	17,435	65,108	171	275
721	140	632				221
				14,396		839
						6
$ 7,605	$ 11,788	$ 5,109	$ 29,970	$ 92,429	$ 171	$ 25,269
$ 40	$ 2	$ 388	$	$ 74	$ 52	$ 536
224	14				26	35
	385			55,561		476
3,759	1,026	288		1,101		367
2,189	344	1,755	1		93	221
6,212	1,771	2,431	1	56,736	171	1,635
1,393	910	2,664		14,396		441
1,393	910	2,664	-	14,396	-	441
						6
	7,435	3		19,695		14,678
	1,672	11	29,969	1,602		8,509
-	9,107	14	29,969	21,297	-	23,193
$ 7,605	$ 11,788	$ 5,109	$ 29,970	$ 92,429	$ 171	$ 25,269

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(Amounts in Thousands)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Gateway Shared Income Tax Funds
ASSETS				
Cash and cash equivalents	$ 1,425	$ 5,047	$ 1,337	$ 3,403
Investments				
Receivables:				
Taxes				
Grants	4	1,978	763	
Loans				
Accrued interest				
Assessments				
Receivables, net	4	1,978	763	-
Due from other funds	16		279	
Due from other governments			3	317
Prepaid expenses and other assets		3	33	
TOTAL ASSETS	$ 1,445	$ 7,028	$ 2,415	$ 3,720
LIABILITIES				
Accounts payable	$ 142	$ 79	$ 219	$
Accrued wages and benefits		14	219	
Due to other governments	171	15	8	1,956
Unearned revenue	38	61	441	
Due to other funds		217	154	1,706
Total liabilities	351	386	1,041	3,662
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow				58
Total deferred inflows of resources	-	-	-	58
FUND BALANCE				
Nonspendable		3	33	
Restricted	463	5,479	1,141	
Committed	631	1,160	200	
Assigned				
Total fund balances	1,094	6,642	1,374	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,445	$ 7,028	$ 2,415	$ 3,720

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$ 5,439	$ 19,731	$ 2,639	$ 89,407	$ 141,564
			-	-
			-	8,110
			8,447	8,447
2,918	15,280	23,168	135,582	135,582
	26		26	52
			5,082	5,082
2,918	15,306	23,168	149,137	157,273
		2,161	4,170	7,336
			15,555	22,161
			42	168
$ 8,357	$ 35,037	$ 27,968	$ 258,311	$ 328,502
$	$	$	$ 1,532	$ 4,260
			532	1,774
		27,968	86,540	87,302
			7,081	7,081
2,161			8,841	9,055
2,161	-	27,968	104,526	109,472
			19,862	27,859
-	-	-	19,862	27,859
			42	168
	22,060		70,954	128,076
6,196	12,977		62,927	62,927
			-	-
6,196	35,037	-	133,923	191,171
$ 8,357	$ 35,037	$ 27,968	$ 258,311	$ 328,502

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(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	$ 5,056	$ 9	$ 3,114	$ 1,572	$ 2,880
Investments	6,556				
Receivables:					
Taxes	27,592				
Grants					
Loans					
Accrued interest	29		5	2	4
Assessments					
Receivables, net	27,621	-	5	2	4
Due from other funds					
Due from other governments	1,748				
Prepaid expenses and other assets					
TOTAL ASSETS	$ 40,981	$ 9	$ 3,119	$ 1,574	$ 2,884
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	29,341				
Total deferred inflows of resources	29,341	-	-	-	-
FUND BALANCE					
Nonspendable					
Restricted	11,640		3,119	1,574	2,884
Committed					
Assigned		9			
Total fund balances	11,640	9	3,119	1,574	2,884
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 40,981	$ 9	$ 3,119	$ 1,574	$ 2,884

		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
$ 16,374	$ 29,005	$ 8,635	$ 730	$ 204	$ 9,569	$ 38,574
	6,556				-	6,556
	27,592				-	27,592
	-				-	-
	-				-	-
27	67	3	1	3	7	74
	-				-	-
27	27,659	3	1	3	7	27,666
	-				-	-
	1,748				-	1,748
	-				-	-
$ 16,401	$ 64,968	$ 8,638	$ 731	$ 207	$ 9,576	$ 74,544
$	$ -	$	$	$	$ -	$ -
	-				-	-
	-				-	-
	-				-	-
	-				-	-
-	-	-	-	-	-	-
	29,341				-	29,341
-	29,341	-	-	-	-	29,341
	-				-	-
16,401	35,618	8,638	731	207	9,576	45,194
	-				-	-
	9				-	9
16,401	35,627	8,638	731	207	9,576	45,203
$ 16,401	$ 64,968	$ 8,638	$ 731	$ 207	$ 9,576	$ 74,544

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(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	$ 231,541	$	$ 14,600	$ 4,052
Investments				
Receivables:				
Taxes				
Grants		665		
Loans				
Accrued interest	383			3
Assessments				
Receivables, net	383	665	-	3
Due from other funds				
Due from other governments				
Prepaid expenses and other assets				
TOTAL ASSETS	$ 231,924	$ 665	$ 14,600	$ 4,055
LIABILITIES				
Accounts payable	$ 2,574	$ 26	$ 4,475	$ 66
Accrued wages and benefits				
Due to other governments	8			
Unearned revenue		226		
Due to other funds		413		
Total liabilities	2,582	665	4,475	66
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow				
Total deferred inflows of resources	-	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	229,342		10,125	3,989
Committed				
Assigned				
Total fund balances	229,342	-	10,125	3,989
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 231,924	$ 665	$ 14,600	$ 4,055

Total Capital Projects Funds	Total Nonmajor Governmental Funds
$ 250,193	$ 430,331
-	6,556
-	35,702
665	9,112
-	135,582
386	512
-	5,082
1,051	185,990
-	7,336
-	23,909
-	168
$ 251,244	$ 654,290
$ 7,141	$ 11,401
-	1,774
8	87,310
226	7,307
413	9,468
7,788	117,260
-	57,200
-	57,200
-	168
243,456	416,726
-	62,927
-	9
243,456	479,830
$ 251,244	$ 654,290

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands)

	Special Revenue Funds - Budgeted			
	Division of Streets	**Restricted Income Tax**	**Cleveland Stadium Operations**	**Total Budgeted Funds**
REVENUES:				
Income taxes	$	$ 52,589	$	$ 52,589
Property taxes				-
Other shared revenues	13,463		4,641	18,104
Licenses and permits	796			796
Charges for services	35		250	285
Fines, forfeits and settlements				-
Investment earnings	31	308	350	689
Grants				-
Contributions				-
Miscellaneous	236			236
Total revenues	14,561	52,897	5,241	72,699
EXPENDITURES:				
Current:				
General Government				-
Public Works	27,629		1,458	29,087
Public Safety				-
Community Development				-
Building and Housing				-
Public Health				-
Economic Development				-
Capital outlay		10,105		10,105
Debt service:				
Principal retirement		3,134		3,134
Interest		650		650
General Government				-
Other		1,077		1,077
Total expenditures	27,629	14,966	1,458	44,053
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,068)	37,931	3,783	28,646
OTHER FINANCING SOURCES (USES):				
Transfers in	18,310		10,270	28,580
Transfers out		(36,622)	(9,946)	(46,568)
Issuance of bonds				-
Premium on bonds				-
Loan proceeds				-
Total other financing sources (uses)	18,310	(36,622)	324	(17,988)
NET CHANGE IN FUND BALANCES	5,242	1,309	4,107	10,658
FUND BALANCES AT BEGINNING OF YEAR	1,647	22,268	22,675	46,590
FUND BALANCES AT END OF YEAR	$ 6,889	$ 23,577	$ 26,782	$ 57,248

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
$	$	$	$	$	$	$
			18	13,479		1,634
204	199	267				1,447
						2,389
30	71			10		195
20,944	9,124	2,438		607	1,253	1,436
						4
254	3		401	1,294	7	1,088
21,432	9,397	2,705	419	15,390	1,260	8,193
					1,260	5,298
20,566	10,015					
		2,691				
			4,633	14,023		
1,515	299	30	612	240		2,249
22,081	10,314	2,721	5,245	14,263	1,260	7,547
(649)	(917)	(16)	(4,826)	1,127	-	646
649			3,000			357
	(649)		(1,605)	(554)		
				15		
649	(649)	-	1,395	(539)	-	357
-	(1,566)	(16)	(3,431)	588	-	1,003
	10,673	30	33,400	20,709		22,190
$ -	$ 9,107	$ 14	$ 29,969	$ 21,297	$ -	$ 23,193

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Gateway Shared Income Tax Funds
REVENUES:				
Income taxes	$	$	$	$
Property taxes				
Other shared revenues				
Licenses and permits	12	4	1,391	
Charges for services	87		389	
Fines, forfeits and settlements		1,584		
Investment earnings	9	82	16	
Grants	1,081	3,540	7,998	
Contributions	13	10		
Miscellaneous		794	679	
Total revenues	1,202	6,014	10,473	-
EXPENDITURES:				
Current:				
General Government				
Public Works	1,157			
Public Safety		3,762		
Community Development				
Building and Housing				
Public Health			9,889	
Economic Development				
Capital outlay	86	930		
Debt service:				
Principal retirement				
Interest				
General Government				
Other				
Total expenditures	1,243	4,692	9,889	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41)	1,322	584	-
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Issuance of bonds				
Premium on bonds				
Loan proceeds				
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(41)	1,322	584	-
FUND BALANCES AT BEGINNING OF YEAR	1,135	5,320	790	
FUND BALANCES AT END OF YEAR	$ 1,094	$ 6,642	$ 1,374	$ -

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$	$	$	$ -	$ 52,589
			-	-
113	184	1,116	16,544	34,648
			1,407	2,203
			2,593	2,878
			3,973	3,973
	311	34	758	1,447
		1,378	49,799	49,799
			27	27
140	1,013		5,673	5,909
253	1,508	2,528	80,774	153,473
			6,558	6,558
			1,157	30,244
			3,762	3,762
			30,581	30,581
			2,691	2,691
			9,889	9,889
3,902	226	2,528	25,312	25,312
			5,961	16,066
			-	3,134
			-	650
			-	-
			-	1,077
3,902	226	2,528	85,911	129,964
(3,649)	1,282	-	(5,137)	23,509
	1,605		5,611	34,191
	(946)		(3,754)	(50,322)
			-	-
			-	-
			15	15
-	659	-	1,872	(16,116)
(3,649)	1,941	-	(3,265)	7,393
9,845	33,096		137,188	183,778
$ 6,196	$ 35,037	$ -	$ 133,923	$ 191,171

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018
(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	18,037				
Other shared revenues	1,596				
Licenses and permits					
Charges for services					
Fines, forfeits and settlements					
Investment earnings	373	11	41	4	65
Grants					
Contributions					
Miscellaneous					
Total revenues	20,006	11	41	4	65
EXPENDITURES:					
Current:					
General Government					
Public Works					
Public Safety					
Community Development					
Building and Housing					
Public Health					
Economic Development					
Capital outlay					
Debt service:					
Principal retirement	24,700	1,420	3,985	194	2,120
Interest	11,568	208	1,548	151	1,340
General Government					
Other					
Total expenditures	36,268	1,628	5,533	345	3,460
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,262)	(1,617)	(5,492)	(341)	(3,395)
OTHER FINANCING SOURCES (USES):					
Transfers in	22,887	1,615	5,663	554	2,902
Transfers out					
Issuance of bonds					
Premium on bonds					
Loan proceeds					
Total other financing sources (uses)	22,887	1,615	5,663	554	2,902
NET CHANGE IN FUND BALANCES	6,625	(2)	171	213	(493)
FUND BALANCES AT BEGINNING OF YEAR	5,015	11	2,948	1,361	3,377
FUND BALANCES AT END OF YEAR	$ 11,640	$ 9	$ 3,119	$ 1,574	$ 2,884

		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
$	$ -	$	$	$	$ -	$ -
	18,037				-	18,037
	1,596				-	1,596
	-				-	-
	-				-	-
	-				-	-
265	759	161	2	5	168	927
	-				-	-
	-				-	-
475	475				-	475
740	20,867	161	2	5	168	21,035
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
11,840	44,259	7,140	835		7,975	52,234
13,017	27,832	2,496	28		2,524	30,356
	-				-	-
	-				-	-
24,857	72,091	9,636	863	-	10,499	82,590
(24,117)	(51,224)	(9,475)	(861)	5	(10,331)	(61,555)
31,097	64,718	9,496			9,496	74,214
	-			(2,000)	(2,000)	(2,000)
	-				-	-
	-				-	-
	-				-	-
31,097	64,718	9,496	-	(2,000)	7,496	72,214
6,980	13,494	21	(861)	(1,995)	(2,835)	10,659
9,421	22,133	8,617	1,592	2,202	12,411	34,544
$ 16,401	$ 35,627	$ 8,638	$ 731	$ 207	$ 9,576	$ 45,203

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

(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			308
Licenses and permits			
Charges for services			
Fines, forfeits and settlements			
Investment earnings	3,170		58
Grants		9,863	
Contributions			4,371
Miscellaneous	201		
Total revenues	3,371	9,863	4,737
EXPENDITURES:			
Current:			
General Government			
Public Works			
Public Safety			
Community Development			
Building and Housing			
Public Health			
Economic Development			
Capital outlay	42,897	9,863	1,842
Debt service:			
Principal retirement			
Interest			
General Government	1,485		
Other			
Total expenditures	44,382	9,863	1,842
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,011)	-	2,895
OTHER FINANCING SOURCES (USES):			
Transfers in			2,000
Transfers out	(17,363)		
Issuance of bonds	135,680		
Premium on bonds	16,868		
Loan proceeds			
Total other financing sources (uses)	135,185	-	2,000
NET CHANGE IN FUND BALANCES	94,174	-	4,895
FUND BALANCES AT BEGINNING OF YEAR	135,168		5,230
FUND BALANCES AT END OF YEAR	$ 229,342	$ -	$ 10,125

Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$ -	$ 52,589
	-	18,037
	308	36,552
	-	2,203
	-	2,878
	-	3,973
110	3,338	5,712
	9,863	59,662
	4,371	4,398
	201	6,585
110	18,081	192,589
	-	6,558
	-	30,244
	-	3,762
	-	30,581
	-	2,691
	-	9,889
	-	25,312
9,094	63,696	79,762
	-	55,368
	-	31,006
	1,485	1,485
	-	1,077
9,094	65,181	277,735
(8,984)	(47,100)	(85,146)
2,551	4,551	112,956
	(17,363)	(69,685)
	135,680	135,680
	16,868	16,868
	-	15
2,551	139,736	195,834
(6,433)	92,636	110,688
10,422	150,820	369,142
$ 3,989	$ 243,456	$ 479,830

(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, 2018

(Amounts in Thousands)

	Division of Streets			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues	13,290	13,290	13,491	201
Licenses and permits	890	890	860	(30)
Charges for services	4,435	4,435	190	(4,245)
Fines, forfeitures and settlements				-
Investment earnings	4	4	31	27
Miscellaneous			16	16
Total revenues	18,619	18,619	14,588	(4,031)
EXPENDITURES:				
Current:				
Public Works:				
Personnel	17,952	18,452	17,864	588
Other	10,529	10,529	10,518	11
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	28,481	28,981	28,382	599
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,862)	(10,362)	(13,794)	(3,432)
OTHER FINANCING SOURCES (USES):				
Transfers in	9,855	18,455	18,310	(145)
Transfers out				-
Total other financing sources (uses)	9,855	18,455	18,310	(145)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(7)	8,093	4,516	(3,577)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			78	78
FUND BALANCES AT BEGINNING OF YEAR	7	7	7	-
FUND BALANCES AT END OF YEAR	$ -	$ 8,100	$ 4,601	$ (3,499)

Restricted Income Tax				Rainy Day Reserve Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$ 51,440	$ 51,440	$ 51,645	$ 205	$	$	$	$ -
			-				-
			-				-
			-				-
			-				-
120	120	308	188	300	300	448	148
			-				-
51,560	51,560	51,953	393	300	300	448	148
			-				-
			-				-
10,274	10,254	10,254	-				-
4,210	4,230	4,211	19				-
631	631	650	(19)				-
15,115	15,115	15,115	-	-	-	-	-
36,445	36,445	36,838	393	300	300	448	148
			-		5,000	5,000	-
(36,622)	(36,622)	(36,622)	-				-
(36,622)	(36,622)	(36,622)	-	-	5,000	5,000	-
(177)	(177)	216	393	300	5,300	5,448	148
		77	77				-
177	177	177	-	25,995	25,995	25,995	-
$ -	$ -	$ 470	$ 470	$ 26,295	$ 31,295	$ 31,443	$ 148

(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, 2018

(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				-
Fines, forfeitures and settlements				-
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)
$	$	$	$ -	$ 51,440	$ 51,440	$ 51,645	$ 205
4,334	4,334	4,641	307	17,624	17,624	18,132	508
			-	890	890	860	(30)
250	250	250	-	4,685	4,685	440	(4,245)
			-	-	-	-	-
		341	341	424	424	1,128	704
			-	-	-	16	16
4,584	4,584	5,232	648	75,063	75,063	72,221	(2,842)
			-	17,952	18,452	17,864	588
1,174	1,174	1,034	140	12,828	12,828	12,677	151
			-	10,274	10,254	10,254	-
			-	4,210	4,230	4,211	19
			-	631	631	650	(19)
1,174	1,174	1,034	140	45,895	46,395	45,656	739
3,410	3,410	4,198	788	29,168	28,668	26,565	(2,103)
10,270	10,270	10,270	-	21,250	34,850	34,705	(145)
(10,590)	(10,590)	(9,946)	644	(47,212)	(47,212)	(46,568)	644
(320)	(320)	324	644	(25,962)	(12,362)	(11,863)	499
3,090	3,090	4,522	1,432	3,206	16,306	14,702	(1,604)
			-	-	-	155	155
22,996	22,996	22,996	-	49,175	49,175	49,175	-
$ 26,086	$ 26,086	$ 27,518	$ 1,432	$ 52,381	$ 65,481	$ 64,032	$ (1,449)

(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, 2018

(Amounts in Thousands)

	Unvoted Tax Supported Obligations Fund			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Property taxes	$ 17,747	$ 17,747	$ 18,037	$ 290
Other shared revenues	1,584	1,579	1,595	16
Investment earnings	114	144	337	193
Miscellaneous				-
Total revenues	19,445	19,470	19,969	499
EXPENDITURES:				
Principal retirement	24,700	24,700	24,700	-
Interest	11,141	11,568	11,568	-
General Government				-
Total expenditures	35,841	36,268	36,268	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,396)	(16,798)	(16,299)	499
OTHER FINANCING SOURCES (USES):				
Transfers in:				
From other subfunds			8,887	8,887
Restricted income tax fund	14,000	14,000	14,000	-
Proceeds from the Sale of Debt				-
Payment to refund Bonds and Notes				-
Total other financing sources (uses)	14,000	14,000	22,887	8,887
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,396)	(2,798)	6,588	9,386
FUND BALANCES AT BEGINNING OF YEAR	5,003	5,003	5,003	-
FUND BALANCES AT END OF YEAR	$ 2,607	$ 2,205	$ 11,591	$ 9,386

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	11	3	12	31	39	8
			-				-
8	8	11	3	12	31	39	8
1,420	1,420	1,420	-	3,985	3,985	3,985	-
208	208	208	-	1,548	1,548	1,548	-
			-				-
1,628	1,628	1,628	-	5,533	5,533	5,533	-
(1,620)	(1,620)	(1,617)	3	(5,521)	(5,502)	(5,494)	8
1,628	1,628	1,615	(13)	5,663	5,663	5,663	-
			-				-
			-				-
			-				-
1,628	1,628	1,615	(13)	5,663	5,663	5,663	-
8	8	(2)	(10)	142	161	169	8
11	11	11	-	2,945	2,945	2,945	-
$ 19	$ 19	$ 9	$ (10)	$ 3,087	$ 3,106	$ 3,114	$ 8

(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, 2018

(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			2	2	31	48	65	17
Miscellaneous				-				-
Total revenues	-	-	2	2	31	48	65	17
EXPENDITURES:								
Principal retirement	194	194	194	-	2,120	2,120	2,120	-
Interest	151	151	151	-	1,290	1,340	1,340	-
General Government				-	350	350		350
Total expenditures	345	345	345	-	3,760	3,810	3,460	350
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(345)	(345)	(343)	2	(3,729)	(3,762)	(3,395)	367
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	510	550	554	4	3,514	2,956	2,902	(54)
Restricted income tax fund				-				-
Proceeds from the Sale of Debt				-	22,210	22,483		(22,483)
Payment to refund Bonds and Notes				-	(21,860)	(20,770)		20,770
Total other financing sources (uses)	510	550	554	4	3,864	4,669	2,902	(1,767)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	165	205	211	6	135	907	(493)	(1,400)
FUND BALANCES AT BEGINNING OF YEAR	1,361	1,361	1,361	-	3,373	3,373	3,373	-
FUND BALANCES AT END OF YEAR	$ 1,526	$ 1,566	$ 1,572	$ 6	$ 3,508	$ 4,280	$ 2,880	$ (1,400)

Subordinate Lien Income Tax Bonds				Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$ 17,747	$ 17,747	$ 18,037	$ 290
			-	1,584	1,579	1,595	16
85	208	245	37	250	439	699	260
475	475	475	-	475	475	475	-
560	683	720	37	20,056	20,240	20,806	566
11,840	11,840	11,840	-	44,259	44,259	44,259	-
12,465	13,017	13,017	-	26,803	27,832	27,832	-
			-	350	350	-	350
24,305	24,857	24,857	-	71,412	72,441	72,091	350
(23,745)	(24,174)	(24,137)	37	(51,356)	(52,201)	(51,285)	916
		8,475	8,475	11,315	10,797	28,096	17,299
22,622	22,622	22,622	-	36,622	36,622	36,622	-
			-	22,210	22,483	-	(22,483)
			-	(21,860)	(20,770)	-	20,770
22,622	22,622	31,097	8,475	48,287	49,132	64,718	15,586
(1,123)	(1,552)	6,960	8,512	(3,069)	(3,069)	13,433	16,502
9,414	9,414	9,414	-	22,107	22,107	22,107	-
$ 8,291	$ 7,862	$ 16,374	$ 8,512	$ 19,038	$ 19,038	$ 35,540	$ 16,502

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CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

Water Pollution Control	The Division of Water Pollution Control is a segment of the Department of Public Utilities of the City. The Division of Water Pollution Control was created for the purpose of providing sewage services to customers and to maintain the local sewer system of the City.
Public Auditorium	The Public Auditorium is a multi-purpose performing arts, entertainment and conference center. It was constructed in the grand opera tradition and features a spacious 21,780 square foot registration lobby, a 10,000 seat auditorium, the 3,000 seat Cleveland Music Hall and 600 seat Little Theater.
West Side Market	The West Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.
East Side Market	The East Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.
Municipal Parking Lots	The Division of Parking was established to provide municipal parking within the City's limits.
Cemeteries	The Division of Cemeteries was established to provide interment and cremation services for the City and its neighboring communities.
Golf Courses	The Golf Course Division was established to provide the City and neighboring communities with recreational facilities for golfing and cross country skiing. Currently, 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, 2018
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
ASSETS			
Current assets:			
Cash and cash equivalents	$ 78,495	$ 275	$ 992
Restricted cash and cash equivalents	1,509		
Receivables:			
Accounts	113,199	135	
Unbilled revenue	1,843		
Accrued interest	36		
Less: Allowance for doubtful accounts	(2,981)	(46)	
Receivables, net	112,097	89	-
Due from other funds	27		
Due from other governments	258		
Inventory of supplies	591		
Prepaid expenses and other assets	66	11	2
Total current assets	193,043	375	994
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	9,403		
Accrued interest receivable	19		
Total restricted assets	9,422	-	-
Capital assets:			
Land	297	4,261	198
Land improvements	145		
Utility plant	183,614		
Buildings, structures and improvements	10,175	25,847	15,213
Furniture, fixtures, equipment and vehicles	18,300	1,144	1,776
Construction in progress	16,926	4	917
Less: Accumulated depreciation	(128,629)	(21,807)	(11,076)
Total capital assets, net	100,828	9,449	7,028
Total noncurrent assets	110,250	9,449	7,028
Total assets	303,293	9,824	8,022
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding			
Pension	2,129	456	88
OPEB	507	61	20
Total deferred outflows of resources	2,636	517	108

	East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
	$	$ 6,206	$ 242	$ 703	$ 86,913
					1,509
		30			113,364
					1,843
		8			44
					(3,027)
	-	38	-	-	112,224
		28	1		56
					258
			5		596
		7	8		94
	-	6,279	256	703	201,650
		8,721	5,709		23,833
		10			29
	-	8,731	5,709	-	23,862
	413	5,478	1,259	1,822	13,728
	484	1,577	5,692	4,083	11,981
					183,614
	2,400	56,483	7,445	1,965	119,528
	450	2,233	731	334	24,968
	5,631	6,811	4,861		35,150
	(2,764)	(33,908)	(6,330)	(5,308)	(209,822)
	6,614	38,674	13,658	2,896	179,147
	6,614	47,405	19,367	2,896	203,009
	6,614	53,684	19,623	3,599	404,659
		458			458
		247	249		3,169
		61	61		710
	-	766	310	-	4,337

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2018
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
LIABILITIES			
Current liabilities:			
Accounts payable	$ 2,365	$ 99	$ 121
Accrued wages and benefits	1,167	104	42
Due to other funds	2,585	107	49
Due to other governments	143,870		
Accrued interest payable	193		
Current portion of long-term obligations	614		
Total current liabilities	150,794	310	212
Long-term liabilities:			
Accrued wages and benefits	150	11	6
Construction loans payable	46		
Revenue bonds payable	35,309		
Net pension liability	8,110	1,603	309
Net OPEB liability	5,310	828	213
Total liabilities	199,719	2,752	740
DEFERRED INFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps			
Pension	2,001	252	78
OPEB	396	47	16
Total deferred inflows of resources	2,397	299	94
NET POSITION			
Net investment in capital assets	72,531	9,449	7,028
Restricted for debt service	2,594		
Unrestricted	28,688	(2,159)	268
Total net position	$ 103,813	$ 7,290	$ 7,296

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 43	$ 12	$ 38	$ 2,678
	103	103		1,519
	45	14		2,800
	240			144,110
	223			416
	3,370			3,984
-	4,024	129	38	155,507
	5	7		179
				46
	11,455			46,764
	928	928		11,878
	637	637		7,625
-	17,049	1,701	38	221,999
	36			36
	235	235		2,801
	47	48		554
-	318	283	-	3,391
6,614	27,362	13,658	2,896	139,538
	5,654			8,248
	4,067	4,291	665	35,820
$ 6,614	$ 37,083	$ 17,949	$ 3,561	$ 183,606

(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, 2018

(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
OPERATING REVENUES:			
Charges for services	$ 30,019	$ 1,264	$ 1,360
Total operating revenue	30,019	1,264	1,360
OPERATING EXPENSES:			
Operations	12,923	2,927	1,661
Maintenance	9,369	38	31
Depreciation	6,562	295	682
Total operating expenses	28,854	3,260	2,374
OPERATING INCOME (LOSS)	1,165	(1,996)	(1,014)
NON-OPERATING REVENUE (EXPENSES):			
Investment income (loss)	642	1	18
Interest expense			
Gain (Loss) on disposal of capital assets	(43)		
Other revenues (expenses)	287		
Total non-operating revenues (expenses)	886	1	18
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,051	(1,995)	(996)
Capital contributions	258	7	69
Transfers in		1,750	
CHANGE IN NET POSITION	2,309	(238)	(927)
NET POSITION AT BEGINNING OF YEAR (as restated)	101,504	7,528	8,223
NET POSITION AT END OF YEAR	$ 103,813	$ 7,290	$ 7,296

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 10,131	$ 1,445	$ 133	$ 44,352
-	10,131	1,445	133	44,352
	4,144	1,763	732	24,150
	138	1		9,577
60	1,580	600	118	9,897
60	5,862	2,364	850	43,624
(60)	4,269	(919)	(717)	728
	281	109		1,051
	(1,000)			(1,000)
		(8)		(51)
			19	306
-	(719)	101	19	306
(60)	3,550	(818)	(698)	1,034
4,903	308	606	50	6,201
		250	1,200	3,200
4,843	3,858	38	552	10,435
1,771	33,225	17,911	3,009	173,171
$ 6,614	$ 37,083	$ 17,949	$ 3,561	$ 183,606

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 29,044	$ 1,250	$ 1,353
Cash payments to suppliers for goods or services	(9,937)	(1,309)	(1,187)
Cash payments to employees for services	(9,931)	(1,489)	(439)
Agency activity on behalf of other sewer authorities	4,645		
Other	42		
Net cash provided by (used for) operating activities	13,863	(1,548)	(273)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds		1,750	
Cash received for royalties			
Net cash provided by (used for) noncapital financing activities	-	1,750	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(14,509)		
Principal paid on long-term debt	(594)		
Interest paid on long-term debt	(1,562)		
Capital grant proceeds	1,617		
Net cash provided by (used for) capital and related financing activities	(15,048)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(9,914)		
Proceeds from sale and maturity of investment securities	9,914		
Interest received on investments	842	1	18
Net cash provided by (used for) investing activities	842	1	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(343)	203	(255)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	89,750	72	1,247
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 89,407	$ 275	$ 992

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 10,003	$ 1,443	$ 133	$ 43,226
	(3,209)	(462)	(694)	(16,798)
	(1,086)	(1,134)		(14,079)
				4,645
				42
-	5,708	(153)	(561)	17,036
		250	1,200	3,200
			19	19
-	-	250	1,219	3,219
				(14,509)
	(3,200)			(3,794)
	(952)			(2,514)
				1,617
-	(4,152)	-	-	(19,200)
				(9,914)
				9,914
	219	109		1,189
-	219	109	-	1,189
-	1,775	206	658	2,244
	13,152	5,745	45	110,011
$ -	$ 14,927	$ 5,951	$ 703	$ 112,255

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CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 1,165	$ (1,996)	$ (1,014)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	6,562	295	682
Noncash capital expense		7	1
(Increase) Decrease in Assets:			
Receivables, net	(8,502)	(14)	3
Prepaid expenses and other assets	(66)	(11)	(2)
Due from other funds	5		
Inventory of supplies	(42)		
(Increase) Decrease in Deferred Outflows of Resources:			
Pension	2,114	211	84
OPEB	(441)	(53)	(17)
Increase (Decrease) in Liabilities:			
Accounts payable	312	3	(16)
Accrued wages and benefits	89	34	4
Net pension liability	(3,135)	(376)	(126)
Net OPEB liability	552	67	22
Due to other funds	(1,750)	40	24
Due to other governments	14,907		
Unearned revenue			
Increase (Decrease) in Deferred Inflows of Resources:			
Pension	1,697	198	66
OPEB	396	47	16
Total adjustments	12,698	448	741
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 13,863	$ (1,548)	$ (273)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions and accounts payable related to capital assets	$ 1,509		$ 68

East Side Market	**Municipal Parking Lots**	**Cemeteries**	**Golf Courses**	**Total Nonmajor Enterprise Funds**
$ (60)	$ 4,269	$ (919)	$ (717)	$ 728
60	1,580	600	118	9,897
	1	7		16
	(4)			(8,517)
	(7)	(8)		(94)
	(5)	(1)		(1)
	54	(3)		9
	260	268		2,937
	(54)	(53)		(618)
	(228)	7	38	116
	3	11		141
	(376)	(376)		(4,389)
	66	66		773
	22	2		(1,662)
	2			14,909
	(120)			(120)
	198	198		2,357
	47	48		554
60	1,439	766	156	16,308
$ -	$ 5,708	$ (153)	$ (561)	$ 17,036
$ 4,903	$ 307	$ 599	$ 50	$ 7,436

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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, 2018
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,464	$ 581	$ 83	$ 1,365
Receivables:				
Accounts				
Due from other funds	1,060	148	37	
Inventory of supplies	1,028	75		
Prepaid expenses and other assets	43	23	7	99
Total current assets	8,595	827	127	1,464
Noncurrent assets:				
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	3,170	884		317
Furniture, fixtures, equipment and vehicles	14,730	1,497		1,896
Less: Accumulated depreciation	(16,527)	(1,564)		(1,429)
Total capital assets, net	2,182	817	-	784
Total noncurrent assets	2,182	817	-	784
TOTAL ASSETS	10,777	1,644	127	2,248
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,232	280		2,004
OPEB	284	40		527
Total deferred outflows of resources	1,516	320	-	2,531

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 165	$ 2,021	$ 625	$ 1,920	$ 14,154	$ 15,409	$ 2,221	$ 45,008
					7	2	9
15		1,382	245				2,887
							1,103
2	49	223	121				567
182	2,070	2,230	2,286	14,154	15,416	2,223	49,574
							663
			33				179
			112				4,483
	456	131	360				19,070
	(301)	(130)	(177)				(20,128)
-	155	1	328	-	-	-	4,267
-	155	1	328	-	-	-	4,267
182	2,225	2,231	2,614	14,154	15,416	2,223	53,841
69	1,513	299	195				5,592
20	345	81	20				1,317
89	1,858	380	215	-	-	-	6,909

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2018
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities:				
Accounts payable	$ 1,851	$ 75	$	$ 43
Accrued wages and benefits	581	100	8	1,158
Claims payable				
Due to other funds	23	3		3
Due to other governments				
Total current liabilities	2,455	178	8	1,204
Long-term liabilities:				
Accrued wages and benefits	345	87		317
Net pension liability	4,329	618		6,284
Net OPEB liability	2,973	425		5,521
Total liabilities	10,102	1,308	8	13,326
DEFERRED INFLOWS OF RESOURCES				
Pension	1,099	157		2,002
OPEB	221	31		412
Total deferred inflows of resources	1,320	188	-	2,414
NET POSITION				
Net investment in capital assets	2,182	817		784
Unrestricted	(1,311)	(349)	119	(11,745)
Total net position	$ 871	$ 468	$ 119	$ (10,961)

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 11	$ 180	$ 1,554	$ 48	$	$	$	$ 3,762
20	715	119	56	9,461			12,218
					9,376	325	9,701
	21		3				53
	1,088		13				1,101
31	2,004	1,673	120	9,461	9,376	325	26,835
11	221	37	17				1,035
309	4,774	996	412				17,722
212	3,611	850	212				13,804
563	10,610	3,556	761	9,461	9,376	325	59,396
79	1,340	309	82				5,068
16	269	63	16				1,028
95	1,609	372	98	-	-	-	6,096
	155	1	328				4,267
(387)	(8,291)	(1,318)	1,642	4,693	6,040	1,898	(9,009)
$ (387)	$ (8,136)	$ (1,317)	$ 1,970	$ 4,693	$ 6,040	$ 1,898	$ (4,742)

(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, 2018

(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
OPERATING REVENUES:				
Charges for services	$ 18,456	$ 2,168	$ 508	$ 12,880
Total operating revenue	18,456	2,168	508	12,880
OPERATING EXPENSES:				
Operations	18,609	2,382	504	14,262
Maintenance	993	97		122
Depreciation	293	72		117
Total operating expenses	19,895	2,551	504	14,501
OPERATING INCOME (LOSS)	(1,439)	(383)	4	(1,621)
NON-OPERATING REVENUES (EXPENSES):				
Investment income	101	11	1	24
Total non-operating revenues (expenses)	101	11	1	24
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,338)	(372)	5	(1,597)
Capital contributions	39			
Transfers in				
CHANGE IN NET POSITION	(1,299)	(372)	5	(1,597)
NET POSITION AT BEGINNING OF YEAR (as restated)	2,170	840	114	(9,364)
NET POSITION AT END OF YEAR	$ 871	$ 468	$ 119	$ (10,961)

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 107	$ 10,131	$ 8,380	$ 2,652	$ 776	$ 79,790	$ 12,397	$ 148,245
107	10,131	8,380	2,652	776	79,790	12,397	148,245
829	10,962	8,276	1,276		81,445	13,907	152,452
	241	100	1,539				3,092
	63	8	47				600
829	11,266	8,384	2,862	-	81,445	13,907	156,144
(722)	(1,135)	(4)	(210)	776	(1,655)	(1,510)	(7,899)
	381	13	35				566
-	381	13	35	-	-	-	566
(722)	(754)	9	(175)	776	(1,655)	(1,510)	(7,333)
							39
770							770
48	(754)	9	(175)	776	(1,655)	(1,510)	(6,524)
(435)	(7,382)	(1,326)	2,145	3,917	7,695	3,408	1,782
$ (387)	$ (8,136)	$ (1,317)	$ 1,970	$ 4,693	$ 6,040	$ 1,898	$ (4,742)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 18,837	$ 2,232	$ 503	$ 12,881
Cash payments to suppliers for goods or services	(11,991)	(1,283)	(425)	(2,119)
Cash payments to employees for services	(5,866)	(1,127)	(87)	(11,115)
Net cash provided by (used for) operating activities	980	(178)	(9)	(353)
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	(16)	(29)		
Net cash provided by (used for) capital and related financing activities	(16)	(29)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	101	11	1	24
Net cash provided by (used for) investing activities	101	11	1	24
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,065	(196)	(8)	(329)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,399	777	91	1,694
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,464	$ 581	$ 83	$ 1,365

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 124	$ 10,514	$ 8,130	$ 2,624	$ 274	$ 79,797	$ 12,398	$ 148,314
(560)	(3,419)	(6,729)	(2,166)		(80,617)	(13,839)	(123,148)
(200)	(6,993)	(1,266)	(616)				(27,270)
(636)	102	135	(158)	274	(820)	(1,441)	(2,104)
770							770
770	-	-	-	-	-	-	770
			(143)				(188)
-	-	-	(143)	-	-	-	(188)
	381	13	35				566
-	381	13	35	-	-	-	566
134	483	148	(266)	274	(820)	(1,441)	(956)
31	1,538	477	2,186	13,880	16,229	3,662	45,964
$ 165	$ 2,021	$ 625	$ 1,920	$ 14,154	$ 15,409	$ 2,221	$ 45,008

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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)	$ (1,439)	$ (383)	$ 4	$ (1,621)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	293	72		117
(Increase) Decrease in Assets:				
Receivables, net				
Prepaid expenses and other assets	(40)	(2)	(7)	(69)
Due from other funds	381	64	(6)	
Inventory of supplies	(20)	23		
(Increase) Decrease in Deferred Outflows of Resources:				
Pension	1,179	65		2,129
OPEB	(247)	(35)		(459)
Increase (Decrease) in Liabilities:				
Accounts payable	1,055	(21)		6
Accrued wages and benefits	116	81		103
Net pension liability	(1,755)	(251)		(3,261)
Net OPEB liability	308	45		572
Claims Payable				
Due to other funds	1	1		(3)
Due to other governments				
Increase (Decrease) in Deferred Inflows of Resources:				
Pension	927	132		1,721
OPEB	221	31		412
Total adjustments	2,419	205	(13)	1,268
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 980	$ (178)	$ (9)	$ (353)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Contributions and accounts payable related to capital assets	$ 39			

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ (722)	$ (1,135)	$ (4)	$ (210)	$ 776	$ (1,655)	$ (1,510)	$ (7,899)
	63	8	47				600
		8			8	1	17
(2)	(49)	(91)	(6)				(266)
17		(258)	(28)				170
							3
104	1,409	377	66				5,329
(17)	(299)	(71)	(18)				(1,146)
4	13	243	18				1,318
2	130	8	(7)	(502)			(69)
(126)	(2,132)	(501)	(125)				(8,151)
21	375	89	22				1,432
					828	68	896
	(57)		(1)		(1)		(60)
	383		2				385
67	1,132	264	66				4,309
16	269	63	16				1,028
86	1,237	139	52	(502)	835	69	5,795
$ (636)	$ 102	$ 135	$ (158)	$ 274	$ (820)	$ (1,441)	$ (2,104)
							$ 39

(Concluded)

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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, 2018
(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	$ 1,954	$ 11,631	$ 11,903	$ 1,682
Total assets	$ 1,954	$ 11,631	$ 11,903	$ 1,682
LIABILITIES				
Due to others	$ 1,954	$ 11,631	$ 11,903	$ 1,682
Total liabilities	$ 1,954	$ 11,631	$ 11,903	$ 1,682
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	$ 6,910	$ 6,317	$ 6,910	$ 6,317
Taxes receivable	18,402	20,300	18,402	20,300
Due from other governments	1,251	1,704	1,251	1,704
Total assets	$ 26,563	$ 28,321	$ 26,563	$ 28,321
LIABILITIES				
Due to other governments	$ 26,563	$ 28,321	$ 26,563	$ 28,321
Total liabilities	$ 26,563	$ 28,321	$ 26,563	$ 28,321

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	$ 24,052	$ 286,971	$ 287,141	$ 23,882
Total assets	$ 24,052	$ 286,971	$ 287,141	$ 23,882
LIABILITIES				
Due to others	$ 24,052	$ 286,971	$ 287,141	$ 23,882
Total liabilities	$ 24,052	$ 286,971	$ 287,141	$ 23,882
TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 32,916	$ 304,919	$ 305,954	$ 31,881
Taxes receivable	18,402	20,300	18,402	20,300
Due from other governments	1,251	1,704	1,251	1,704
Total assets	$ 52,569	$ 326,923	$ 325,607	$ 53,885
LIABILITIES				
Due to other governments	$ 26,563	$ 28,321	$ 26,563	$ 28,321
Due to others	26,006	298,602	299,044	25,564
Total liabilities	$ 52,569	$ 326,923	$ 325,607	$ 53,885

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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, 2018
(Amounts in Thousands)

Governmental Funds Capital Assets:	
Land	$ 67,333
Land improvements	215,102
Buildings, structures and improvements	687,242
Furniture, fixtures, equipment and vehicles	257,243
Infrastructure	818,443
Construction in progress	238,492
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,283,855

* 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, 2018
(Amounts in Thousands)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Construction In Progress
General Government:							
General government	$ 352,629	$ 208	$ 2,188	$ 306,102	$ 30,370	$ 6,942	$ 6,819
City Hall	28,724	877		26,004		1,347	496
Engineering and construction	512,947		28,231		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	943,982	1,988	70,220	337,064	32,220	493,908	8,582
Public Works:							
Waste collection	41,710	499		9,761	29,664	1,460	326
Streets	501,260	1,540	11,602	14,393	26,312	294,238	153,175
Traffic engineering	5,422			813	2,392	2,200	17
Park maintenance and properties	170,724	38,078	62,536	19,073	17,291	316	33,430
Recreation	148,086	847	62,101	76,661	2,398		6,079
Other	133,824	2,669		115,673	4,010	74	11,398
Total public works	1,001,026	43,633	136,239	236,374	82,067	298,288	204,425
Public Safety:							
Police	145,371	4,575	784	52,597	84,104	162	3,149
Fire	78,690	1,663		31,060	40,128		5,839
Emergency medical service	20,231			1,168	12,300	5,614	1,149
Correction	7,627	249		6,570	785	23	
Dog pound	8,435			1,048	553		6,834
Other	2,423				1,318		1,105
Total public safety	262,777	6,487	784	92,443	139,188	5,799	18,076
Public Health:							
Health and environment	14,148	1,112	208	10,799	1,926	56	47
Total public health	14,148	1,112	208	10,799	1,926	56	47
Community Development:							
Community development	46,702	7,130	7,376	9,467	1,401	15,807	5,521
Total community development	46,702	7,130	7,376	9,467	1,401	15,807	5,521
Economic Development:							
Economic development	10,793	6,983	275	740		1,004	1,791
Total economic development	10,793	6,983	275	740	-	1,004	1,791
Building and Housing:							
Building and housing	4,427			355	441	3,581	50
Total building and housing	4,427	-	-	355	441	3,581	50
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,283,855	$ 67,333	$ 215,102	$ 687,242	$ 257,243	$ 818,443	$ 238,492

* 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, 2018
(Amounts in Thousands)

	Balance January 1, 2018	Additions	Deductions	Transfers	Balance December 31, 2018
General Government:					
General government	$ 351,478	$ 1,141	$ (17)	$ 27	$ 352,629
City Hall	28,724				28,724
Engineering and construction	513,610	120	(478)	(305)	512,947
Justice Center	29,776		(28,930)	(846)	-
Research, planning and development	49,035				49,035
Charles V. Carr Municipal Center	647				647
Total general government	973,270	1,261	(29,425)	(1,124)	943,982
Public Works:					
Waste collection	41,463	593	(354)	8	41,710
Streets	466,021	38,026	(2,589)	(198)	501,260
Traffic engineering	5,515	27	(145)	25	5,422
Park maintenance and properties	166,157	4,204	(207)	570	170,724
Recreation	143,629	4,681	(259)	35	148,086
Other	129,083	4,988	(355)	108	133,824
Total public works	951,868	52,519	(3,909)	548	1,001,026
Public Safety:					
Police	167,772	4,111	(27,218)	706	145,371
Fire	77,434	1,724	(228)	(240)	78,690
Emergency medical service	20,183	250	(222)	20	20,231
Correction	7,719		(41)	(51)	7,627
Dog pound	4,382	4,089		(36)	8,435
Other	1,697	726			2,423
Total public safety	279,187	10,900	(27,709)	399	262,777
Public Health:					
Health and environment	13,964	205		(21)	14,148
Total public health	13,964	205	-	(21)	14,148
Community Development:					
Community development	46,687	15			46,702
Total community development	46,687	15	-	-	46,702
Economic Development:					
Economic development	8,379	2,414			10,793
Total economic development	8,379	2,414	-	-	10,793
Building and Housing:					
Building and housing	4,427				4,427
Total building and housing	4,427	-	-	-	4,427
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,277,782	$ 67,314	$ (61,043)	$ (198)	$ 2,283,855

* 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.

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

City of Cleveland, Ohio

Net Position By Component
Last Ten Years
(Accrual Basis of Accounting)
(Amounts in Thousands)

	2018	2017	2016	2015
Governmental Activities				
Net investment in capital assets	$ 714,288	$ 719,579	$ 722,785	$ 653,925
Restricted	188,612	161,003	155,224	167,042
Unrestricted	(933,271)	(433,843)	(459,804)	(422,125)
Total Governmental Activities Net Position	$ (30,371)	$ 446,739	$ 418,205	$ 398,842
Business-Type Activities				
Net investment in capital assets	$ 1,544,414	$ 1,482,861	$ 1,367,544	$ 1,354,871
Restricted	219,202	214,161	236,772	240,979
Unrestricted	474,284	548,411	532,257	482,852
Total Business-Type Activities Net Position	$ 2,237,900	$ 2,245,433	$ 2,136,573	$ 2,078,702
Primary Government				
Net investment in capital assets	$ 2,258,702	$ 2,202,440	$ 2,090,329	$ 2,008,796
Restricted	407,814	375,164	391,996	408,021
Unrestricted	(458,987)	114,568	72,453	60,727
Total Primary Government Net Position	$ 2,207,529	$ 2,692,172	$ 2,554,778	$ 2,477,544

Note:

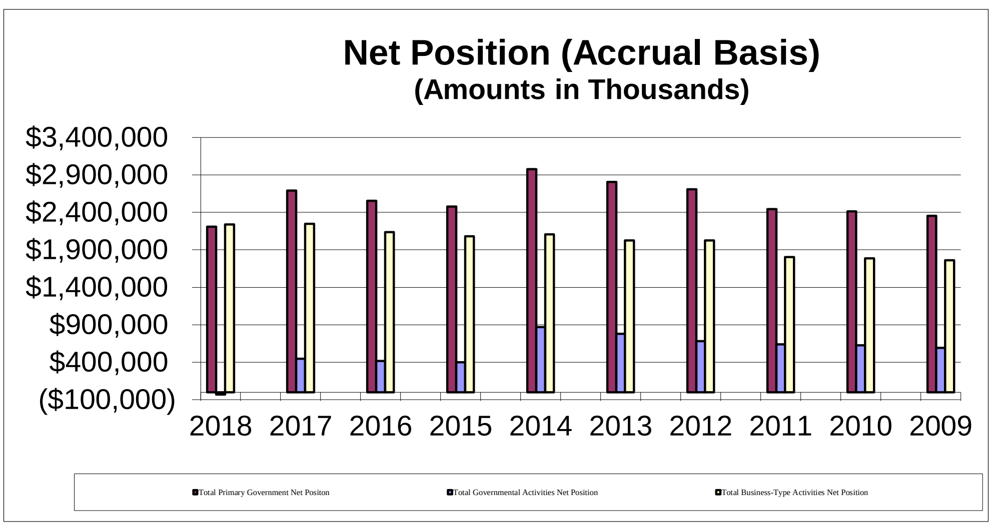
GASB issued Statement No. 65 effective for periods beginning after December 15, 2012. This statement changed the treatment of bond issuance costs to expense in the period incurred. Previously, the costs were recorded as assets and amortized over the life of the related debt issued. This change is reflected 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.

2014	2013	2012	2011	2010	2009
$ 828,002	$ 686,794	$ 572,213	$ 543,460	$ 557,804	$ 561,586
152,360	145,729	122,488	117,765	159,942	166,280
(110,650)	(53,448)	(12,383)	(19,771)	(90,565)	(134,033)
$ 869,712	$ 779,075	$ 682,318	$ 641,454	$ 627,181	$ 593,833
$ 1,335,195	$ 1,307,661	$ 1,303,584	$ 1,130,178	$ 1,080,332	$ 1,016,182
244,937	244,196	227,826	234,050	243,511	275,907
525,970	474,185	492,956	438,767	462,397	469,010
$ 2,106,102	$ 2,026,042	$ 2,024,366	$ 1,802,995	$ 1,786,240	$ 1,761,099
$ 2,163,197	$ 1,994,455	$ 1,875,797	$ 1,673,638	$ 1,638,136	$ 1,577,768
397,297	389,925	350,314	351,815	403,453	442,187
415,320	420,737	480,573	418,996	371,832	334,977
$ 2,975,814	$ 2,805,117	$ 2,706,684	$ 2,444,449	$ 2,413,421	$ 2,354,932



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

	2018	2017	2016	2015
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government (1)	$ 20,408	$ 19,573	$ 18,636	$ 23,007
Public Works (1)	17,973	18,408	18,301	17,587
Public Service (1)				
Public Safety	15,123	17,803	18,075	13,032
Community Development (1)	359	777	952	844
Building and Housing	19,008	16,377	17,717	16,408
Public Health	3,715	3,091	3,463	2,544
Parks, Recreation and Properties (1)				
Economic Development	140	103	103	103
Subtotal - Charges for Services	76,726	76,132	77,247	73,525
Operating Grants and Contributions:				
General Government (1)	4,450	3,343	3,468	4,349
Public Works (1)	14,729	24,106	14,802	14,753
Public Service (1)				
Public Safety	5,067	6,144	46,421	3,806
Community Development	30,325	26,173	28,950	32,729
Building and Housing	2,360	2,413	4,380	3,609
Public Health	8,327	8,809	8,122	8,974
Parks, Recreation and Properties (1)				
Economic Development	18,843	3,023	8,614	11,752
Subtotal - Operating Grants and Contributions	84,101	74,011	114,757	79,972
Capital Grants and Contributions:				
General Government	1,259	34	134	415
Public Works (1)	19,561	35,744	87,304	45,581
Public Service (1)				
Public Safety		97	6	91
Economic Development	308			
Subtotal - Capital Grants and Contributions	21,128	35,875	87,444	46,087
Total Governmental Activities Program Revenues	181,955	186,018	279,448	199,584
Business-Type Activities:				
Charges for Services:				
Water	306,159	301,621	310,111	301,283
Electricity	218,096	194,904	192,967	192,861
Airport facilities	145,981	145,206	142,433	128,033
Nonmajor activities	44,352	42,643	42,133	39,351
Subtotal - Charges for Services	714,588	684,374	687,644	661,528
Operating Grants and Contributions:				
Water	8,346	4,087	1,678	413
Electricity	409	4,105	3,340	3,225
Airport facilities	1,399	314	191	85
Nonmajor activities	588	648	218	299
Subtotal - Operating Grants and Contributions	10,742	9,154	5,427	4,022
Capital Grants and Contributions:				
Water	17,686	50,693	4,326	25,158
Electricity	1,458	189	354	481
Airport facilities	53,867	56,757	32,280	20,159
Nonmajor activities	5,318	4,452	1,092	1,245
Subtotal - Capital Grants and Contributions	78,329	112,091	38,052	47,043
Total Business-Type Activities Program Revenues	803,659	805,619	731,123	712,593
Total Primary Government Program Revenues	$ 985,614	$ 991,637	$ 1,010,571	$ 912,177

2014	2013	2012 (2)	2011	2010	2009
$ 31,589	$ 29,983	$ 30,696	$ 32,336	$ 31,570	$ 34,937
17,706	17,561	18,369	16,271		
				12,024	5,517
15,318	17,078	15,049	15,034	13,839	18,296
1,483					
11,984	11,734	5,757	18,072	7,327	13,402
2,754	2,917	2,967	2,931	3,033	3,187
				8,047	1,129
101	377	100	37	1,469	759
80,935	79,650	72,938	84,681	77,309	77,227
4,351	5,601	4,345	3,673	1,348	1,121
20,373	29,770	28,342	27,364		
				13,821	13,469
7,315	9,180	13,805	12,497	8,647	13,192
35,673	42,608	69,004	68,887	73,563	41,490
2,804	9,133	6,679	5,698	9,064	11,857
11,040	9,249	10,321	13,228	12,693	15,048
				13,830	14,404
18,234	14,046	11,387	4,008	8,156	23,984
99,790	119,587	143,883	135,355	141,122	134,565
2,862	56,610	1,330	23	41	
85,253	38,348	24,515	13,982		
				11,179	11,680
173					
88,288	94,958	25,845	14,005	11,220	11,680
269,013	294,195	242,666	234,041	229,651	223,472
303,412	272,674	280,323	236,626	237,270	228,235
181,843	170,342	165,227	168,448	166,665	155,865
131,724	113,244	116,694	114,967	106,696	98,143
34,276	34,135	35,188	34,600	39,358	43,110
651,255	590,395	597,432	554,641	549,989	525,353
301	5,984	4,567	3,305	3,553	4,917
4,030	656	97	883	566	169
73	132	177		619	1,232
161	86	478	278	4,051	3,857
4,565	6,858	5,319	4,466	8,789	10,175
34,699	12,446	21,800	2,284	7,645	1,677
2	393	964	206	1,035	
19,775	35,089	25,025	56,385	57,089	44,219
3,280	808	5,773	5,716	19,765	5,429
57,756	48,736	53,562	64,591	85,534	51,325
713,576	645,989	656,313	623,698	644,312	586,853
$ 982,589	$ 940,184	$ 898,979	$ 857,739	$ 873,963	$ 810,325

(Continued)

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

	2018	2017	2016	2015
Expenses				
Governmental Activities:				
General Government (1)	$ 157,730	$ 160,117	$ 139,022	$ 140,946
Public Works (1)	151,476	137,256	119,019	117,040
Public Service (1)				
Public Safety	415,703	357,248	383,453	328,453
Community Development (1)	33,464	28,555	32,173	35,026
Building and Housing	15,294	14,240	14,111	13,433
Public Health	19,189	18,038	16,110	16,841
Parks, Recreation and Properties (1)				
Economic Development	27,251	36,189	37,913	29,474
Interest on debt	26,286	28,630	27,596	36,489
Total Governmental Activities Expenses	846,393	780,273	769,397	717,702
Business-Type Activities				
Water	302,725	293,148	270,014	259,892
Electricity	218,261	197,613	196,092	197,823
Airport facilities	173,624	172,383	172,254	162,499
Nonmajor activities	44,863	41,990	39,501	37,088
Total Business-Type Activities Expenses	739,473	705,134	677,861	657,302
Total Primary Government Program Expenses	1,585,866	1,485,407	1,447,258	1,375,004
Net (Expense)/Revenue				
Governmental Activities	(664,438)	(594,255)	(489,949)	(518,118)
Business-Type Activities	64,186	100,485	53,262	55,291
Total Primary Government Net Expense	(600,252)	(493,770)	(436,687)	(462,827)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Income taxes	480,966	451,929	359,668	346,797
Property taxes	53,839	51,985	28,634	55,017
Other taxes	45,235	46,704	48,945	38,904
Unrestricted shared revenues	19,338	37,428	35,888	34,974
State and local government funds	25,191	24,331	24,061	26,567
Unrestricted investment earnings	10,730	4,392	1,801	1,060
Other	19,070	14,374	14,906	8,760
Transfers	(4,852)	(8,354)	(4,591)	(1,957)
Total Governmental Activities	649,517	622,789	509,312	510,122
Business-Type Activities				
Unrestricted investment earnings	24	13	7	4
Other		8	11	
Special items - gain on sale of capital assets				
Transfers	4,852	8,354	4,591	1,957
Total Business-Type Activities Expenses	4,876	8,375	4,609	1,961
Total Primary Government General Revenues and Other Changes in Net Position	654,393	631,164	513,921	512,083
Change in Net Position				
Governmental Activities	(14,921)	28,534	19,363	(7,996)
Business-Type Activities	69,062	108,860	57,871	57,252
Total Primary Government Change in Net Position	$ 54,141	$ 137,394	$ 77,234	$ 49,256

Note:

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

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

(1) In 2012, a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government.

(2) 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.

2014	2013	2012 (2)	2011	2010	2009
$ 121,050	$ 115,793	$ 106,141	$ 95,833	$ 81,898	$ 90,311
129,551	130,108	128,276	139,577		
				93,425	85,947
298,768	310,246	310,745	308,051	315,900	329,765
39,099	44,337	70,705	75,778	70,589	59,204
11,059	17,694	14,729	14,098	17,445	20,925
18,236	15,405	17,385	19,596	19,740	22,999
				46,963	58,799
32,508	18,142	13,845	22,323	24,729	38,083
26,333	24,913	26,153	27,686	47,531	30,448
676,604	676,638	687,979	702,942	718,220	736,481
253,822	258,014	244,647	232,497	232,862	224,269
181,862	171,669	163,547	167,799	165,330	158,100
161,021	155,343	153,627	167,531	158,262	168,734
38,430	35,235	39,671	46,302	43,443	46,546
635,135	620,261	601,492	614,129	599,897	597,649
1,311,739	1,296,899	1,289,471	1,317,071	1,318,117	1,334,130
(407,591)	(382,443)	(445,313)	(468,901)	(488,569)	(513,009)
78,441	25,728	54,821	9,569	44,415	(10,796)
(329,150)	(356,715)	(390,492)	(459,332)	(444,154)	(523,805)
337,933	332,719	330,863	311,492	298,209	296,507
52,327	45,055	56,086	63,839	88,087	63,573
35,851	37,765	28,680	27,312	28,450	25,053
37,240	34,434	27,338	19,558	23,869	28,741
23,846	30,081	25,966	43,821	49,266	43,420
1,193	683	692	97	654	1,740
11,454	21,194	18,141	19,086	14,104	10,207
(1,616)	(1,527)	(1,589)	(2,031)	19,278	(825)
498,228	500,404	486,177	483,174	521,917	468,416
3	3		30	4	25
			5,125		
1,616	1,527	1,589	2,031	(19,278)	825
1,619	1,530	1,589	7,186	(19,274)	850
499,847	501,934	487,766	490,360	502,643	469,266
90,637	117,961	40,864	14,273	33,348	(44,593)
80,060	27,258	56,410	16,755	25,141	(9,946)
$ 170,697	$ 145,219	$ 97,274	$ 31,028	$ 58,489	$ (54,539)

(Concluded)

City of Cleveland, Ohio

Fund Balances, Governmental Funds

Last Ten Years (1)

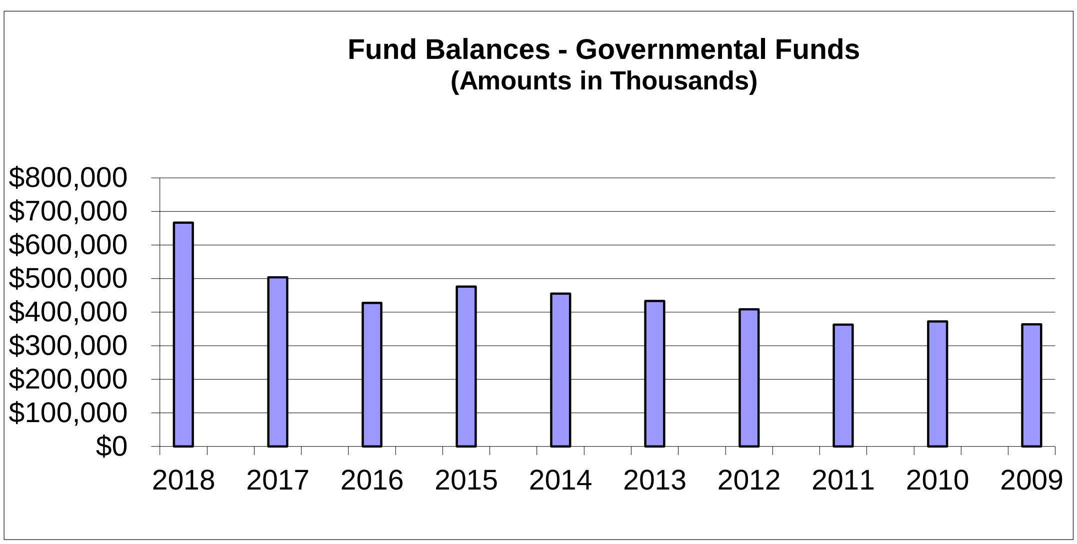
(Modified Accrual Basis of Accounting)

(Amounts in Thousands)

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

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

2014	2013	2012	2011	2010	2009
$	$	$	$	$ 15,070	$ 15,513
				(2,529)	(9,648)
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	5,865
				257,696	263,059
				64,432	45,781
				37,753	49,556
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	358,396
$ 455,366	$ 433,927	$ 408,980	$ 362,885	$ 372,422	$ 364,261



City of Cleveland, Ohio

Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

(Amounts in Thousands)

	2018	2017	2016	2015
Revenues				
Income taxes	$ 473,306	$ 447,259	$ 355,092	$ 350,524
Property taxes	52,665	51,473	49,311	49,697
State and local government funds	24,970	24,375	24,431	26,433
Other taxes and shared revenues (2)				
Other taxes (2)	45,149	46,683	48,945	38,904
Other shared revenues (2)	53,866	61,079	49,108	48,864
Licenses and permits	21,196	19,407	21,236	18,884
Charges for services	39,194	39,177	37,620	35,169
Fines, forfeits and settlements	15,296	14,299	14,295	18,864
Investment earnings	10,186	4,147	1,725	927
Grants	60,385	80,077	125,956	102,257
Contributions	4,398	1,704	1,844	2,803
Miscellaneous	15,068	11,618	16,067	13,565
Total Revenues	815,679	801,298	745,630	706,891
Expenditures				
Current:				
General Government (1)	97,343	100,372	98,102	86,686
Public Works (1)	104,949	98,228	93,148	90,961
Public Service (1)				
Public Safety	332,423	322,483	347,426	311,177
Community Development (1)	30,876	25,827	29,990	33,076
Building and Housing	13,829	13,216	13,710	13,419
Public Health	17,735	16,382	15,410	16,462
Parks, Recreation and Properties (1)				
Economic Development	26,850	35,748	37,552	29,393
Other	9,030	6,640	7,388	8,635
Capital outlay	88,812	85,888	99,622	127,001
Inception of capital lease				571
Debt service:				
Principal retirement	55,368	49,041	49,370	48,648
Interest	31,006	30,000	30,365	28,627
General Government	1,485	971	476	2,462
Other	1,077	1,069	1,070	1,071
Total Expenditures	810,783	785,865	823,629	798,189
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,896	15,433	(77,999)	(91,298)
Other Financing Sources (Uses)				
Transfers in	112,956	81,122	72,227	92,273
Transfers out	(116,926)	(83,188)	(74,118)	(94,734)
Issuance of debt	135,680		28,125	101,385
Issuance of refunding bonds		142,850	23,680	117,325
Premium on bonds and notes	16,868	21,916	7,497	30,085
Discount on bonds and notes				
Payment to refund bonds and notes		(108,761)	(28,150)	(135,757)
Loan proceeds	15			
Sale of City assets	9,248	6,573	437	1,713
Capital leases				
Total Other Financing Sources (Uses)	157,841	60,512	29,698	112,290
Net Change in Fund Balances	$ 162,737	$ 75,945	$ (48,301)	$ 20,992
Debt Service as a Percentage of Noncapital Expenditures	11.6%	10.8%	10.8%	11.1%

(1) In 2012, a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government. Data for years prior to 2011 is unavailable.

(2) In 2013, other taxes and other shared revenues are reported separately. For years prior to 2013, the figures are combined. Data for years prior to 2013 is unavailable.

2014	2013	2012	2011	2010	2009
$ 336,743	$ 333,359	$ 331,118	$ 312,508	$ 300,427	$ 298,546
49,198	49,740	55,312	55,949	58,660	63,754
25,077	28,439	31,821	45,640	47,972	45,590
		86,084	77,636	79,620	81,440
35,851	37,764				
54,329	59,907				
15,404	16,034	15,070	16,877	13,529	17,061
36,120	39,297	41,436	39,433	33,779	22,136
28,928	27,020	26,830	28,376	28,643	32,321
858	865	468	518	621	2,691
111,935	115,851	129,724	120,119	116,920	112,024
2,571	15,948	1,364	52	72	659
18,534	27,770	18,770	15,356	16,490	25,811
715,548	751,994	737,997	712,464	696,733	702,033
91,199	85,638	85,125	77,792	80,865	90,074
89,042	86,576	85,753	91,926		
				53,567	58,229
294,605	303,234	303,767	302,009	308,321	319,334
37,191	42,677	69,238	73,682	70,437	58,101
10,885	17,444	14,542	14,031	17,401	20,841
17,722	14,983	16,986	19,160	19,229	22,460
				37,822	39,598
32,360	18,030	12,794	19,348	24,635	36,849
10,580	11,877	10,992	11,171	11,490	10,446
100,868	115,170	69,945	66,575	56,227	66,720
6,044	5,046	5,648	4,566	3,201	
47,752	46,252	48,115	47,481	48,223	53,048
27,935	30,380	33,741	30,628	28,682	32,942
1,114	615	1,264	438	18,722	477
1,077	1,176	1,168	315	795	475
768,374	779,098	759,078	759,122	779,617	809,594
(52,826)	(27,104)	(21,081)	(46,658)	(82,884)	(107,561)
77,659	56,516	59,830	68,643	106,617	53,414
(79,766)	(58,466)	(62,145)	(71,514)	(88,152)	(54,525)
69,200	35,840	82,945	31,260	171,505	44,580
20,110	25,360				13,820
6,666	4,415	8,770	1,105	1,885	2,289
(13)		(145)	(217)	(237)	
(20,635)	(25,360)	(28,910)		(108,390)	(13,767)
	2,786				
1,044	4,425	324	1,229	1,127	6,568
	6,535	6,507	6,615	6,690	
74,265	52,051	67,176	37,121	91,045	52,379
$ 21,439	$ 24,947	$ 46,095	$ (9,537)	$ 8,161	$ (55,182)
11.7%	11.5%	11.8%	11.1%	10.4%	11.5%

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
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
2009	3,062,170	2,434,549	15,704,911	220,820	250,932

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

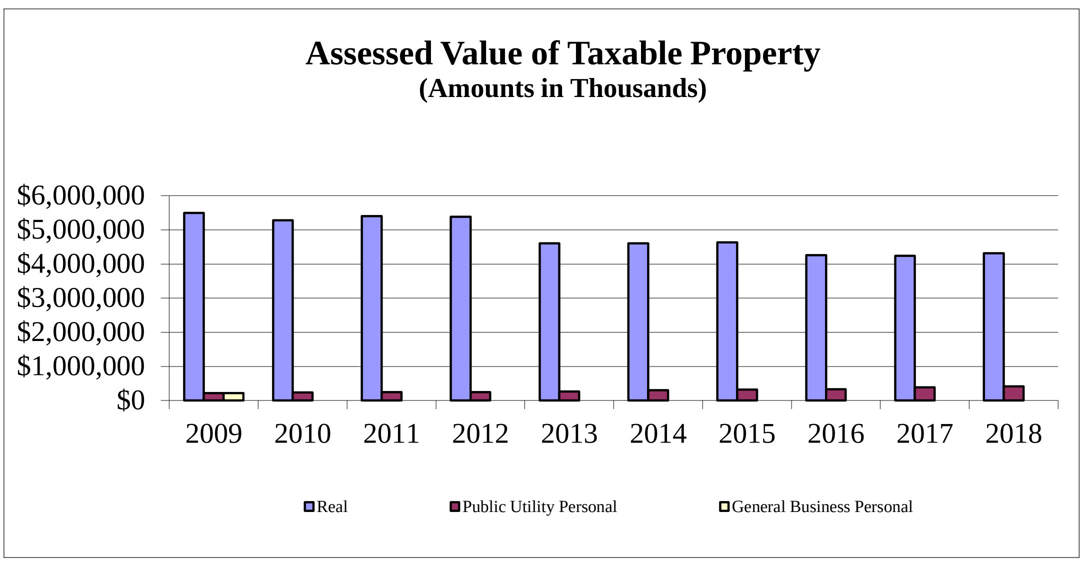
The assessed valuation of personal property constituting "inventory" was 23% of true value, in 2006 it was reduced to 18.75%, in 2007 to 12.50%, and in 2008 to 6.25%. The percentage decreased to 0% in 2009 and remains at 0% in 2018.

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 2018 to taxing subdivisions by the State of Ohio from State resources. All taxable property remained at 88% true value.

The total direct rate is shown per $1,000 of assessed value.

Source: Cuyahoga County Fiscal Officer.

Tangible Personal Property						
General Business		Total				
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Ratio	
$	$	$ 4,728,745	$ 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	
219,920	3,518,720	5,937,459	19,474,563	12.70	30.5	



City of Cleveland, Ohio

Property Tax Rates - Direct and Overlapping Governments

(Per $1,000 of Assessed Valuation)

Last Ten Years

	2018	2017	2016	2015
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	49.475411	52.627462	52.527150	52.479460
Commercial/Industrial and Public Utility Real	55.336037	61.103106	61.578271	61.740058
General Business and Public Utility Personal	79.300000	79.300000	79.300000	79.300000
County				
Residential/Agricultural Real	12.797318	13.914095	13.880201	13.869781
Commercial/Industrial and Public Utility Real	13.077038	14.006049	14.012362	14.050000
General Business and Public Utility Personal	14.050000	14.050000	14.050000	14.050000
Special Taxing Districts (1)				
Residential/Agricultural Real	14.431850	13.636727	13.116607	13.112910
Commercial/Industrial and Public Utility Real	14.324894	13.760521	13.322508	13.363153
General Business and Public Utility Personal	16.180000	14.180000	13.680000	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.

2014	2013	2012	2011	2010	2009
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
52.699898	52.427248	52.116544	31.674164	31.506887	31.460074
61.107741	60.124573	60.128798	44.235815	44.362102	44.661412
79.900000	79.800000	79.800000	64.800000	64.800000	64.800000
14.050000	14.050000	13.220000	13.118223	13.186617	13.178886
14.019470	13.949465	12.996761	12.784540	12.841251	12.845700
14.050000	14.050000	13.220000	13.220000	13.320000	13.320000
13.202292	12.298441	11.391842	11.225159	11.207637	10.723710
13.312617	12.339767	11.418198	11.232744	11.236434	10.859248
13.680000	12.780000	11.880000	11.880000	11.880000	11.580000

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
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
2009	76,071,934	63,707,028	83.75	5,351,909	69,058,937

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
$ 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
107,873,764	64.02	36,999,445	34.30

City of Cleveland, Ohio

Principal Taxpayers - Real Estate Tax

2018 and 2009

	2018	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Electric Illuminating Co.	$ 226,171,070	5.25 %
Cleveland Clinic Foundation	127,558,890	2.96
East Ohio Gas Co.	126,884,330	2.94
City of Cleveland, Ohio	107,133,240	2.48
127 PS Fee Owner, LLC	87,321,260	2.03
American Transmission System	84,019,250	1.95
Cleveland-Cuyahoga Port Authority	56,671,700	1.31
G&I IX 200 Public Square Garage, LLC	51,774,150	1.20
Flats East Office Tower, LLC	33,322,580	0.77
Hertz Cleveland North Point, LLC	33,159,500	0.77
Total	$ 934,015,970	21.66 %
Total Real Property Assessed Valuation	$ 4,312,945,000	

	2009	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Clinic Foundation	$ 231,940,760	4.22 %
Cleveland Electric Illuminating Co.	161,793,280	2.94
City of Cleveland, Ohio	108,575,090	1.98
Key Center Properties, LLC	83,619,320	1.52
Cleveland Financial Associates, LLC	46,967,070	0.85
East Ohio Gas Co.	41,294,010	0.75
National City Center, LLC	36,419,500	0.66
Hub North Point Properties	33,309,480	0.61
ISG Cleveland Inc	26,790,930	0.49
Optima One Cleveland	25,857,270	0.47
Total	$ 796,566,710	14.49 %
Total Real Property Assessed Valuation	$ 5,496,719,000	

(1) The amounts presented represent the assessed values upon which 2018 and 2009 collections were based.

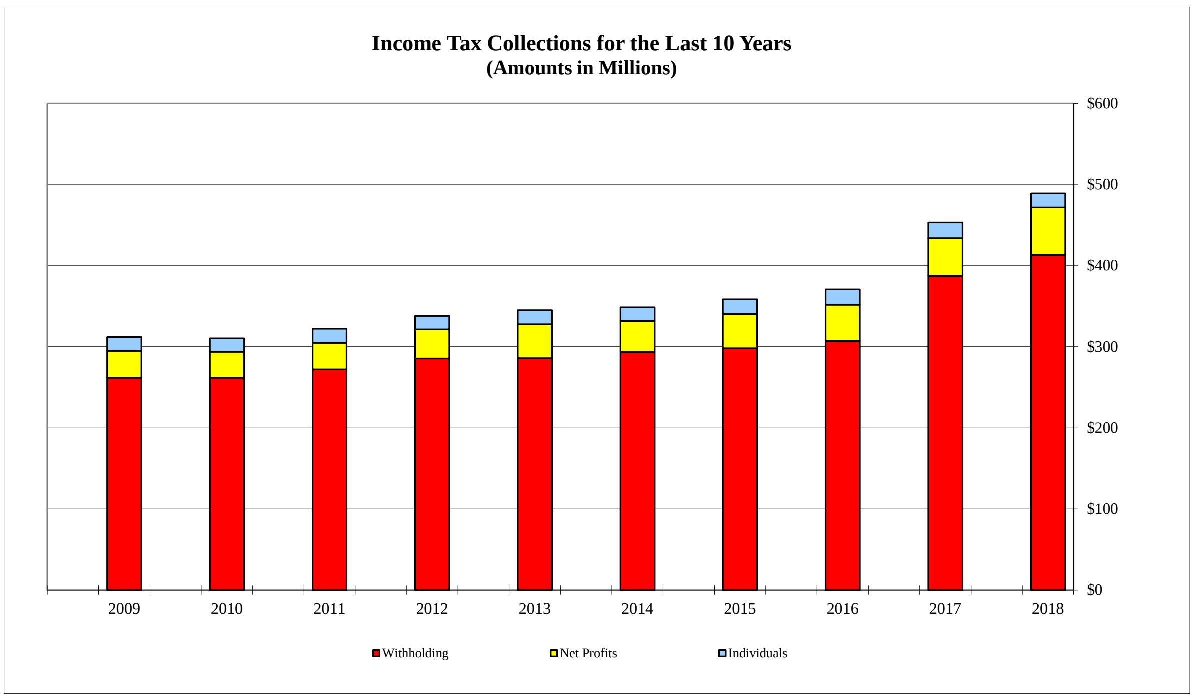
Source: Cuyahoga County Fiscal Officer.

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
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
2009	2.00	312,129,641	261,878,357	83.90	33,065,140	10.59	17,186,144	5.51



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

(1) Gross collections.

Source: Central Collection Agency.

City of Cleveland, Ohio

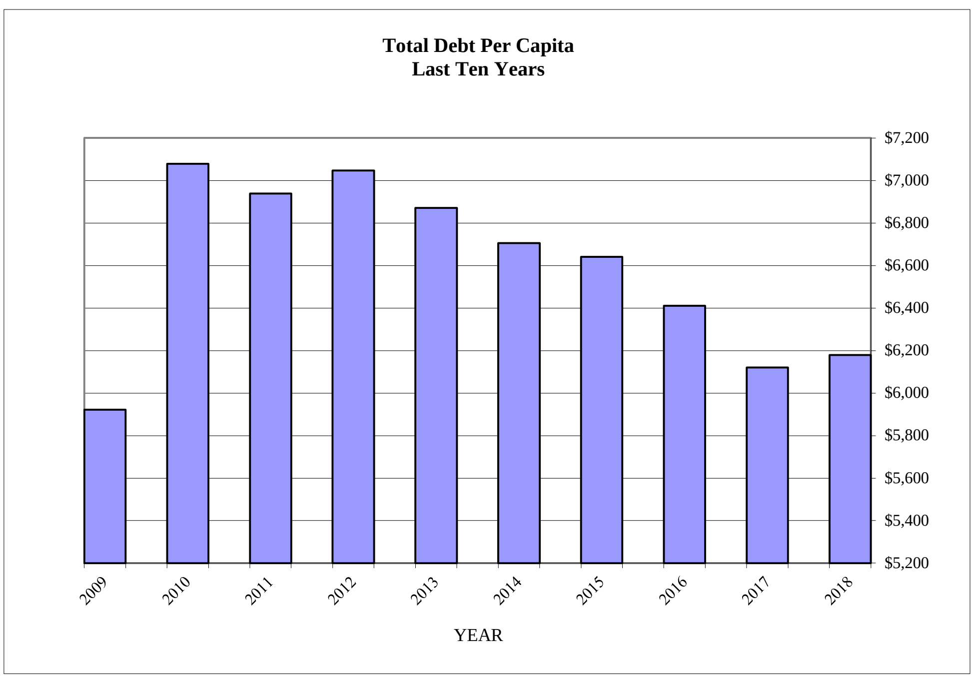
Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years

	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
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
2009	340,739,000	5,860,000	65,183,000	5,320,000	61,022,000	119,016,000	58,157,000

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
$ 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
		2,069,734,000	107,654,000	2,832,685,000	41.43	5,921



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)			
2018	396,815	(a)	$ 4,728,745	$ 279,415	5.91 %	$ 704.14
2017	396,815	(a)	4,628,326	225,338	4.87	567.87
2016	396,815	(a)	4,589,438	251,060	5.47	632.69
2015	396,815	(a)	4,948,114	244,111	4.93	615.18
2014	396,815	(a)	4,899,952	266,952	5.45	672.74
2013	396,815	(a)	4,868,768	293,752	6.03	740.27
2012	396,815	(a)	5,631,261	319,460	5.67	805.06
2011	396,815	(a)	5,640,270	308,969	5.48	778.62
2010	396,815	(a)	5,513,219	307,615	5.58	775.21
2009	478,403	(b)	5,937,459	338,140	5.70	706.81

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, Census of Population:
(a) 2010 Federal Census
(b) 2000 Federal Census
(2) Cuyahoga County Fiscal Officer's Office.

City of Cleveland, Ohio

Computation of Direct and Overlapping Governmental Activities Debt

December 31, 2018

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	$ 291,055,000	100.00 %	$ 291,055,000
Capital Lease Obligations	1,874,000	100.00	1,874,000
Subordinated Income Tax Refunding Bonds	31,593,000	100.00	31,593,000
Subordinate Lien Income Tax Bonds	377,853,000	100.00	377,853,000
Non-Tax Revenue Bonds	53,107,000	100.00	53,107,000
Certificates of Participation	85,266,000	100.00	85,266,000
Annual Appropriation Bonds	9,018,000	100.00	9,018,000
Note/Loans Payable	1,024,000	100.00	1,024,000
Total Direct Debt	850,790,000		850,790,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds	241,262,353	96.94	233,879,725
Cuyahoga County			
General Obligation Bonds	188,010,000	17.24	32,412,924
Berea School District	109,890,000	3.86	4,241,754
Shaker Heights School District	2,265,000	5.49	124,349
Total Overlapping Debt	541,427,353		270,658,752
Total	$ 1,392,217,353		$ 1,121,448,752

(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

	2018	2017	2016	2015
Total Assessed Property Value	$ 4,728,745,440	$4,628,325,790	$ 4,589,437,780	$4,948,113,550
Overall Legal Debt Limit				
(10½% of Assessed Valuation)	496,518,271	485,974,208	481,890,967	519,551,923
Debt Outstanding:				
General Obligation Bonds	267,135,000	211,400,000	233,900,000	228,740,000
Revenue Bonds	1,439,068,000	1,501,493,000	1,617,778,000	1,699,688,000
Urban Renewal Bonds		835,000	1,615,000	2,345,000
Subordinated Income Tax Refunding Bonds	28,975,000	32,960,000	35,275,000	38,885,000
Subordinate Lien Income Tax Bonds	339,690,000	296,285,000	258,160,000	265,995,000
OWDA/OPWC Loans	75,560,000	83,478,000	91,316,000	99,220,000
Non-tax Revenue Bonds	52,971,000	56,705,000	60,328,000	63,829,000
Annual Appropriation Bonds	9,145,000	9,455,000	9,745,000	10,020,000
Total Gross Indebtedness	2,212,544,000	2,192,611,000	2,308,117,000	2,408,722,000
Less:				
General Obligation Bonds	267,135,000	211,400,000	233,900,000	228,740,000
Revenue Bonds	1,439,068,000	1,501,493,000	1,617,778,000	1,699,688,000
Urban Renewal Bonds		835,000	1,615,000	2,345,000
Subordinated Income Tax Refunding Bonds	28,975,000	32,960,000	35,275,000	38,885,000
Subordinate Lien Income Tax Bonds	339,690,000	296,285,000	258,160,000	265,995,000
OWDA/OPWC Loans	75,560,000	83,478,000	91,316,000	99,220,000
Non-tax Revenue Bonds	52,971,000	56,705,000	60,328,000	63,829,000
Annual Appropriation Bonds	9,145,000	9,455,000	9,745,000	10,020,000
General Obligation Bond Retirement Fund Balance	11,640,000	5,015,000	5,079,000	3,124,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	$ 496,518,271	$ 485,974,208	$ 481,890,967	$ 519,551,923
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation	$ 260,080,999	$ 254,557,918	$ 252,419,078	$ 272,146,245
(5½% of Assessed Valuation)				
Total Gross Indebtedness	2,212,544,000	2,192,611,000	2,308,117,000	2,408,722,000
Less:				
General Obligation Bonds	267,135,000	211,400,000	233,900,000	228,740,000
Revenue Bonds	1,439,068,000	1,501,493,000	1,617,778,000	1,699,688,000
Urban Renewal Bonds		835,000	1,615,000	2,345,000
Subordinated Income Tax Refunding Bonds	28,975,000	32,960,000	35,275,000	38,885,000
Subordinate Lien Income Tax Bonds	339,690,000	296,285,000	258,160,000	265,995,000
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Non-tax Revenue Bonds	52,971,000	56,705,000	60,328,000	63,829,000
Annual Appropriation Bonds	9,145,000	9,455,000	9,745,000	10,020,000
General Obligation Bond Retirement Fund Balance	11,640,000	5,015,000	5,079,000	3,124,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	$ 260,080,999	$ 254,557,918	$ 252,419,078	$ 272,146,245
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.

2014	2013	2012	2011	2010	2009
$4,899,952,220	$4,868,767,980	$5,631,261,380	$5,640,270,380	$5,513,219,400	$5,937,458,591
514,494,983	511,220,638	591,282,445	592,228,390	578,888,037	623,433,152
257,565,000	282,550,000	308,700,000	298,660,000	297,115,000	326,230,000
1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000	2,032,178,000
3,030,000	3,670,000	4,270,000	4,835,000	5,365,000	5,860,000
43,650,000	46,915,000	50,020,000	52,975,000	55,785,000	58,460,000
188,335,000	124,490,000	92,380,000	80,505,000	83,025,000	57,630,000
106,815,000	114,372,000	109,742,000	115,523,000	121,335,000	107,654,000
50,203,000	53,108,000	55,894,000	58,591,000	61,795,000	64,956,000
10,280,000	10,525,000	10,765,000	11,000,000	11,000,000	
2,446,161,000	2,499,218,000	2,557,974,000	2,552,252,000	2,610,248,000	2,652,968,000
257,565,000	282,550,000	308,700,000	298,660,000	297,115,000	326,230,000
1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000	2,032,178,000
3,030,000	3,670,000	4,270,000	4,835,000	5,365,000	5,860,000
43,650,000	46,915,000	50,020,000	52,975,000	55,785,000	58,460,000
188,335,000	124,490,000	92,380,000	80,505,000	83,025,000	57,630,000
106,815,000	114,372,000	109,742,000	115,523,000	121,335,000	107,654,000
50,203,000	53,108,000	55,894,000	58,591,000	61,795,000	64,950,000
10,280,000	10,525,000	10,765,000	11,000,000	11,000,000	
3,081,000	3,426,000	6,216,000	1,488,000	2,192,000	2,599,000
-	-	-	-	-	-
$ 514,494,983	$ 511,220,638	$ 591,282,445	$ 592,228,390	$ 578,888,037	$ 623,433,152
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
$ 269,497,372	$ 267,782,239	$ 309,719,376	$ 310,214,871	$ 303,227,067	$ 326,560,223
2,446,161,000	2,499,218,000	2,557,974,000	2,552,252,000	2,610,248,000	2,652,968,000
257,565,000	282,550,000	308,700,000	298,660,000	297,115,000	326,230,000
1,786,283,000	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000	2,032,178,000
3,030,000	3,670,000	4,270,000	4,835,000	5,365,000	5,860,000
43,650,000	46,915,000	50,020,000	52,975,000	55,785,000	58,460,000
188,335,000	124,490,000	92,380,000	80,505,000	83,025,000	57,630,000
106,815,000	114,372,000	109,742,000	115,523,000	121,335,000	107,654,000
50,203,000	53,108,000	55,894,000	58,591,000	61,795,000	64,950,000
10,280,000	10,525,000	10,765,000	11,000,000	11,000,000	
3,081,000	3,426,000	6,216,000	1,488,000	2,192,000	2,599,000
-	-	-	-	-	-
$ 269,497,372	$ 267,782,239	$ 309,719,376	$ 310,214,871	$ 303,227,067	$ 326,560,223
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		Coverage
				Principal	Interest	
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
2009	167,358,000	68,432,000	98,926,000	22,450,000	37,622,000	1.65

(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
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
2009	156,034,000	128,436,000	27,598,000	8,530,000	9,009,810	(3)	1.57

(1) Gross revenues include operating revenues plus applicable interest income.

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

(3) Net of capitalized interest per indenture.

City of Cleveland, Ohio

Pledged Revenue Coverage

Water System Revenue Bonds

Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Principal	Debt Service Interest (3)	Coverage
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
2009	232,357,000	147,716,000	84,641,000	31,945,000	33,200,509	1.30

(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 Three Years (3)

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
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

2018 and 2009

2018

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	35,326	23.71%
University Hospitals	17,711	11.89
U.S. Office of Personnel Management	12,125	8.14
Cuyahoga County	7,414	4.97
City of Cleveland	6,828	4.58
The MetroHealth System	6,538	4.39
Cleveland Metropolitan School District	6,517	4.37
KeyCorp	4,959	3.33
Case Western Reserve University	4,534	3.04
Sherwin-Williams Co.	4,421	2.97
Total	106,373	71.39%
Total Employment within the City	149,000	

2009

Employer	Employees	Percentage of Total City Employment
The Cleveland Clinic Foundation	32,000	20.10%
University Hospitals of Cleveland	12,970	8.14
Cuyahoga County	8,956	5.63
City of Cleveland	8,232	5.17
United States Postal Service	8,195	5.15
KeyCorp	5,973	3.75
The MetroHealth System	5,379	3.38
Case Western Reserve University	4,549	2.86
Sherwin-Williams Co.	3,003	1.89
UHHS-CSAHS-Cuyahoga Inc.	2,500	1.57
Total	91,757	57.64%
Total Employment within the City	159,200	

Note:

Largest employers headquartered in the City ranked by FTE employees.

Source:

Number of employees from Crain's Cleveland:
Book of Lists 2019, Largest Cuyahoga County Employers; FTEs as of 6/30/2018
Book of Lists 2010, Largest Cuyahoga County Employers; FTEs as of 6/30/2009

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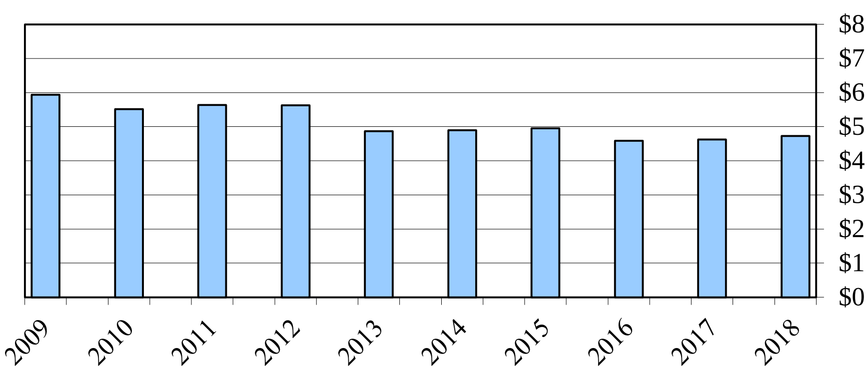
City of Cleveland, Ohio

Demographic and Economic Statistics

Last Ten Years

Year	Population		Total Personal Income (6)	Personal Income Per Capita		Median Household Income		Median Age	
2018	396,815	(1)	$ 7,477,581,860	$ 18,844	(12)	$ 27,854	(12)	35.7	(1)
2017	396,815	(1)	7,143,860,445	18,003	(11)	26,583	(11)	35.7	(1)
2016	396,815	(1)	6,958,944,655	17,537	(10)	26,150	(10)	35.7	(1)
2015	396,815	(1)	6,918,866,340	17,436	(9)	26,179	(9)	35.7	(1)
2014	396,815	(1)	6,742,680,480	16,992	(8)	26,217	(8)	35.7	(1)
2013	396,815	(1)	6,671,253,780	16,812	(7)	26,556	(7)	35.7	(1)
2012	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2011	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2010	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2009	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)

Total Assessed Property Value
(Amounts in Billions)



(1) Source: U. S. Census Bureau. 2010 Census
(2) Source: U. S. Census Bureau. 2000 Census
(3) Source: Ohio Department of Education Website: "http://www.ode.state.oh.us/".
(4) Source: Ohio Labor Market Info, Website: "http://ohiolmi.com".
(5) Source: Cuyahoga County Auditor's Office.
(6) Computation of per capita personal income multiplied by population.
(7) Source: U. S. Census Bureau. 2012 dollars years 2008-2012.
(8) Source: U. S. Census Bureau. 2013 dollars years 2009-2013.
(9) Source: U. S. Census Bureau. 2014 dollars years 2010-2014.
(10) Source: U. S. Census Bureau. 2015 dollars years 2011-2015.
(11) Source: U. S. Census Bureau. 2016 dollars years 2012-2016.
(12) Source: U. S. Census Bureau. 2017 dollars years 2013-2017.

Educational Attainment: Bachelor's Degree or Higher		School Enrollment (3)	City Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value (5) (Amounts in Thousands)
16.4%	(12)	38,645	6.5%	$ 69,500	$ 4,728,745
16.1	(11)	38,949	7.7	76,458	4,628,326
15.6	(10)	39,125	6.9	59,403	4,589,438
15.2	(9)	38,555	5.2	67,280	4,948,114
14.9	(8)	37,967	7.8	54,549	4,899,952
14.0	(7)	38,725	9.3	59,737	4,868,768
13.1	(1)	42,883	8.5	55,774	5,631,261
13.1	(1)	45,060	10.0	54,638	5,640,270
13.1	(1)	47,615	11.5	60,398	5,513,219
11.4	(2)	74,615	10.6	57,075	5,937,459

City of Cleveland, Ohio

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Years

Function/Program	2018	2017	2016	2015
General Government				
Council	65.50	60.00	65.50	60.50
Mayor's Office	18.50	24.00	25.00	23.00
Office of Capital Projects	57.00	54.00	49.00	55.50
Mayor's Office of Sustainability	8.00	8.00		
Mayor's Office of Quality Control	9.50	10.50		
Landmarks Commission	5.50	4.00	3.00	3.50
Building Standards and Appeals	5.50	5.50	5.50	5.50
Board of Zoning Appeals	4.00	4.50	4.50	4.00
Civil Service Commission	8.50	8.50	8.50	8.50
Community Relations Board	24.00	22.00	22.00	23.00
City Planning Commission	21.50	20.50	20.50	21.50
Equal Employment Opportunity	7.00	8.00	6.00	8.50
Court	441.50	443.50	446.00	448.00
Office of Budget Administration	8.00	7.00	7.00	7.00
Aging	26.00	23.50	19.00	23.50
Personnel and Human Resources	17.50	16.50	12.00	15.50
Consumer Affairs				
Law	80.00	78.50	73.50	71.50
Finance	267.50	248.50	239.50	238.50
Security of Persons and Property				
Administration	36.00	36.00	37.00	35.00
Police	1,972.00	1,822.50	1,826.50	1,903.00
Fire	722.00	702.00	696.00	705.00
EMS	310.00	288.00	244.00	238.00
Dog Pound	26.50	22.00	18.00	18.00
House of Corrections	1.00	106.00	117.50	117.50
Department of Justice Compliance	27.50	26.00	13.50	8.50
Public Health Services	138.50	127.50	135.00	139.00
Leisure Time Activities				
Parks, Recreation and Property Administration				
Research, Planning and Development				
Recreation	230.00	222.00	203.00	202.50
Public Auditorium, Westside Market and Cleveland Stadium (2)	61.50	53.50	53.00	55.00
Parking Facilities	40.50	37.50	40.00	42.50
Property Management	71.50	70.50	64.50	67.50
Parks Maintenance	140.00	138.00	132.00	128.00
Community Development	71.50	62.00	61.50	63.00
Building and Housing	142.00	129.00	119.00	109.00
Economic Development	24.00	23.00	26.00	26.00
Public Works				
Public Works Administration	36.00	32.00	34.00	36.00
Architecture				
Waste Collection and Disposal	199.50	206.50	179.50	171.00
Engineering and Construction				
Motor Vehicle Maintenance	79.00	76.00	70.00	72.00
Streets	270.00	263.00	252.00	257.00
Traffic Engineering	33.00	32.00	29.00	30.00
Port Control	387.50	392.50	393.50	410.00
Basic Utility Services				
Water	1,126.50	1,067.50	980.00	1,013.00
Cleveland Public Power	253.00	242.00	248.00	244.00
Water Pollution Control	133.00	116.00	123.00	121.00
Totals:	7,607.00	7,340.00	7,102.00	7,229.00

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.

2014	2013	2012	2011	2010	2009
61.00	60.00	61.50	63.00	62.00	65.50
22.50	25.50	25.50	24.50	25.50	25.50
50.50	49.50	46.00 (1)			
4.00	5.00	5.00	5.00	5.50	5.50
5.50	6.00	6.00	6.00	5.50	5.50
4.50	4.50	4.50	4.50	4.00	4.50
9.50	10.00	10.00	9.50	11.00	10.50
24.00	22.00	24.00	28.00	30.50	29.00
22.50	20.50	20.50	21.50	24.00	24.00
10.00	8.50	8.00	8.00	10.00	10.00
457.50	465.50	461.00	479.50	531.00	542.50
7.00	8.00	7.00	7.00	7.00	5.50
21.00	22.00	22.00	25.00	24.50	21.50
17.00	19.00	18.00	16.00	16.50	15.00
		(1)	4.00	3.00	5.00
76.50	77.00	72.50	76.00	87.00	88.50
226.00	222.50	232.00	234.00	241.50	248.50
48.50	42.50	36.50	36.50	40.00	39.00
1,901.00	1,913.50	1,873.00	1,869.50	1,983.50	2,079.00
707.00	730.00	729.00	803.00	875.00	894.00
224.00	232.00	232.00	214.00	218.00	236.00
17.00	17.00	14.50	15.00	16.00	15.00
127.00	131.50	133.00	153.00	170.00	188.00
138.00	133.00	125.50	140.50	159.50	168.50
		(1)	8.00	7.00	7.00
		(1)	5.00	6.00	8.00
200.50	191.50	190.50	189.00	230.00	238.00
54.50	54.00	42.50	29.50	27.50	31.00
40.00	40.50	39.50	42.50	42.50	41.00
73.50	72.50	70.50	73.50	81.50	84.50
133.00	130.00	119.00	126.00	140.00	141.00
74.00	76.00	78.50	76.50	87.00	86.00
115.00	117.00	113.00	120.00	134.50	142.00
25.00	29.00	26.00	28.00	34.00	68.00
38.00	37.00	34.00	5.50	4.50	4.50
		(1)	5.00	6.00	6.00
192.50	199.50	206.50	212.50	238.50	253.50
		(1)	31.50	59.50	61.50
66.00	68.00	68.00	75.00	81.00	85.00
249.00	248.00	260.00	285.00	257.50	271.50
29.00	29.00	29.00	36.00	38.00	39.00
383.00	392.00	404.50	418.00	446.50	447.50
1,008.00	1,042.50	1,093.00	1,157.00	1,164.50	1,179.50
266.00	316.00	335.00	358.00	345.00	343.00
134.50	135.00	136.00	148.50	158.00	157.00
7,263.00	7,402.50	7,412.50	7,673.00	8,139.50	8,420.50

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2018	2017	2016	2015	2014
General Government					
Council and Clerk					
Number of ordinances passed	573	621	526	621	582
Number of resolutions adopted	543	554	587	564	696
Number of other actions (communications, tabled legislation, etc.)	365	330	353	399	
Number of planning commission docket items	344	283	310	127	232
Zoning board of appeals docket items	290	379	325	274	256
Finance Department					
Number of payments issued	40,932	37,683	37,602	37,931	37,689
Total amount of payments	$ 1,712,667,992	$ 1,645,342,974	$ 1,526,411,690	$ 1,463,635,524	$ 1,423,313,034
Interest earnings for fiscal year (cash basis)	$ 26,062,457	$ 11,609,282	$ 4,638,092	$ 1,669,023	$ 2,004,466
Number of receiving warrants (6)	37,061	35,563	33,848	34,912	36,245
Number of journal entries issued (6)	206,659	201,067	189,424	260,377	206,253
Number of budget adjustments issued	3	5	2	2	4
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%	17%	18%	17%	15%
General Fund receipts (cash basis in thousands)	$ 623,090	$ 591,969	$ 513,561	$ 495,331	$ 502,860
General Fund expenditures (cash basis in thousands)	$ 533,048	$ 508,535	$ 483,971	$ 481,730	$ 487,584
General Fund cash balances (in thousands)	$ 173,275	$ 117,631	$ 61,405	$ 79,239	$ 92,693
Income Tax Department					
Number of individual returns	131,908	158,124	174,471	181,382	181,811
Number of business returns	28,396	24,982	22,352	28,502	29,866
Number of business withholding accounts	15,015	14,640	13,867	13,863	13,857
Amount of penalties and interest collected	$ 2,169,049	$ 2,357,037	$ 1,980,758	$ 2,010,333	$ 1,848,347
Annual number of corporate withholding forms processed	166,191	159,442	156,603	153,640	149,291
Annual number of balance due statements forms processed	26,382	31,261	41,688	41,837	38,059
Annual number of estimated payment forms processed	28,448	35,319	40,598	39,577	42,027
Annual number of reconciliations of withholdings processed	12,898	11,494	11,728	12,248	11,851
Engineer Contracted Services					
Dollar amount of construction overseen by engineer (2)	$ 18,489,204	$ 26,721,178	$ 59,585,941	$ 104,493,079	$ 52,004,000
Municipal Court					
Number of civil cases (8)	19,599	19,146	18,646	19,411	18,910
Number of criminal cases (8)	60,525	64,371	64,050	78,238	103,098
Vital Statistics					
Certificates filed (3)					
Number of births	18,765	19,878	18,607	18,524	17,061
Number of deaths	15,302	15,158	14,832	14,349	13,509
Number of fetal deaths	308	348	385	407	337
Certificates issued (3)					
Number of births	56,102	58,805	58,611	58,513	55,753
Number of deaths	65,338	64,265	63,348	63,930	60,897
Civil Service					
Number of police entry tests administered	3	1	1	1	1
Number of fire entry tests administered	1	1			1
Number of police promotional tests administered	1				3
Number of fire promotional tests administered		1			4
Number of hires of police officers from certified lists	248	52	56	45	103
Number of hires of fire/medics from certified lists	40		29	40	37
Number of promotions from police certified lists	24	44	30	48	4
Number of promotions from fire certified lists	52		33	16	49

2013	2012	2011	2010	2009
642	631	723	621	772
686	739	647	747	776
267	359	262	298	309
276	237	241	274	267
37,257	38,010	38,501	37,944	44,289
$ 1,454,825,245	$ 1,236,189,641	$ 1,311,830,974	$ 1,276,014,604	$ 1,307,460,874
$ 2,922,320	$ 3,283,638	$ 4,061,090	$ 7,507,827	$ 13,219,445
33,006	32,087	30,433	31,497	16,369
176,343	190,554	179,546	192,281	41,238
5	4	6	2	2
AA	AA	AA	AA	AA
A1	A1	A1	A1	A2
15%	15%	18%	17%	15%
$ 511,253	$ 501,018	$ 496,086	$ 480,724	$ 487,678
$ 485,912	$ 468,543	$ 472,883	$ 482,227	$ 501,758
$ 89,988	$ 84,869	$ 54,888	$ 16,400	$ 12,327
188,767	192,362	196,457	202,232	211,241
22,601	25,140	26,240	26,881	26,326
13,914	14,414	14,338	13,835	14,542
$ 1,880,485	$ 1,771,088	$ 2,059,203	$ 1,754,501	$ 1,884,453
143,976	147,175	149,537	149,584	144,493
39,012	37,642	38,152	36,188	38,610
40,932	41,813	41,636	42,767	47,841
10,737	11,416	11,376	11,357	12,213
$ 30,424,253	$ 25,400,000	$ 30,760,000	$ 34,000,000	$ 32,000,000
7,534	9,451	11,513	19,280	16,375
109,740	110,754	107,711	167,563	120,131
16,448	17,264	16,616	15,528	16,403
13,460	13,016	12,958	12,296	12,101
380	384	459	454	401
57,935	57,297	57,542	62,507	69,785
61,717	60,173	61,147	59,689	60,465
1				1
			1	
		1		
4		1		
47	50	42		56
33				22
36	33			20
29	42			

(Continued)

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

Function/Program	2018	2017	2016	2015	2014
Building Department Indicators					
Construction permits issued	17,173	17,865	16,125	15,038	14,002
Estimated value of construction	$ 1,461,758,104	$ 1,338,571,317	$ 1,468,917,169	$ 1,430,231,410	$ 951,833,168
Number of other permits issued	2,235	2,871	2,820	3,274	4,560
Amount of revenue generated from permits	$ 12,550,454	$ 10,985,010	$ 12,799,847	$ 11,580,333	$ 8,318,937
Number of contract registrations issued	3,330	3,261	3,202	3,262	2,395
Annual apartment/rooming house license fees	$ 2,307,275	$ 2,144,227	$ 1,582,496	$ 1,515,849	$ 1,340,845
Security of Persons and Property					
Police					
Number of traffic citations issued	41,095	45,734	49,084	64,565	89,835
Number of parking citations issued	26,970	30,966	32,516	39,862	37,569
Number of criminal arrests	15,584	18,975	19,670	24,308	31,633
Number of accident reports completed	17,982	17,876	18,256	17,712	15,575
Part 1 offenses (major offenses)	24,557	31,163	34,158	29,048	33,975
OVI arrests (12)	472	505	491	387	693
Prisoners	13,025	12,536	14,214	17,284	21,201
Motor vehicle accidents	17,982	17,876	18,256	17,712	15,575
Fatalities from motor vehicle accidents	46	61	56	48	21
Community diversion program youths	82	141	119	108	105
Fire					
Fire calls - incoming for services	70,213	71,663	70,988	68,983	64,357
Fires	2,078	2,732	2,752	2,469	2,431
Fires with loss	935	1,489	1,035	1,591	1,441
Fires with losses exceeding $10K	284	323	344	346	310
Fire losses $	$ 14,374,870	$ 19,714,210	$ 15,495,855	$ 18,625,607	$ 16,936,874
Fire safety inspections	7,900	20,660	9,059	12,963	12,730
Number of times mutual aid given to fire					5
EMS					
EMS calls - incoming for service	120,487	116,751	116,056	115,303	109,045
Ambulance billing collections (net)	$ 14,470,837	$ 14,633,032	$ 13,157,301	$ 10,348,422	$ 12,214,724
Public Health and Welfare					
Number of health inspections					
Barber shops	165	156	124	211	360
Food	7,800	7,200	7,041	7,356	7,187
Hotels/motels	40	43	42	36	35
Marinas					
Mobile home parks					
Laundries	30	38	77	54	68
Nuisance	1,909	1,186	1,176	2,450	17,117
Pools	125	127	114	165	147
Schools	235	330	293	398	417
Day care inspections	181	180	181	187	194
Maternity inspections	1	1	1		1
Abortion inspections	3	4	4	4	4
Cemetery burials					
Cemetery cremations	259	279	263	260	249

2013	2012	2011	2010	2009
15,760	16,245	15,082	6,829	8,334
$ 898,217,589	$ 1,033,330,550	$ 1,556,000,000	$ 729,883,689	$ 919,923,776
4,632	4,854	4,164	8,629	8,290
$ 8,727,385	$ 7,867,168	$ 8,306,423	$ 6,078,922	$ 7,332,522
2,357	2,802	2,822	2,895	2,847
$ 1,382,001	$ 1,305,182	$ 1,343,457	$ 1,571,317	$ 1,281,530
111,271	121,474	119,371	75,362	77,037
36,678	42,404	42,763	48,691	59,598
33,742	35,730	37,531	39,657	38,613
15,806	14,549	15,444	14,761	14,804
37,125	39,028	40,554	38,003	38,586
779	790	679	729	738
23,935	35,251	37,235	39,156	37,864
15,806	14,549	15,412	14,761	14,804
32	31	29	49	38
98	152	188	196	139
61,728	65,040	65,132	60,076	60,306
2,478	2,846	2,714	2,869	2,794
1,403	1,372	1,398	1,266	843
247	259	256	219	237
$ 9,634,925	$ 13,128,848	$ 14,747,291	$ 12,035,650	$ 12,312,407
10,110	13,380	10,898	13,631	13,982
2	30	21	29	17
106,385	96,359	94,307	92,230	89,632
$ 11,589,324	$ 12,051,964	$ 11,594,178	$ 10,832,204	$ 9,649,887
303	333	400	238	219
7,796	7,674	7,369	7,624	8,684
22	38	42	36	34
		11	11	11
	5	12	5	5
81	62	87	69	58
22,375	21,118	19,136	24,130	27,544
132	161	204	120	142
547	419	480	390	349
188	161	229	223	209
2		4	4	4
5	5	6	6	6
				3
179	196	177	169	155

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2018	2017	2016	2015	2014
Leisure Time Activities					
Recreation men and women leagues receipts	$ 13,318	$ 795	$ 1,305	$ 1,425	$ 2,940
Economic Development					
Grant amounts received (Amounts in Thousands) (11)	$ 3,238	$ 4,310	$ 10,107	$ 8,244	$ 12,856
Public Works					
Street improvements - asphalt overlay (square yards) (7)	422,485	476,296	279,170	244,774	244,500
Crackseal coating program (linear feet) (7)	476,296	318,415	252,160	320,785	662,225
Street repair (curbs, aprons, berms, asphalt) (hours)	183,040	106,080	118,560	136,993	152,214
Guardrail repair (hours) (9)	1,320	1,061	380	765	114
Paint striping					
Lane line (miles)	526	630	629	485	640
Crosswalks (each)	5,476	5,356	6,007	3,783	4,476
Arrows (each)	3,528	3,695	3,853	3,664	3,684
Street sweeper (hours) (9)	1,120	1,257	672	744	992
Cold patch (hours)	5,760	7,680	6,400	12,960	11,376
Snow and ice removal regular hours	75,564	72,015	70,137	88,865	89,234
Snow and ice removal overtime hours	13,342	7,843	16,244	14,876	18,791
Leaf collection (hours) (10)	1,200	240			
Holiday lights setup (hours) (5)	120	220	240	240	275
Equipment repair/body shop (hours)	3,960	1,643	2,060	2,110	2,200
Tons of snow melting salt purchased November-March	61,089	31,422	57,424	61,447	73,888
Cost of salt purchased	$ 1,778,889	$ 918,490	$ 3,037,155	$ 3,147,313	$ 2,538,951
Refuse disposal per year (in tons) (13)	222,559	241,250	241,911	217,083	209,410
Refuse disposal costs per year (13)	$ 5,612,889	$ 5,660,667	$ 5,552,840	$ 5,729,541	$ 5,466,793
Annual recycling tonnage (excluding leaf, and compost items)	19,152	26,915	25,600	21,809	17,900
Percentage of waste recycled	7.90%	10.04%	9.45%	9.54%	11.00%
Port Control					
Cleveland Hopkins Airport					
Landed weight (in thousands of pounds)	5,686,461	5,455,096	5,117,105	5,118,972	4,773,831
Total operations	116,333	122,392	118,653	117,773	137,363
Total passengers	9,642,729	9,140,445	8,422,676	8,100,073	7,609,404
Total enplaned passengers	4,836,580	4,562,740	4,205,739	4,046,634	3,797,261
Burke Lakefront Airport					
Total operations	46,765	50,789	53,495	63,603	66,862
Total passengers	229,172	178,521	163,696	161,006	155,583
Total enplaned passengers	113,843	89,051	81,934	80,724	77,984
Water Department					
Water rates per 1st 600 cubic feet of water used (4)	$ 19.26	$ 19.26	$ 19.26	$ 19.26	$ 17.34
Average number of water accounts billed monthly (14)	428,778	430,478	138,816	139,823	139,460
Total water collections annually (including P&I)	$ 273,421,478	$ 295,099,937	$ 282,194,878	$ 273,223,067	$ 261,928,659
Payments to Cleveland for bulk water purchases	$ 9,489,107	$ 9,979,059	$ 21,309,226	$ 21,889,987	$ 21,810,862
Wastewater Department					
Sewer and sanitary calls for service	4,810	5,342	4,537	3,919	5,859
After hours sewer calls (hours)	358	270	180	438	381
Electric Power					
KWH Sold	1,657,523,780	1,588,113,898	1,612,905,829	1,616,459,441	1,618,081,248
Average accounts billed per month	75,287	73,363	73,340	73,661	73,746
Receipts	$ 212,797,846	$ 190,495,223	$ 191,759,714	$ 194,358,017	$ 183,571,523

(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 2009, 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) Beginning in 2011, the City no longer provides an 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.

2013	2012	2011	2010	2009
$ 3,407	$ 9,862	$ 5,280	$ 5,145	$ 5,070
$ 3,045	$ 5,856	$ 2,154	$ 4,564	$ 12,958
297,183	212,032	224,361		101,000
		3,263	679,450	200,640
138,034	117,239	83,212	76,000	80,000
131	100	40	2,500	2,500
672	661	651	855	936
4,227	4,952	5,260	5,172	6,950
3,928	4,273	4,706	4,210	3,716
1,132	2,176	3,840	46,000	55,000
9,143	19,271	31,345	22,000	24,000
86,978	87,369	128,000	128,000	128,000
19,212	18,912	23,117	21,139	14,400
			18,300	18,000
300	500			
2,215	4,196	5,000	5,076	2,663
57,966	40,236	74,679	53,322	67,000
$ 1,972,003	$ 1,834,359	$ 3,348,606	$ 2,321,118	$ 2,700,000
214,561	212,367	240,603	232,241	236,225
$ 5,258,741	$ 5,723,227	$ 6,556,260	$ 6,079,532	$ 6,928,858
15,893	14,146	10,938	7,227	6,039
13.00%	10.06%	3.68%	3.13%	4.12%
5,732,142	5,732,148	5,912,394	5,907,546	6,265,656
181,340	180,944	188,286	192,683	200,268
9,072,045	9,010,077	9,203,740	9,492,455	9,715,604
4,525,612	4,495,353	4,597,697	4,745,308	4,855,129
68,665	72,916	65,664	64,358	68,456
148,294	184,427	176,096	174,598	166,965
74,385	92,160	87,695	87,012	83,438
$ 15.51	$ 13.76	$ 12.58	$ 12.58	$ 11.59
139,201	139,023	138,002	133,626	135,675
$ 250,250,867	$ 246,046,531	$ 211,302,881	$ 210,264,218	$ 221,967,799
$ 20,194,830	$ 21,271,504	$ 19,101,723	$ 20,660,824	$ 18,093,912
4,856	4,035	5,489	7,272	8,021
227	167	204	185	103
1,620,996,815	1,617,569,577	1,650,142,435	1,605,032,939	1,563,577,862
74,208	74,238	74,092	75,764	76,113
$ 170,397,373	$ 170,009,696	$ 171,895,176	$ 167,323,991	$ 158,871,074

(Concluded)

City of Cleveland, Ohio
Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	2018	2017	2016	2015	2014
General Government					
Square footage occupied (4)	3,177,900	3,177,900	3,075,124	3,659,100	3,659,100
Administrative vehicles	35	35	36	35	41
Police					
Stations	5	5	5	5	5
Square footage of buildings (1)	756,846	756,846	783,546	614,500	553,100
Vehicles	924	899	805	842	867
Fire					
Stations	26	26	26	26	26
Square footage of buildings	311,655	311,655	311,655	313,224	313,224
Vehicles	126	113	135	92	95
EMS					
Stations (headquarters)	1	1	1	1	1
Square footage of buildings	52,776	52,776	52,776	33,000	33,000
Vehicles	66	52	56	46	47
Port Control (Hopkins)					
Runways	3	3	3	3	3
Terminal area (approximate square footage)	1,142,810	935,000	935,000	935,000	935,000
Gates (7)	58	58	65	65	65
Parking spaces (approximately)					
CLE Smart Park Garage (6)	3,811	3,811	3,811	3,811	3,997
Long-term					
Short-term					
Surface	2,095	2,095	2,095	2,055	1,544
Total parking spaces	5,906	5,906	5,906	5,866	5,541
Vehicles	362	358	329	313	320
Other Public Works					
Streets (miles)	1,300	1,300	1,300	1,300	1,300
Service vehicles (5)	2,249	2,179	1,686	1,646	1,500

2013	2012	2011	2010	2009
3,659,100	3,690,000	3,690,000	3,700,000	3,700,000
38	37	36	26	28
5	5	5	5	5
553,100	553,100	553,100	553,100	553,100
823	825	796	808	830
26	26	26	26	26
313,224	313,224	313,224	313,224	313,224
91	104	104	120	127
1	1	1	1	1
33,000	33,000	33,000	33,000	33,000
47	45	45	44	49
3	3	3	3	3
935,000	935,000	935,000	935,000	935,000
96	96	96	96	96
3,959				
	2,600	2,600	2,576	2,647
	3,900	3,900	3,895	4,088
1,100	640	640	615	390
5,059	7,140	7,500	7,086	7,125
315	335	353	324	325
1,300	1,300	1,290	1,319	1,319
1,539	1,906	868	754	773

(Continued)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2018	2017	2016	2015	2014
Recreation					
Number of parks	168	168	168	168	168
Number of playgrounds	108	108	108	109	109
Number of baseball diamonds	130	130	130	133	133
Number of tennis courts	92	92	92	90	90
Number of basketball courts					
Full	96	96	96	110	110
Half	11	11	11	10	10
Number of soccer fields	4	4	4	4	4
Number of recreation centers	21	21	21	21	21
Number of pools					
Indoor	19	19	19	19	19
Outdoor	22	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		
Total park acreage	1,863	1,863	1,863	1,863	1,863
Vehicles	74	80	91	85	86
Wastewater					
Sanitary sewers (miles)	170	170	170	170	170
Storm sewers (miles)	199	199	199	199	199
Combined sewers (miles)	1,065	1,065	1,065	1,065	1,065
Vehicles	139	152	117	110	104
Electric Power					
Total Distribution lines (miles)	900	900	900	900	
Total Transmission lines (miles)	50	50	50	50	
Vehicles	43	79	265	217	221
Water Department					
Water lines (miles) (2)	3,878	3,544	3,315	3,300	3,139
Vehicles	719	748	740	596	675

(1) Includes Dog Kennels, Inspection Garage and House of Corrections.

(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.

2013	2012	2011	2010	2009
154	154	154	154	154
110	110	109	109	109
138	138	132	133	134
119	119	111	111	114
103	103	110	108	110
10	10	10	10	10
4	3	9	7	7
21	21	20	19	19
19	19	19	18	18
21	20	23	23	23
22	10	10	9	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
1,489	1,489	1,495	1,492	1,487
91	97	99	156	160
170	170	170	170	170
199	199	199	199	199
1,065	1,065	1,065	1,065	1,065
108	116	115	108	111
216	284	266	252	272
3,051	2,839	2,709	2,704	2,493
658	736	708	744	745

(Concluded)

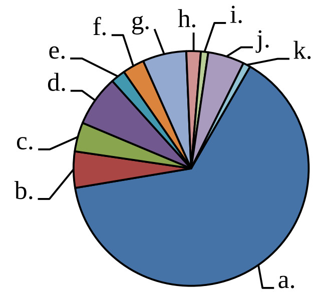
CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

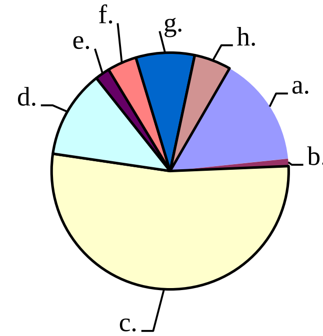
REVENUE DOLLAR BY SOURCE
Where the money came from

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.	0.05
k. Sale of City assets	k.	0.01
		$1.00



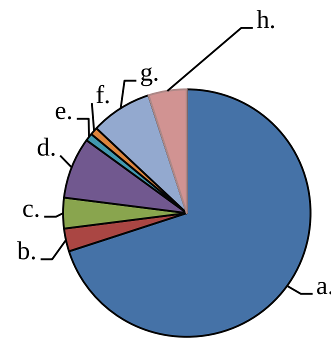
EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. General Government	a.	$0.15
b. Public Health	b.	0.01
c. Public Safety	c.	0.53
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.	0.08
h. Capital outlay	h.	0.05
		$1.00



EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries, wages and related benefits	a.	$0.70
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.08
e. Materials and supplies	e.	0.01
f. Maintenance	f.	0.01
g. Transfers out	g.	0.08
h. Capital outlay	h.	0.05
		$1.00



SPECIAL THANKS TO:

The Division of Financial Reporting and Control

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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, 2018

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Central Collection Agency
Division of Taxation
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio (the "Agency") as of and for the year ended December 31, 2018 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.

Auditor's Responsibility

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

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

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

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, 2018, 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.

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, 2018, 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.

Change in Accounting Principle

During the year ended December 31, 2018, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the Agency restated net position at January 1, 2018 for the change in accounting principle (See Note L). 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 39 and 44 through 46 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, 2019

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, 2018. 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 2018, the Agency was providing a full range of tax collection services for 79 member communities throughout 35 Ohio counties. Two communities joined the Agency as new members in 2018 with collections beginning in the first quarter of 2018. The Agency employs an average of 100 individuals to process approximately one million 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 $120,367,996 and $103,443,289 (restated) at December 31, 2018 and 2017 respectively; which also equal the liabilities, deferred inflows of resources and net position of the Agency. The Agency's total assets and deferred outflows of resources as well as the liabilities, deferred inflows of resources and net position increased by $16,924,707 in 2018. 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 $612 million in 2018 and $555 million in 2017. In 2018, cash receipts consisted of $503 million of employer withholding, $69 million of business profits, $34 million of individual payments and $6 million of other payments.

- The Agency's total operating expenses were $11,266,112 in 2018 and $10,955,126 in 2017. In 2018, operating expenses consisted of $7,827,566 for employee's wages and benefits, $1,363,453 for allocated charges and $2,075,093 for other miscellaneous expenses.

- The Agency provides a mechanism for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Taxation Fund, in which the City accounts for the operations of the Department of Finance, Division of Taxation. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency operates two funds. The operating fund is considered an internal service proprietary fund because the operations of this fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities within this fund, the economic resources measurement focus and the accrual basis of accounting is used. The second fund is an agency fund, which is used to account for the collection and remittance of income taxes for the member municipalities. For accounting measurement purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations.

The financial statements of the Agency can be found on pages 12-16 of this report.

The notes to the financial statements and accompanying schedules provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements, required supplementary information and accompanying schedules can be found on pages 17-46 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the internal service and agency funds of the Agency as of December 31, 2018 and 2017:

	2018	Restated 2017
Assets:		
Cash and cash equivalents	$ 22,860,045	$ 10,795,251
Prepaid expenses	49,152	
Capital assets, net of accumulated depreciation	155,320	218,195
Taxes receivable	93,741,788	88,210,633
Due from CCA internal service fund	1,087,936	704,643
Due from member municipalities	616,126	546,994
Total assets	118,510,367	100,475,716
Deferred outflows of resources	1,857,629	2,967,573
Liabilities:		
Accounts payable	180,779	167,235
Due to CCA agency fund	1,087,936	704,643
Due to the City of Cleveland	87,683,246	73,248,622
Due to member municipalities	28,622,720	25,548,850
Accrued wages and benefits - current	714,367	755,432
Accrued wages and benefits - long-term	221,319	50,934
Net pension liability	4,774,282	6,906,177
Net OPEB liability	3,610,773	3,236,001
Total liabilities	126,895,422	110,617,894
Deferred inflows of resources	1,609,133	207,573
Net Position:		
Investment in capital assets	155,320	218,195
Unrestricted	(8,291,879)	(7,600,373)
Total net position	$ (8,136,559)	$ (7,382,178)

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 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 $16,924,707 in 2018. 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, 2018 amounted to $155,320. The investment in capital assets includes furniture, fixtures, equipment and vehicles. A summary of the Agency's capital assets during the year ended December 31, 2018 is as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
Furniture, fixtures, equipment and vehicles	$ 456,563	$	$	$ 456,563
Total	456,563	-	-	456,563
Less: Accumulated depreciation	(238,368)	(62,875)		(301,243)
Total capital assets, net	$ 218,195	$ (62,875)	$ -	$ 155,320

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2018, the net increase in liabilities resulted from increases in amounts due to other communities, including Cleveland, timing differences between the receipt and distribution of cash and additional current pension reporting requirements.

***Net Pension/Other Postemployment Benefits (OPEB) Liabilities*:** The net pension liability is reported by the Agency at December 31, 2018 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 Agency 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 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.

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. 75, the Agency is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from ($4,191,831) to ($7,382,178). Additional information on the restatement can be found in Note L – Restatement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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, 2018 and 2017:

	Internal Service Fund	
	2018	**2017**
Operating Revenues		
Charges for services	$ 10,131,103	$ 9,890,072
Total operating revenues	10,131,103	9,890,072
Operating Expenses		
Salaries and wages	5,332,217	4,689,453
Employee benefits	2,495,349	2,681,451
Postage and office supplies	235,928	284,568
Allocation of City of Cleveland costs	1,363,453	1,401,789
Other administrative expenses	1,745,963	1,806,870
Property rental	30,327	27,437
Depreciation	62,875	63,558
Total operating expense	11,266,112	10,955,126
Operating income (loss)	(1,135,009)	(1,065,054)
Non-operating Activity		
Interest income	380,628	146,199
Change in net position	$ (754,381)	$ (918,855)

Operating Revenues: In 2018, charges for services increased by $241,031 due to the addition of another remote office being established to provide increased service to CCA members. Charges for services are shared proportionately among all the members.

Operating Expenses: Salaries, wages and employee benefits increased by $456,662 as a result of filling open staff positions to provide improved and timely service to CCA member communities. In 2018, other administrative expenses decreased by $60,907 due to the continued development of improved work flow systems and procedures within the Agency.

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

***Non-OPEB Expenses*:** The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $45,654 computed under GASB Statement No. 45. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $344,741. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$	11,266,112
OPEB expense under GASB 75		(344,741)
Adjusted 2018 program expenses		10,921,371
Total 2017 program expenses under GASB 45		(10,955,126)
Decrease in program expenses not related OPEB	$	(33,755)

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, 2018

	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	**Agency**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,020,955	$ 20,839,090
Prepaid expenses	49,152	
Taxes receivable		93,741,788
Due from CCA internal service fund		1,087,936
Due from member municipalities		616,126
TOTAL CURRENT ASSETS	2,070,107	116,284,940
CAPITAL ASSETS:		
Furniture, fixtures, equipment and vehicles	456,563	
Less: Accumulated depreciation	(301,243)	
CAPITAL ASSETS, NET	155,320	-
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,512,967	
OPEB	344,662	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,857,629	-

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

STATEMENT OF NET POSITION - ALL FUND TYPES
December 31, 2018

	Proprietary Fund Type Internal Service	Fiduciary Fund Type Agency
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 180,779	$
Due to CCA agency fund	1,087,936	
Due to the City of Cleveland	21,026	87,662,220
Due to member municipalities		28,622,720
Accrued wages and benefits - current	714,367	
TOTAL CURRENT LIABILITIES	2,004,108	116,284,940
LONG-TERM LIABILITIES		
Net pension liability	4,774,282	
Net OPEB liability	3,610,773	
Accrued wages and benefits	221,319	
TOTAL LONG-TERM LIABILITIES	8,606,374	-
DEFERRED INFLOWS OF RESOURCES		
Pension	1,340,155	
OPEB	268,978	
TOTAL DEFERRED INFLOWS OF RESOURCES	1,609,133	-
NET POSITION		
Investment in capital assets	155,320	
Unrestricted	(8,291,879)	
TOTAL NET POSITION	$ (8,136,559)	$ -

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, 2018

OPERATING REVENUES	
Charges for services	$ 10,131,103
TOTAL OPERATING REVENUES	10,131,103
OPERATING EXPENSES	
Salaries and wages	5,332,217
Employee benefits	2,495,349
Postage and office supplies	235,928
Allocation of City of Cleveland costs	1,363,453
Other administrative expenses	1,745,963
Property rental	30,327
Depreciation	62,875
TOTAL OPERATING EXPENSES	11,266,112
OPERATING INCOME (LOSS)	(1,135,009)
NON-OPERATING ACTIVITY	
Interest income	380,628
CHANGE IN NET POSITION	(754,381)
NET POSITION AT BEGINNING OF YEAR, as restated	(7,382,178)
NET POSITION AT END OF YEAR	$ (8,136,559)

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from member municipalities	$ 10,514,396
Cash payments to suppliers of goods and services	(3,419,193)
Cash payments for employee services and benefits	(6,993,019)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	102,184
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	380,628
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	380,628
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	482,812
Cash and cash equivalents at beginning of year	1,538,143
Cash and cash equivalents at end of year	$ 2,020,955
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS	
Operating income (loss)	$ (1,135,009)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	62,875
Changes in assets:	
Prepaid expense	(49,152)
Changes in deferred outflows of resources:	
Pension	1,408,952
OPEB	(299,008)
Changes in liabilities:	
Accounts payable	13,544
Due to CCA agency fund	383,293
Due to City of Cleveland	(57,068)
Accrued wages and benefits	129,320
Net pension liability	(2,131,895)
Net OPEB liability	374,772
Changes in deferred inflows of resources:	
Pension	1,132,582
OPEB	268,978
Total adjustments	1,237,193
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 102,184

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE A - DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

The Central Collection Agency, Division of Taxation, City of Cleveland, Ohio (the Agency) is reported as part of the City of Cleveland's primary government and was created for the purpose of collecting city income taxes and disbursing those funds to the respective member municipalities (members) after payment of related expenses. Allocations of tax collections to members are based upon information provided by the taxpayers on the returns and supporting data. Such allocations are subject to adjustments in the subsequent year, dependent upon final returns filed by taxpayers and final review by the Agency. Refunds for overpayments are offset against allocated collections as amounts are determined.

Basis of Presentation: The financial statements are presented in accordance with Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) which requires financial statements by fund type. These financial statements present a columnar total for all fund types included in the statement of assets and liabilities.

The following fund types are used by the Agency:

Proprietary Fund Type - Internal Service Fund: This fund is used to account for the services provided to members on a cost-reimbursement basis.

Fiduciary Fund Type - Agency Fund: This fund is used to account for assets held by the Agency as an agent for others.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial reporting practices of the Agency comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that are provided by other entities. As required, the Agency has implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The Agency has determined that GASB Statement No. 85 has no impact on its financial statements as of December 31, 2018.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The Agency has determined that GASB Statement No. 86 has no impact on its financial statements as of December 31, 2018.

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018. 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.

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

NOTE B - 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 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.

NOTE C – LONG TERM LIABILITIES

Summary: Changes in long-term obligations for the year ended December 31, 2018 are as follows:

	Restated Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
Accrued wages and benefits	$ 806,366	$ 884,752	$ (755,432)	$ 935,686	$ 714,367
Net pension liability	6,906,177		(2,131,895)	4,774,282	
Net OPEB liability	3,236,001	374,772		3,610,773	
Total	$ 10,948,544	$ 1,259,524	$ (2,887,327)	$ 9,320,741	$ 714,367

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE D - DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2018 totaled $2,732,540 and the Agency's bank balances were $3,157,817. 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*, $3,157,817 of the bank balances at December 31, 2018, 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.

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.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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, 2018 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, 2018, 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	2018 Value	2018 Cost	Investment Maturities Less Than One Year
STAR Ohio	$ 6,153,447	$ 6,153,447	$ 6,153,447
Money Market Mutual Funds	13,974,058	13,974,058	13,974,058
Total Investments	20,127,505	20,127,505	20,127,505
Total Deposits	2,732,540	2,732,540	2,732,540
Total Deposits and Investments	$ 22,860,045	$ 22,860,045	$ 22,860,045

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, 2018, the investments in STAR Ohio and money market mutual funds are approximately 30.6% and 69.4%, of the Agency's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE E - CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 456,563	$	$	$ 456,563
Total capital assets, being depreciated	456,563	-	-	456,563
Less: Total accumulated depreciation	(238,368)	(62,875)		(301,243)
Total capital assets, being depreciated, net	218,195	(62,875)	-	155,320
Capital assets, net	$ 218,195	$ (62,875)	$ -	$ 155,320

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, 2018 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 1,087,936	$ 1,087,936
Due from member municipalities		616,126	616,126
Total Due From	$ -	$ 1,704,062	$ 1,704,062
Due to the CCA agency fund	$ 1,087,936	$	$ 1,087,936
Due to the City of Cleveland	21,026	87,662,220	87,683,246
Due to member municipalities		28,622,720	28,622,720
Total Due To	$ 1,108,962	$ 116,284,940	$ 117,393,902

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 2018, 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 $717,430 for 2018. 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, 2017 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	$ 4,774,282
Proportion of the Net Pension Liability	0.033800%
Change in Proportion	0.001184%
Pension Expense	$ 1,137,703

At December 31, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual economic experience	$ 5,223
Change in proportionate share	175,911
Change in assumptions	614,403
Agency contributions subsequent to the measurement date	717,430
Total Deferred Outflows of Resources	$ 1,512,967
Deferred Inflows of Resources	
Differences between expected and actual economic experience	$ 115,492
Differences in projected and actual investment earnings	1,145,517
Change in Agency's proportionate share	79,146
Total Deferred Inflows of Resources	$ 1,340,155

NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

The $717,430 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, 2019. 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
2019	$ 466,870
2020	(32,089)
2021	(503,606)
2022	(471,153)
2023	(1,436)
Thereafter	(3,204)
Total	$ (544,618)

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
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	7.5%
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 2017, 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 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Agency's proportionate share of the net pension liability	$ 8,518,126	$ 4,774,282	$ 1,732,919

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.

NOTE H – 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 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 2018, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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, 2018, OPERS did not allocate any employer contributions to the OPEB plan.

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, 2016, rolled forward to the measurement date of December 31, 2017, 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	0.033251%
Prior Measurement Date	0.032039%
Change in Proportionate Share	0.001212%
Proportionate Share of the Net OPEB Liability	$ 3,610,773
OPEB Expense	$ 344,741

At December 31, 2018, 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 economic experience	$ 2,813
Changes in assumptions	262,902
Changes in proportion and differences between Agency contributions and proportionate share of contributions	78,947
Total Deferred Outflows of Resources	$ 344,662
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 268,978
Total Deferred Inflows of Resources	$ 268,978

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
2019	$	97,539
2020		97,539
2021		(52,151)
2022		(67,243)
Total	$	75,684

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, 2016, rolled forward to the measurement date of December 31, 2017. 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	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial 3.25%, ultimate in 2028
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 2017, 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 15.2% for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date as of December 31, 2016. 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 6.5% and a municipal bond rate of 3.31%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034 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 3.85%, 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 (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Agency's proportionate share of the net OPEB liability	$ 4,797,185	$ 3,610,773	$ 2,651,137

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 2018 is 7.5%. 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	$ 3,454,824	$ 3,610,773	$ 3,772,043

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, 2018 were as follows:

City Administration	$	526,099
Office Rent		425,000
Telephone		56,063
Utilities		188,705
Parking Facilities		1,320
Printing Services		158,150
Motor Vehicle Maintenance		8,116
Total	$	1,363,453

NOTE J - DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $616,126 at December 31, 2018 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 2018.

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, 2018

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 – RESTATEMENT

For 2018, the Agency implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* It established standards for measuring and recognizing postemployment benefits other than pension, deferred outflows of resources, deferred inflows of resources and expense. The implementation of GASB Statement No. 75 had the following effect on net position as reported December 31, 2017:

	Net Position December 31, 2017	Restatement	Restated Net Position December 31, 2017
Beginning net position	$ (4,191,831)	$ (3,190,347)	$ (7,382,178)

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, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
ASSETS				
Cash and cash equivalents	$ 9,257,108	$ 611,780,771	$ (600,198,789)	$ 20,839,090
Taxes receivable	88,210,633	93,741,788	(88,210,633)	93,741,788
Due from the CCA internal service fund	704,643	1,087,936	(704,643)	1,087,936
Due from member municipalities	546,994	616,126	(546,994)	616,126
TOTAL ASSETS	$ 98,719,378	$ 707,226,621	$ (689,661,059)	$ 116,284,940
LIABILITIES				
Due to the City of Cleveland	$ 73,170,528	$ 572,489,048	$ (557,997,356)	$ 87,662,220
Due to member municipalities	25,548,850	134,737,573	(131,663,703)	28,622,720
TOTAL LIABILITIES	$ 98,719,378	$ 707,226,621	$ (689,661,059)	$ 116,284,940

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
Agency's Proportion of the Net Pension Liability	0.033800%	0.032616%	0.033857%	0.030085%	0.030085%
Agency's Proportionate Share of the Net Pension Liability (Asset)	$ 4,774,282	$ 6,906,177	$ 5,365,647	$ 3,617,001	$ 3,541,261
Agency's Covered Payroll	$ 4,565,446	$ 4,326,558	$ 4,316,792	$ 3,764,833	$ 3,409,992
Agency's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	104.57%	159.62%	124.30%	96.07%	103.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(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. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 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
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 SIX YEARS (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 717,430	$ 593,508	$ 519,187	$ 518,015	$ 451,780	$ 443,299
Contributions in Relation to the Contractually Required Contributions	$ (717,430)	$ (593,508)	$ (519,187)	$ (518,015)	$ (451,780)	$ (443,299)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Agency's Covered Payroll	$ 5,124,500	$ 4,565,446	$ 4,326,558	$ 4,316,792	$ 3,764,833	$ 3,409,992
Contribution as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Represents Agency's calendar year. Information prior to 2013 is not available. The Agency will 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 EMPLOYEES RETIREMENT SYSTEM
LAST TWO MEASUREMENT YEARS (1), (2)

	2018	2017
Agency's Proportion of the Net OPEB Liability	0.033251%	0.032039%
Agency's Proportionate Share of the Net OPEB Liability	$ 3,610,773	$ 3,236,001
Agency's Covered Payroll	$ 4,565,446	$ 4,326,558
Agency's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	79.09%	74.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(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 2018, the single discount rate changed from 4.23% to 3.85%.

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 THREE YEARS (1), (2), (3)

	2018	2017	2016
Contractually Required Contributions	$ -	$ 45,654	$ 86,531
Contributions in Relation to the Contractually Required Contributions	$ -	$ (45,654)	$ (86,531)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Agency's Covered Payroll	$ 5,124,500	$ 4,565,446	$ 4,326,558
Contribution as a Percentage of Covered Payroll	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 Agency's calendar year. Information prior to 2016 is not available. The Agency will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Members	Balance Collected and Due Members January 1, 2018	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31, 2018
ADA	$ 148,891.02	$ 1,837,150.34	$ 1,986,041.36	$ 1,776,657.00	$ 49,349.42	$ 1,826,006.42	$ 160,034.94
AKRON	93.13	300.00	393.13	256.88	75.00	331.88	61.25
ALGER	(548.52)	55,508.41	54,959.89	48,150.36	6,501.92	54,652.28	307.61
ALLIANCE	731.53	9,839.79	10,571.32	8,051.32	2,459.95	10,511.27	60.05
AMHERST		412.10	412.10	57.30	103.03	160.33	251.77
ATHENS	2.00	2,469.53	2,471.53	1,853.53	617.38	2,470.91	0.62
BARBERTON	1,088,551.66	13,469,112.01	14,557,663.67	12,600,829.78	257,114.34	12,857,944.12	1,699,719.55
BEDFORD	1.90		1.90	1.90		1.90	-
BRATENAHL	106,981.15	1,488,383.14	1,595,364.29	1,477,655.14	31,638.80	1,509,293.94	86,070.35
BURTON	47,790.38	620,259.13	668,049.51	580,813.49	28,642.77	609,456.26	58,593.25
CAREY	127,834.03	2,181,204.30	2,309,038.33	2,060,534.40	47,455.96	2,107,990.36	201,047.97
CHILLICOTHE	356.11	1,071.48	1,427.59	1,182.59	267.87	1,450.46	(22.87)
CLAYTON	74,611.86	4,658,296.47	4,732,908.33	4,329,086.96	157,329.95	4,486,416.91	246,491.42
CLEVELAND	3,361,897.55	486,224,948.96	489,586,846.51	468,248,318.52	7,118,344.96	475,366,663.48	14,220,183.03
CUYAHOGA FALLS	(253.99)		(253.99)	(253.99)		(253.99)	-
DAYTON	130.37	4,880.35	5,010.72	3,635.72	1,220.08	4,855.80	154.92
DRESDEN	20,034.64	293,495.17	313,529.81	280,574.07	19,320.35	299,894.42	13,635.39
EAST LIVERPOOL	1,622.60	36,987.36	38,609.96	24,228.74	9,268.14	33,496.88	5,113.08
ELIDA	40,092.41	502,420.66	542,513.07	471,445.97	31,615.98	503,061.95	39,451.12
ENGLEWOOD	(112.26)		(112.26)			-	(112.26)
FRANKLIN	3.76		3.76	3.76		3.76	-
FRAZEYSBURG	12,166.43	170,252.91	182,419.34	170,173.20	13,707.33	183,880.53	(1,461.19)
GATES MILLS	407,411.44	1,663,638.04	2,071,049.48	1,883,067.34	49,873.99	1,932,941.33	138,108.15
GENEVA-ON-THE-LAKE	19,492.23	252,006.79	271,499.02	242,410.36	14,678.11	257,088.47	14,410.55
GERMANTOWN	48,994.33	1,503,416.99	1,552,411.32	1,344,161.56	72,360.70	1,416,522.26	135,889.06
GRAND RAPIDS	6,765.75	202,947.87	209,713.62	183,391.73	21,080.51	204,472.24	5,241.38
GRAND RIVER	41,263.89	345,244.65	386,508.54	347,074.97	8,600.95	355,675.92	30,832.62
HAMILTON	469,657.18	28,122,549.79	28,592,206.97	27,139,619.32	611,261.48	27,750,880.80	841,326.17
HARTVILLE	(146.28)		(146.28)			-	(146.28)
HIGHLAND HILLS	304,864.32	4,395,866.81	4,700,731.13	4,263,253.09	38,232.65	4,301,485.74	399,245.39
HUBER HEIGHTS	70.09	96.15	166.24	141.24	24.04	165.28	0.96
HUNTSVILLE	3,817.93	79,983.87	83,801.80	68,354.06	7,563.89	75,917.95	7,883.85
LAKEWOOD	(3.00)		(3.00)			-	(3.00)
LANCASTER	13.75	675.00	688.75	508.75	168.75	677.50	11.25
LIBERTY CENTER	12,017.18	286,497.51	298,514.69	253,922.69	21,156.18	275,078.87	23,435.82
LINNDALE	3,878.39	60,003.87	63,882.26	56,522.48	2,175.61	58,698.09	5,184.17
LONDON	5.04		5.04	5.04		5.04	-
LORAIN	9,648.29	71,469.26	81,117.55	62,668.41	17,867.31	80,535.72	581.83
MEDINA	1,352,343.24		1,352,343.24	1,352,343.24		1,352,343.24	-
MENTOR-ON-THE-LAKE	125,108.62	1,100,221.26	1,225,329.88	1,071,125.22	50,168.88	1,121,294.10	104,035.78
MONTGOMERY	(715.26)		(715.26)			-	(715.26)
MONTPELIER	43,222.80	1,937,676.16	1,980,898.96	1,900,873.39	45,657.69	1,946,531.08	34,367.88
MT ORAB	17.80		17.80	17.80		17.80	-
MUNROE FALLS	109,970.63	1,393,743.20	1,503,713.83	1,322,186.30	50,644.30	1,372,830.60	130,883.23
NAPOLEON	54.81		54.81	54.81		54.81	-
NEW CARLISLE	96,190.45	1,591,485.58	1,687,676.03	1,527,884.06	73,250.52	1,601,134.58	86,541.45
NEW MADISON		1,471.77	1,471.77		11.64	11.64	1,460.13
NEW MIAMI	5,111.94	138,292.83	143,404.77	132,325.01	11,013.39	143,338.40	66.37
NEW PARIS	3,670.57	167,672.92	171,343.49	153,593.34	13,276.89	166,870.23	4,473.26
NORTH BALTIMORE	67,143.64	1,024,079.85	1,091,223.49	968,453.48	41,960.20	1,010,413.68	80,809.81
NORTH PERRY VILLAGE	71,063.63	1,155,824.09	1,226,887.72	1,103,926.55	14,204.50	1,118,131.05	108,756.67
NORTH RANDALL	212,503.36	3,736,142.35	3,948,645.71	3,272,090.75	41,574.94	3,313,665.69	634,980.02
NORTON	525,165.97	6,247,185.24	6,772,351.21	6,073,332.88	172,614.09	6,245,946.97	526,404.24
ORWELL	70,715.75	1,274,955.49	1,345,671.24	1,200,900.57	22,643.69	1,223,544.26	122,126.98
PARMA HEIGHTS		7,223,545.98	7,223,545.98	6,793,882.81	240,966.50	7,034,849.31	188,696.67
PAULDING	67,574.07	990,712.34	1,058,286.41	929,715.18	44,890.50	974,605.68	83,680.73
PHILLIPSBURG	1,094.23	74,402.12	75,496.35	67,486.48	7,632.78	75,119.26	377.09
ROCK CREEK	(646.97)	82,934.65	82,287.68	71,937.09	7,591.45	79,528.54	2,759.14
RUSHSYLVANIA	5,739.64	85,798.74	91,538.38	79,570.27	6,746.64	86,316.91	5,221.47
RUSSELLS POINT	14,884.15	286,718.01	301,602.16	263,462.80	21,561.53	285,024.33	16,577.83
SALEM	2.50	703.56	706.06	531.06	175.89	706.95	(0.89)
SEVILLE	67,619.61	1,097,709.36	1,165,328.97	1,010,136.83	48,783.08	1,058,919.91	106,409.06
SHREVE		291,671.39	291,671.39	260,689.40	13,794.02	274,483.42	17,187.97
SOUTH RUSSELL	143,644.87	1,639,552.21	1,783,197.08	1,581,902.83	61,769.29	1,643,672.12	139,524.96
SPRINGFIELD	439.88	3,897.67	4,337.55	3,262.55	974.42	4,236.97	100.58
STOW	7.04	200.00	207.04	115.79	50.00	165.79	41.25
TIMBERLAKE	1,955.98	103,370.02	105,326.00	81,455.44	8,859.77	90,315.21	15,010.79
TROTWOOD	3,448.47	94,180.51	97,628.98	55,042.39	23,589.03	78,631.42	18,997.56
TROY	(32.00)		(32.00)			-	(32.00)
UNION	(2,941.71)	1,185,029.08	1,182,087.37	1,003,388.40	56,898.82	1,060,287.22	121,800.15
VILLAGE OF OAKWOOD	(492.02)	119,017.78	118,525.76	98,476.61	7,656.64	106,133.25	12,392.51
WARREN	1,529.60	9,128.55	10,658.15	8,023.17	2,955.51	10,978.68	(320.53)
WARRENSVILLE HEIGHTS	1,359,681.83	17,413,609.21	18,773,291.04	16,888,051.14	275,530.44	17,163,581.58	1,609,709.46
WAYNESFIELD	4,344.70	124,748.41	129,093.11	115,142.59	9,431.99	124,574.58	4,518.53
WEST ALEXANDRIA	6,400.49	302,471.41	308,871.90	274,940.33	19,957.45	294,897.78	13,974.12
WEST LIBERTY	28,037.65	438,468.71	466,506.36	404,816.69	26,369.49	431,186.18	35,320.18
WEST MILTON	96,260.26	1,404,785.88	1,501,046.14	1,328,424.21	67,811.11	1,396,235.32	104,810.82
WILMINGTON	2.50	35.00	37.50	27.50	8.75	36.25	1.25
Totals	$ 10,838,751.01	$ 601,282,830.04	$ 612,121,581.05	$ 579,327,946.64	$ 10,131,103.23	$ 589,459,049.87	$ 22,662,531.18

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE ENTIRE YEAR ENDED DECEMBER 31, 2018

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities (Excluding Cleveland)	Allocation of Net Operating Expenses
ADA	0.619092%	1.595433%	$ 55,422.09	$ 6,072.67	$ 49,349.42
AKRON	0.000000%	0.000000%	75.00		75.00
ALGER	0.074693%	0.048398%	6,686.14	184.22	6,501.92
ALLIANCE	0.000000%	0.000000%	2,459.95		2,459.95
AMHERST	0.000000%	0.000000%	103.03		103.03
ATHENS	0.000000%	0.000000%	617.38		617.38
BARBERTON	3.369194%	11.691457%	301,615.37	44,501.03	257,114.34
BRATENAHL	0.408598%	1.297734%	36,578.35	4,939.55	31,638.80
BURTON	0.342960%	0.541097%	30,702.34	2,059.57	28,642.77
CAREY	0.609936%	1.877538%	54,602.41	7,146.45	47,455.96
CHILLICOTHE	0.000000%	0.000000%	267.87		267.87
CLAYTON	1.930105%	4.060651%	172,785.95	15,456.00	157,329.95
CLEVELAND	62.762453%	0.000000%	7,118,344.96		7,118,344.96
DAYTON	0.000000%	0.000000%	1,220.08		1,220.08
DRESDEN	0.226725%	0.256535%	20,296.80	976.45	19,320.35
EAST LIVERPOOL	0.000000%	0.000000%	9,268.14		9,268.14
ELIDA	0.371786%	0.437918%	33,282.82	1,666.84	31,615.98
FRAZEYSBURG	0.159779%	0.156673%	14,303.67	596.34	13,707.33
GATES MILLS	0.619267%	1.461723%	55,437.73	5,563.74	49,873.99
GENEVA-ON-THE-LAKE	0.173388%	0.221705%	15,521.98	843.87	14,678.11
GERMANTOWN	0.863661%	1.301943%	77,316.27	4,955.57	72,360.70
GRAND RAPIDS	0.243010%	0.177111%	21,754.65	674.14	21,080.51
GRAND RIVER	0.108889%	0.301331%	9,747.90	1,146.95	8,600.95
HAMILTON	7.875541%	24.635272%	705,030.39	93,768.91	611,261.48
HIGHLAND HILLS	0.588714%	3.801587%	52,702.58	14,469.93	38,232.65
HUBER HEIGHTS	0.000000%	0.000000%	24.04		24.04
HUNTSVILLE	0.087764%	0.076953%	7,856.80	292.91	7,563.89
LANCASTER	0.000000%	0.000000%	168.75		168.75
LIBERTY CENTER	0.247044%	0.252098%	22,115.74	959.56	21,156.18
LINNDALE	0.026487%	0.051378%	2,371.17	195.56	2,175.61
LORAIN	0.000000%	0.000000%	17,867.31		17,867.31
MENTOR-ON-THE-LAKE	0.600901%	0.952302%	53,793.61	3,624.73	50,168.88
MONTPELIER	0.581522%	1.681705%	52,058.74	6,401.05	45,657.69
MUNROE FALLS	0.617889%	1.226941%	55,314.39	4,670.09	50,644.30
NEW CARLISLE	0.877103%	1.384306%	78,519.58	5,269.06	73,250.52
NEW MADISON	0.000183%	0.001256%	16.42	4.78	11.64
NEW MIAMI	0.128114%	0.119688%	11,468.96	455.57	11,013.39
NEW PARIS	0.154556%	0.146905%	13,836.05	559.16	13,276.89
NORTH BALTIMORE	0.506275%	0.883352%	45,322.49	3,362.29	41,960.20
NORTH PERRY VILLAGE	0.200837%	0.991701%	17,979.20	3,774.70	14,204.50
NORTH RANDALL	0.606144%	3.333438%	54,262.96	12,688.02	41,574.94
NORTON	2.159207%	5.433483%	193,295.48	20,681.39	172,614.09
ORWELL	0.299237%	1.088844%	26,788.14	4,144.45	22,643.69
PARMA HEIGHTS	2.957772%	6.257487%	264,784.29	23,817.79	240,966.50
PAULDING	0.538462%	0.870523%	48,203.96	3,313.46	44,890.50
PHILLLIPSBURG	0.087991%	0.064184%	7,877.08	244.30	7,632.78
ROCK CREEK	0.088117%	0.077997%	7,888.33	296.88	7,591.45
RUSHSYLVANIA	0.078545%	0.074836%	7,031.49	284.85	6,746.64
RUSSELLS POINT	0.251412%	0.248330%	22,506.75	945.22	21,561.53
SALEM	0.000000%	0.000000%	175.89		175.89
SEVILLE	0.585395%	0.951689%	52,405.48	3,622.40	48,783.08
SHREVE	0.164738%	0.250526%	14,747.60	953.58	13,794.02
SOUTH RUSSELL	0.751362%	1.443333%	67,263.03	5,493.74	61,769.29
SPRINGFIELD	0.000000%	0.000000%	974.42		974.42
STOW	0.000000%	0.000000%	50.00		50.00
TIMBERLAKE	0.102772%	0.089471%	9,200.32	340.55	8,859.77
TROTWOOD	0.000000%	0.000000%	23,589.03		23,589.03
UNION	0.679413%	1.030734%	60,822.09	3,923.27	56,898.82
VILLAGE OF OAKWOOD	0.089978%	0.104662%	8,055.01	398.37	7,656.64
WARREN	0.000000%	0.000000%	2,955.51		2,955.51
WARRENSVILLE HEIGHTS	3.718906%	15.078146%	332,922.19	57,391.75	275,530.44
WAYNESFIELD	0.109937%	0.107658%	9,841.77	409.78	9,431.99
WEST ALEXANDRIA	0.233986%	0.259931%	20,946.82	989.37	19,957.45
WEST LIBERTY	0.310741%	0.380556%	27,817.99	1,448.50	26,369.49
WEST MILTON	0.809419%	1.221481%	72,460.43	4,649.32	67,811.11
WILMINGTON	0.000000%	0.000000%	8.75		8.75
Totals	100.000000%	100.000000%	$ 10,511,731.91	$ 380,628.68	$ 10,131,103.23

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF INCOME TAXES RECEIVABLE
FOR YEAR ENDED DECEMBER 31, 2018

ADA	$	338,123.40
AKRON		125.00
ALGER		23,052.50
ALLIANCE		670.45
BARBERTON		2,232,673.28
BRATENAHL		725,708.26
BURTON		173,979.19
CLAYTON		1,619,538.57
CLEVELAND		73,442,036.64
DAYTON		220.00
DRESDEN		93,026.24
EAST LIVERPOOL		2,924.79
ELIDA		172,251.53
FRAZEYSBURG		59,123.59
GATES MILLS		627,396.89
GENEVA-ON-THE LAKE		79,433.88
GERMANTOWN		112,206.28
GRAND RAPIDS		70,675.61
GRAND RIVER		56,024.18
HAMILTON		2,431,159.55
HIGHLAND HILLS		416,396.67
LINNDALE		8,144.82
LORAIN		6,172.98
MENTOR-ON-THE LAKE		300,567.18
MONTPELIER		340,878.02
MUNROE FALLS		408,702.02
NEW CARLISLE		163,451.34
NEW MIAMI		9,692.07
NEW PARIS		15,570.98
NORTH BALTIMORE		231,216.04
NORTH PERRY		184,636.77
NORTH RANDALL		819,004.80
NORTON		1,766,099.95
ORWELL		178,876.85
PARMA HEIGHTS		753,468.00
PAULDING		256,399.99
PHILLIPSBURG		7,432.67
ROCK CREEK		22,881.56
RUSHSYLVANIA		40,202.67
RUSSELLS POINT		84,500.47
SEVILLE		318,228.04
SHREVE		26,256.22
SOUTH RUSSELL		608,709.64
SPRINGFIELD		200.00
STOW		50.00
TIMBERLAKE		51,537.51
TROTWOOD		22,379.31
UNION		280,321.15
VILLAGE OF OAKWOOD		30,900.09
WARREN		488.79
WARRENSVILLE HEIGHTS		3,388,583.79
WAYNESFIELD		30,223.59
WEST ALEXANDRIA		98,863.44
WEST LIBERTY		135,805.13
WEST MILTON		473,645.99
WILMINGTON		950.00
Totals	$	93,741,788.37

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, 2018

CITY OF CLEVELAND, OHIO

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

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") as of and for the year ended December 31, 2018, 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.

Auditor's Responsibility

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

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

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

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, 2018, 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.

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, 2018, 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.

Change in Accounting Principle

During the year ended December 31, 2018, the Divisions adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the Divisions restated net position at January 1, 2018 for the change in accounting principle (See Note N). 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 schedule of airport revenues and operating expenses as defined in the airline use agreement for the year ended December 31, 2018 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, 2019

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, 2018. 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 2018, the Divisions were served by eight scheduled United States (U.S.) based airlines, two foreign based airlines, 13 regional U.S. based airlines and four U.S. based all – cargo airlines. There were 55,000 scheduled landings with landed weight amounting to 5,686,461,000 pounds. There were approximately 4,837,000 passengers enplaned at Cleveland Hopkins International Airport and 114,000 passengers enplaned at Burke Lakefront Airport during 2018.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Divisions exceeded its liabilities and deferred inflows of resources (net position) by $374,828,000 and $347,138,000 at December 31, 2018 and 2017, respectively. Of these amounts, $92,824,000 and $87,354,000 (unrestricted net position) at December 31, 2018 and 2017, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position increased by $27,690,000 in 2018. The main factor that attributed to this was capital and other contributions.

- Additions to construction in progress totaled $26,757,000 in 2018.

- The major capital expenses during 2018 were the Burke Shoreline Restoration Project, Snow Removal Equipment Acquisition, North Airfield Improvements Projects, Phase II and Burke Runway 9R/24L rehabilitation, Phase I.

- The Divisions' total bonded debt decreased by $9,355,000 in 2018. The Divisions issued bonds to fund $34,750,000 of capital improvements. At the same time, bonds were issued to refund $80,505,000 of outstanding bonds. 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.

CONDENSED STATEMENT OF NET POSTION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2018 and 2017:

	2018	Restated 2017
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 122,049	$ 126,425
Restricted assets	238,757	195,027
Capital assets, net	798,685	818,019
Total assets	1,159,491	1,139,471
Deferred outflows of resources	22,049	28,778
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	79,183	86,573
Long-term obligations	719,728	733,538
Total liabilities	798,911	820,111
Deferred inflows of resources	7,801	1,000
Net position:		
Net investment in capital assets	137,794	121,011
Restricted for debt service	128,548	125,289
Restricted for capital projects	21	21
Restricted for passenger facility charges	15,641	13,463
Unrestricted	92,824	87,354
Total net position	$ 374,828	$ 347,138

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 increased $13,291,000 or 1.1% in 2018. The change is primarily due to an increase in cash of $47,768,000 relating to the issuance of debt and unspent debt proceeds.

Capital Assets: The Divisions' investment in capital assets as of December 31, 2018 amounted to $798,685,000 (net of accumulated depreciation), which is a decrease of 2.4%. 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 furniture, fixtures and equipment of $18,917,000 of which $13,018,000 was the Information Technology Converged Communication Project that was completed and placed into service.

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2018 is as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
		(Amounts in Thousands)		
Land	$ 167,457	$	$	$ 167,457
Land improvements	94,931			94,931
Buildings, structures and improvements	348,058	432		348,490
Furniture, fixtures and equipment	42,197	18,917		61,114
Infrastructure	1,016,148			1,016,148
Vehicles	16,484	1,463		17,947
Total	1,685,275	20,812	-	1,706,087
Less: Accumulated depreciation	(979,156)	(53,453)		(1,032,609)
Total	706,119	(32,641)	-	673,478
Construction in progress	111,900	26,757	(13,450)	125,207
Capital assets, net	$ 818,019	$ (5,884)	$ (13,450)	$ 798,685

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2018 affecting the Divisions' capital assets included the following:

- North Airfield Improvements Project, Phase II: 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. Subsequent phases of construction will occur in 2019 and 2020.

- Snow Removal Equipment Acquisition: In 2018, 12 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 2019.

- Burke Shoreline Restoration: Hurricane Sandy impacted the coast line of Lake Erie. One area that received significant damage was BKL airfield's northwest revetment (shoreline) that protects the airfield, navigational aids and perimeter roads. Working with the City, County and State, the Department of Port Control (DPC) applied for and received Federal Emergency Management Agency (FEMA) Grant funds to repair the revetment. FEMA has funded 87.5% of the project costs. Construction commenced in June and was nearly completed in December 2018.

- Burke Runway 6R/24L Rehabilitation, Phase I: 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 nearly completed in December 2018. Phase II is scheduled for completion in 2019.

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 2018, total liabilities decreased $21,200,000 or 2.6%. Current liabilities decreased $7,390,000 or 8.5% as a result of a decrease in the landing fee adjustment payable to airlines. Long-term liabilities decreased due to decreases in the net pension liability, due to investment returns exceeding expectations and revenue bonds payable.

Net Pension/OPEB Liabilities: The net pension liability is reported by the Divisions at December 31, 2018 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.

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. This implementation also had the effect of restating net position at December 31, 2017 from $362,723,000 to $347,138,000. Additional information on the restatement can be found in Note N – Restatement.

Long-Term Debt: At December 31, 2018 and 2017, the Divisions had $675,255,000 and $684,610,000 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, 2018 is summarized below:

	Balance January 1, 2018	Debt Issued	Debt Retired	Balance December 31, 2018
	(Amounts in Thousands)			
Airport System Revenue Bonds:				
Series 2006	$ 41,210	$	$ (9,015)	$ 32,195
Series 2007	6,635		(700)	5,935
Series 2008	5,975			5,975
Series 2009	125,610		(92,830)	32,780
Series 2011	42,325		(7,965)	34,360
Series 2012	235,150			235,150
Series 2013	56,205		(2,085)	54,120
Series 2014	27,145		(3,510)	23,635
Series 2016	144,355		(2,935)	141,420
Series 2018		109,685		109,685
Total	$ 684,610	$ 109,685	$ (119,040)	$ 675,255

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
A3	A	BBB+

On August 29, 2018, Moody's Investors Service raised its rating, on the Divisions' revenue bonds from Baa1 to A3 (stable) and Standard & Poor's Global Ratings announced it had raised its rating on the bonds from A- to A (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 2018 was 151%.

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 $374,828,000 and $347,138,000 at December 31, 2018 and 2017, respectively. Of the Divisions' net position at December 31, 2018 and 2017, $137,794,000 and $121,011,000, 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, 2018 and 2017, the restricted net position amounted to $144,210,000 and $138,773,000, 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, $92,824,000 and $87,354,000 for December 31, 2018 and 2017, 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 $27,690,000 in 2018. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2018 and 2017:

	2018	2017
	(Amounts in Thousands)	
Operating revenues:		
Landing fees	$ 35,232	$ 29,924
Terminal and concourse rentals	54,505	64,285
Concessions	51,713	47,014
Utility sales and other	4,531	3,983
Total operating revenues	145,981	145,206
Operating expenses	138,773	138,975
Operating income (loss)	7,208	6,231
Non-operating revenue (expense):		
Passenger facility charges revenue	19,425	18,511
Non-operating revenue (expense)	(4,835)	(5,736)
Investment income (loss)	4,562	1,579
Interest expense	(27,233)	(28,013)
Amortization of bond discounts/premiums and loss on debt refundings	2,816	2,501
Total non-operating revenue (expense), net	(5,265)	(11,158)
Capital and other contributions	25,747	34,472
Change in net position	$ 27,690	$ 29,545

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

***Operating Revenues**:* Operating revenues for 2018 were $145,981,000. Of this amount, $32,976,000 or 22.6% represented landing fees received from signatory airlines. Signatory terminal rentals accounted for $39,504,000 or 27.1% of total operating revenues. Parking revenues increased 6.3% over the prior year due to an increase in parking rates, an increased demand for services such as valet airport parking, economy parking usage and employee parking fees. Parking revenues amounted to $35,828,000 or 24.5% of total operating revenues for 2018. The fourth largest airport revenue source, rental cars, accounted for 7.7% of total operating revenues.

***Operating Expenses**:* Total operating expenses for 2018 decreased $202,000 or 0.1%. The decrease is primarily due to decreased maintenance of equipment, professional services and insurance offset by increases in materials, supplies and utility expenses.

Non-Operating Revenues: Non-operating revenues increased $4,212,000 or 18.6%. The main factor that attributed to this change was the increase in passenger facility charges and investment income of $3,897,000, with higher cash balances and higher interest rates resulted in an increase in investment income.

Non-Operating Expenses: Non-operating expenses decreased $1,681,000 or 5.0%. This decrease is attributed to decreased interest expense related to lower interest paid and fewer capital expenses.

Capital and Other Contributions: In 2018 and 2017, the Divisions received $25,747,000 and $34,472,000 respectively, in Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer and Canine Grants. In both 2018 and 2017, Airport Improvement Program Grant revenue primarily consisted of proceeds from the 2000, amended in 2017, Letter of Intent and airfield safety improvements.

Non-OPEB Expenses: The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $215,000 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $1,640,000. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	(Amounts in Thousands)	
Total 2018 program expenses under GASB 75	$	170,841
OPEB expense under GASB 75		(1,640)
Adjusted 2018 program expenses		169,201
Total 2017 program expenses under GASB 45		(172,724)
Decrease in program expenses not related to OPEB	$	(3,523)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS

CLE executed a five-year option with concessions developer Fraport Cleveland (Formerly Airmall Cleveland) through January 2024, which includes an Airport Concessions Disadvantaged Business Enterprise low interest loan fund, kiosk development program and mentoring for small business owners. CLE concessions and properties and ground transportation obtained leadership approval and legislative authority to begin the development of two major non-airline revenue generating initiatives. Under the concessions program at CLE the development of six food and beverage locations will have an estimated $550,000 in earnings in fiscal year 2019. In addition, on January 1, 2019, ground transportation implemented a per trip fee program for all commercial providers (i.e. limousines, hotel shuttles and off airport parking shuttles). This direct fee paid to the DPC, will generate an estimated $1.3 million in incremental revenue in fiscal year 2019.

CLE has continued a strong increase in total passenger traffic and air cargo. In 2018, total passenger traffic exceeded 9.6 million passengers and air cargo was up 4.8% to 172 million pounds. In 2018, total schedule flights at CLE increased 3.8% to 55,000 and total scheduled seats increased by 3.8% to 5.8 million. BKL Ultimate Air Shuttle generated 22,000 passengers up 10.0% from 2017.

Signature flight support began collecting landing fees in 2018 at BKL. Burke landing fee collection began in October 2018. Collections are now made in real time without the need for billing. The percentage of collections has increased to 98% from approximately 84% in the previous year.

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, 2018
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 95,415
Restricted cash and cash equivalents	4,945
Receivables:	
Accounts-net of allowance for doubtful accounts of $634	3,599
Unbilled revenue	5,012
Total receivables	8,611
Prepaid expenses	491
Due from other funds	8
Due from other governments	9,777
Materials and supplies-at cost	2,802
TOTAL CURRENT ASSETS	122,049
RESTRICTED ASSETS	
Cash and cash equivalents	236,296
Accrued interest receivable	243
Accrued passenger facility charges	2,218
TOTAL RESTRICTED ASSETS	238,757
CAPITAL ASSETS	
Land	167,457
Land improvements	94,931
Buildings, structures and improvements	348,490
Furniture, fixtures and equipment	61,114
Infrastructure	1,016,148
Vehicles	17,947
	1,706,087
Less: Accumulated depreciation	(1,032,609)
	673,478
Construction in progress	125,207
CAPITAL ASSETS, NET	798,685
TOTAL ASSETS	1,159,491
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	13,320
Pension	7,087
OPEB	1,642
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,049

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

STATEMENT OF NET POSITION
DECEMBER 31, 2018
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$	39,970
Accounts payable		7,001
Landing fee settlement payable to airlines		5,401
Due to other funds		1,132
Current portion of accrued wages and benefits		3,222
Accrued interest payable		12,989
Accrued property taxes		4,523
Construction fund payable from restricted assets		4,945
TOTAL CURRENT LIABILITIES		79,183
LONG-TERM OBLIGATIONS - excluding amounts due within one year		
Revenue bonds		676,943
Net pension liability		24,436
Net OPEB liability		17,585
Accrued wages and benefits		764
TOTAL LONG-TERM OBLIGATIONS		719,728
TOTAL LIABILITIES		798,911
DEFERRED INFLOWS OF RESOURCES		
Pension		6,519
OPEB		1,282
TOTAL DEFERRED INFLOWS OF RESOURCES		7,801
NET POSITION		
Net investment in capital assets		137,794
Restricted for capital projects		21
Restricted for debt service		128,548
Restricted for passenger facility charges		15,641
Unrestricted		92,824
TOTAL NET POSITION	$	374,828

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, 2018
(Amounts in Thousands)

OPERATING REVENUES	
Landing fees:	
Scheduled airlines	$ 32,976
Other	2,256
	35,232
Terminal and concourse rentals:	
Scheduled airlines	39,504
Other	15,001
	54,505
Concessions	51,713
Utility sales and other	4,531
TOTAL OPERATING REVENUES	145,981
OPERATING EXPENSES	
Operations	81,305
Maintenance	4,015
Depreciation	53,453
TOTAL OPERATING EXPENSES	138,773
OPERATING INCOME (LOSS)	7,208
NON-OPERATING REVENUE (EXPENSE)	
Passenger facility charges revenue	19,425
Non-operating revenue (expense)	(4,835)
Investment income (loss)	4,562
Interest expense	(27,233)
Amortization of bond discounts/premiums and loss on debt refundings	2,816
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(5,265)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	1,943
Capital and other contributions	25,747
INCREASE (DECREASE) IN NET POSITION	27,690
NET POSITION, BEGINNING OF YEAR, as restated	347,138
NET POSITION, END OF YEAR	$ 374,828

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, 2018
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 148,644
Cash payments to suppliers for goods and services	(51,327)
Cash payments to employees for services	(32,766)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	64,551
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(37,159)
Cash receipts for passenger facility charges	19,445
Proceeds from revenue bonds	120,014
Transfer to escrow agent for bond refunding	(82,035)
Principal paid on long-term debt	(38,535)
Interest paid on long-term debt	(29,894)
Capital grant proceeds	26,791
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(21,373)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	(64,459)
Proceeds from sale and maturity of investment securities	64,459
Interest received on investments	4,590
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	4,590
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,768
Cash and cash equivalents, beginning of year	288,888
Cash and cash equivalents, end of year	$ 336,656

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, 2018
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$ 7,208
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	53,453
Changes in assets:	
Accounts receivables	6,523
Unbilled revenue	859
Prepaid expenses	(24)
Due from other City of Cleveland departments, divisions or funds	10
Materials and supplies, at cost	99
Changes in deferred outflows of resources:	
Pension	6,769
OPEB	(1,427)
Changes in liabilities:	
Accounts payable	(964)
Due to other City of Cleveland departments, divisions or funds	365
Accrued wages and benefits	(934)
Landing fee adjustment	(4,763)
Accrued property taxes	(1,051)
Net pension liability	(10,158)
Net OPEB liability	1,785
Changes in deferred inflows of resources:	
Pension	5,519
OPEB	1,282
TOTAL ADJUSTMENTS	57,343
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 64,551

Schedule of Noncash Capital and Related Financing Activities:

Contributions and accounts payable related to capital assets	$ 4,945

See notes to financial statements.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Divisions of Cleveland Hopkins International and Burke Lakefront Airports (the Divisions) are reported as an Enterprise Fund of the City of Cleveland, Department of Port Control and are part of the City of Cleveland's (the City) primary government. The Divisions were created for the purpose of operating the airports within the Cleveland Metropolitan Area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Divisions comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that are provided by other entities. As required, the Divisions have implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The Divisions have determined that GASB Statement No. 85 has no impact on the financial statements as of December 31, 2018.

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The Divisions have determined that GASB Statement No. 86 has no impact on the financial statements as of December 31, 2018.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Divisions' net position is accounted for in the accompanying statement of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for 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.

The Divisions have invested funds in STAR Ohio during 2018. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018, total interest costs incurred amounted to $28,777,000, of which $1,398,000 was capitalized, net of interest income of $146,000.

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).

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2018 is as follows:

	Interest Rate	Original Issuance	2018
		(Amounts in Thousands)	
Airport System Revenue Bonds:			
Series 2006, due through 2021	5.25%	$ 107,750	$ 32,195
Series 2007, due through 2027	5.00%	11,255	5,935
Series 2008, due through 2024	Variable Rate	18,700	5,975
Series 2009, due through 2024	0.61%-5.00%	208,900	32,780
Series 2011, due through 2024	3.00%-5.00%	74,385	34,360
Series 2012, due through 2031	5.00%	235,150	235,150
Series 2013, due through 2033	Variable Rate	58,000	54,120
Series 2014, due through 2027	Variable Rate	33,325	23,635
Series 2016, due through 2031	5.00%	144,355	141,420
Series 2018, due through 2048	3.50%-5.00%	109,685	109,685
		$ 1,001,505	675,255
Unamortized (discount) premium			41,658
Current portion (due within one year)			(39,970)
Total Long-Term Debt			$ 676,943

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

Summary: Changes in long-term obligations for the year ended December 31, 2018 are as follows:

	Restated Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
	(Amounts in Thousands)				
Airport System Revenue Bonds:					
Series 2006	$ 41,210	$	$ (9,015)	$ 32,195	$ 9,660
Series 2007	6,635		(700)	5,935	730
Series 2008	5,975			5,975	
Series 2009	125,610		(92,830)	32,780	12,680
Series 2011	42,325		(7,965)	34,360	8,185
Series 2012	235,150			235,150	
Series 2013	56,205		(2,085)	54,120	2,070
Series 2014	27,145		(3,510)	23,635	3,675
Series 2016	144,355		(2,935)	141,420	2,970
Series 2018		109,685		109,685	
Total revenue bonds	684,610	109,685	(119,040)	675,255	39,970
Accrued wages and benefits	4,920	3,778	(4,712)	3,986	3,222
Net pension liability	34,594		(10,158)	24,436	
Net OPEB liability	15,800	1,785		17,585	
Total	$ 739,924	$ 115,248	$ (133,910)	$ 721,262	$ 43,192

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)		
2019	$ 39,970	$ 30,712	$ 70,682
2020	41,300	30,120	71,420
2021	43,045	28,047	71,092
2022	43,170	25,960	69,130
2023	41,905	23,925	65,830
2024-2028	240,260	86,649	326,909
2029-2033	189,795	24,225	214,020
2034-2038	9,385	7,357	16,742
2039-2043	11,745	4,963	16,708
2044-2048	14,680	1,907	16,587
Total	$ 675,255	$ 263,865	$ 939,120

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, 2018, 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 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 remain 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.

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, 2018, the Airport System had $80,505,000 in defeased debt outstanding.

The City has pledged future airport revenues to repay $675,255,000 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 67.0% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $939,120,000. Principal and interest funded for the current year and total net revenues (including other available funds) were $68,604,000 and $103,926,000, 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, 2018, totaled approximately $41,712,000 and the Divisions' bank balance was approximately $52,551,000. 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*, $52,551,000 of the bank balances at December 31, 2018 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.

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.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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, 2018.

Type of Investment	Fair Value	Fair Value Measurement Using Level 2
	(Amounts in Thousands)	
Other Investments	$ 332	$ 332
Total Investments	$ 332	$ 332

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, 2018 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, 2018, 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	2018 Value	2018 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 98,010	$ 98,010	$ 98,010
Money Market Mutual Funds	196,602	196,602	196,602
Other Investments	332	332	332
Total Investments	294,944	294,944	294,944
Total Deposits	41,712	41,712	41,712
Total Deposits and Investments	$ 336,656	$ 336,656	$ 336,656

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, 2018, the investments in STAR Ohio, money market mutual funds and other investments are approximately 33.2%, 66.7% and 0.1%, respectively, of the Divisions' total investments.

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
	(Amounts in Thousands)			
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$	$ 167,457
Construction in progress	111,900	26,757	(13,450)	125,207
Total capital assets, not being depreciated	279,357	26,757	(13,450)	292,664
Capital assets, being depreciated:				
Land improvements	94,931			94,931
Buildings, structures and improvements	348,058	432		348,490
Furniture, fixtures and equipment	42,197	18,917		61,114
Infrastructure	1,016,148			1,016,148
Vehicles	16,484	1,463		17,947
Total capital assets, being depreciated	1,517,818	20,812	-	1,538,630
Less: Total accumulated depreciation	(979,156)	(53,453)		(1,032,609)
Total capital assets being depreciated, net	538,662	(32,641)	-	506,021
Capital assets, net	$ 818,019	$ (5,884)	$ (13,450)	$ 798,685

Commitments: As of December 31, 2018, the Divisions had capital expenditure purchase commitments outstanding of approximately $39,539,000.

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, 2018 is approximately $94,365,000.

Minimum future rental on non-cancelable operating leases to be received is as follows:

	(Amounts in Thousands)	
2019	$	17,941
2020		10,245
2021		8,872
2022		8,536
2023		8,320
Thereafter		19,978
	$	73,892

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, 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 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 2018. There was no significant decrease in any insurance coverage in 2018. 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 2018, 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 $3,224,000 for 2018. 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, 2017 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	$	24,436
Proportion of the Net Pension Liability		0.161047%
Change in Proportion		0.001803%
Pension Expense	$	5,336

At December 31, 2018, 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 expected and actual economic experience	$	25
Change in proportionate share		838
Change in assumptions		3,000
Divisions' contributions subsequent to the measurement date		3,224
Total Deferred Outflows of Resources	$	7,087
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	550
Differences in projected and actual investment earnings		5,583
Change in Divisions' proportionate share		386
Total Deferred Inflows of Resources	$	6,519

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The $3,224,000 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, 2019. 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)
2019	$ 2,236
2020	(221)
2021	(2,403)
2022	(2,245)
2023	(7)
Thereafter	(16)
Total	$ (2,656)

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
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	7.5%
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 2017, 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 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
		(Amounts in Thousands)	
Divisions' proportionate share of the net pension liability	$ 43,858	$ 24,436	$ 8,618

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 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 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 2018, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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, 2018, 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, 2016, rolled forward to the measurement date as of December 31, 2017, 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		0.158429%
Prior Measurement Date		0.156424%
Change in Proportionate Share		0.002005%
Proportionate Share of the Net OPEB Liability	$	17,585
OPEB Expense	$	1,640

At December 31, 2018, 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	$	13
actual economic experience		1,253
Changes in assumptions		
Changes in proportion and differences between Divisions' contributions and proportionate share of contributions		376
Total Deferred Outflows of Resources	$	1,642
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$	1,282
Total Deferred Inflows of Resources	$	1,282

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)
2019	$ 465
2020	465
2021	(249)
2022	(321)
Total	$ 360

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, 2016, rolled forward to the measurement date as of December 31, 2017. 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	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial 3.25%, ultimate in 2028
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 2017, 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 15.2% for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date as of December 31, 2016. 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 6.5 and a municipal bond rate of 3.31%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, 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 3.85%, 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 (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net OPEB liability	$ 22,857	$ 17,585	$ 12,632

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 2018 is 7.5%. 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)		
Divisions' proportionate share of the net OPEB liability	$ 16,461	$ 17,585	$ 17,973

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, 2018 are as follows:

	(Amounts in Thousands)	
City Central Services, Including Police	$	11,187
Telephone Exchange		757
Electricity Purchased		288
Motor Vehicle Maintenance		91
Radio Communication		249

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 2018 was a payable to the Airlines from the Division in the amount of $5,401,000.

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 2018.

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, 2018, 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 2018, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 35.0% of total operating revenue.

NOTE N – RESTATEMENT

For 2018, the Divisions implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* It established standards for measuring and recognizing postemployment benefits other than pension, deferred outflows of resources, deferred inflows of resources and expense. The implementation of GASB Statement No. 75 had the following effect on net position as reported December 31, 2017:

	Net Position December 31, 2017	Restatement	Restated Net Position December 31, 2017
	(Amounts in Thousands)		
Beginning net position	$ 362,723	$ (15,585)	$ 347,138

NOTE O – SUBSEQUENT EVENTS

Effective March 1, 2019, the City entered into an amendment to extend the period of time during which PNC Bank, National Association, will be the holder of the Airport System Revenue Bonds, Series 2013A. The bonds remain 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.

Effective May 14, 2019, the City entered into first amendments to the Letter of Credit and Reimbursement Agreements on the Airport System Revenue Bonds, Series 2008D and the Airport System Revenue Bonds, Series 2009D. The amendments extend to January 1, 2024, the expiration date for the letters of credit provided by U.S. Bank National Association.

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 FIVE MEASUREMENT YEARS (1), (2)

	2018	2017	2016	2015	2014
			(Amounts in Thousands)		
Divisions' Proportion of the Net Pension Liability	0.161047%	0.159244%	0.155342%	0.158448%	0.158448%
Divisions' Proportionate Share of the Net Pension Liability (Asset)	$ 24,436	$ 34,594	$ 27,073	$ 19,049	$ 18,650
Divisions' Covered Payroll	$ 21,508	$ 21,125	$ 19,800	$ 19,825	$ 17,962
Divisions' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	113.61%	163.76%	136.73%	96.09%	103.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(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. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 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
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS (1)

	2018	2017	2016	2015	2014	2013
			(Amounts in Thousands)			
Contractually Required Contributions	$ 3,224	$ 2,796	$ 2,535	$ 2,376	$ 2,379	$ 2,335
Contributions in Relation to the Contractually Required Contributions	(3,224)	(2,796)	(2,535)	(2,376)	(2,379)	(2,335)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Divisions' Covered Payroll	$ 23,029	$ 21,508	$ 21,125	$ 19,800	$ 19,825	$ 17,962
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF THE DIVISIONS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO MEASUREMENT YEARS (1), (2)

	2018	2017
	(Amounts in Thousands)	
Divisions' Proportion of the Net OPEB Liability	0.158429%	0.156424%
Divisions' Proportionate Share of the Net OPEB Liability	$ 17,585	$ 15,800
Divisions' Covered Payroll	$ 21,508	$ 21,125
Divisions' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.76%	74.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(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 2018, the single discount rate changed from 4.23% to 3.85%.

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 THREE YEARS (1), (2), (3)

	2018	2017	2016
		(Amounts in Thousands)	
Contractually Required Contributions	$ -	$ 215	$ 423
Contributions in Relation to the Contractually Required Contributions	-	(215)	(423)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Divisions' Covered Payroll	$ 23,029	$ 21,508	$ 21,125
Contributions as a Percentage of Covered Payroll	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 Divisions' calendar year. Information prior to 2016 is not available. The Divisions will continue to present information for years available until a full ten-year trend is compiled.

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

SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2018
(Amounts in Thousands)

	Cleveland Hopkins International	Burke Lakefront	Total
REVENUE			
Airline revenue:			
Landing fees	$ 32,976	$	$ 32,976
Terminal rental	39,504		39,504
Other	3,092		3,092
	75,572		75,572
Operating revenues from other sources:			
Concessions	50,817	896	51,713
Rentals	12,134	330	12,464
Landing fees	2,066	190	2,256
Other	3,735	241	3,976
	68,752	1,657	70,409
Non-operating revenue:			
Interest income	1,348		1,348
TOTAL REVENUE	$ 145,672	$ 1,657	$ 147,329
OPERATING EXPENSES			
Salaries and wages	$ 22,558	$ 896	$ 23,454
Employee benefits	11,678	260	11,938
City Central Services, including police	12,033	250	12,283
Materials and supplies	8,602	251	8,853
Contractual services	28,306	486	28,792
TOTAL OPERATING EXPENSES	$ 83,177	$ 2,143	$ 85,320

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES IN ACCORDANCE WITH 14 CFR PART 158

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

Report on Compliance for the Passenger Facility Charge Program

We have audited the Divisions' of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), for its passenger facility charge program for the year ended December 31, 2018.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions applicable to the passenger facility charge program.

Auditor's 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, 2018.

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, 2018, and have issued our report thereon dated June 25, 2019, wherein we noted the Divisions implemented GASB Statement No. 75, 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, 2019

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, 2018

Projects	Approved Project Budget	Cumulative Expenditures thru 2017	2018 1st Quarter Expenditures	2018 2nd Quarter Expenditures	2018 3rd Quarter Expenditures	2018 4th Quarter Expenditures	2018 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	1,072,342	5,706	5,706	5,706	5,706	22,824	1,095,166
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	5,310,809	9,089	9,089	9,089	9,089	36,356	5,347,165
Concourse D Ramp/Site Utilities	51,305,804	49,004,824	83,810	83,810	83,810	83,810	335,240	49,340,064
Burke Runway Overlay 6L/24R	530,286	530,286					-	530,286
Burke ILS	2,181,400	1,969,768	7,708	7,708	7,708	7,708	30,832	2,000,600
Runway 6L/23R	270,550,360	198,832,298	2,612,228	2,612,228	2,612,228	2,612,228	10,448,912	209,281,210
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	520,623	43,970	43,970	43,970	43,970	175,880	696,503
Deicing Environmental Upgrades	2,800,222	843,771	71,261	71,261	71,261	71,261	285,044	1,128,815
Main Terminal Roof Replacement	992,986	299,210	25,270	25,270	25,270	25,270	101,080	400,290
Main Terminal Boiler Replacement	2,998,819	-					-	-
Roadway Expansion Joint Repair/Replacement	1,985,973	598,420	50,540	50,540	50,540	50,540	202,160	800,580
Airport-wide Flight Information Display System/Baggage Information Display System and Signage Replacement	7,681,742	2,314,682	195,488	195,488	195,488	195,488	781,952	3,096,634
Airport-wide In-line Baggage System Design	1,688,077	508,655	42,959	42,959	42,959	42,959	171,836	680,491
Airport Master Plan Update	4,170,543	1,256,680	106,133	106,133	106,133	106,133	424,532	1,681,212
Runway 10/28- Runway Safety Area Improvements	23,155,051	12,252,456	397,111	397,111	397,111	397,111	1,588,444	13,840,900
South Cargo Ramp Rehabilitation	5,957,918	1,795,256	151,619	151,619	151,619	151,619	606,476	2,401,732
Taxiway N Rehabilitation	8,738,280	2,633,044	222,374	222,374	222,374	222,374	889,496	3,522,540
SIDA Security System Enhancements	1,985,973	598,421	50,540	50,540	50,540	50,540	202,160	800,581
Interactive Part 139 Airport Operations Training Program	496,493	149,605	12,635	12,635	12,635	12,635	50,540	200,145
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646	3,393,064	286,558	286,558	286,558	286,562	1,146,236	4,539,300
Total	**$ 592,180,668**	**$ 471,105,242**	**$ 4,374,999**	**$ 4,374,999**	**$ 4,374,999**	**$ 4,375,003**	**$ 17,500,000**	**$ 488,605,242**

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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, 2018

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, 2018

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Cleveland Public Power
Department of Public Utilities
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio (the "Division") as of and for the year ended December 31, 2018 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.

Auditor's Responsibility

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

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

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

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, 2018, 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.

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, 2018, 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.

Change in Accounting Principle

During the year ended December 31, 2018, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the Division restated net position at January 1, 2018 for the change in accounting principle (See Note K). 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, 2019

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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, 2018. 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 2016. The Division serves an area that is bound by the City limits and presently serves approximately 75,000 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 2017 census estimate, the City's population is approximately 389,000 people. There are approximately 212,000 housing units. The Division has distribution facilities in about 60% of the geographical area of the City, primarily on the east side.

The Division obtains substantially all of its power and energy requirements through agreements with various regional utilities and other power suppliers for power delivered through CEI interconnections. The balance of the Division's power and energy requirements are satisfied with production from the Division's three combustion turbine generating units and various arrangements for the exchange of short-term power and energy 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 new Blue Creek Wind project.

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

FINANCIAL HIGHLIGHTS

- The Division's net position was $189,575,000 and $187,695,000 at December 31, 2018 and 2017, respectively. Of these amounts, $10,300,000 and $10,531,000 are unrestricted net position at December 31, 2018 and 2017, respectively, which may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $1,880,000 in 2018. The increase is primarily attributed to operating income of $4,570,000. Operating revenues increased by $16,960,000, or 8.7%, mostly from increases in revenue from residential and large commercial customers of $7,433,000 and $7,169,000, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total long-term bonded debt decreased by $12,895,000 for the year ended December 31, 2018. The decrease is due to scheduled payments to bondholders and to the refunding of outstanding bonds.

- Other non-operating revenue increased by $2,575,000 or 83.7% primarily due to the Division receiving 100% of the electric deregulation killawatt-hour tax proceeds in 2018.

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.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2018 and 2017:

	2018	Restated 2017
	(Amounts in Thousands)	
Assets:		
Capital assets, net of accumulated depreciation	$ 361,290	$ 352,206
Restricted assets	4,183	17,952
Current assets	85,738	79,737
Total assets	451,211	449,895
Deferred outflows of resources	18,523	24,264
Net Position:		
Net investment in capital assets	176,289	173,802
Restricted for capital projects	493	487
Restricted for debt service	2,493	2,875
Unrestricted	10,300	10,531
Total net position	189,575	187,695
Liabilities:		
Long-term obligations	250,767	260,436
Current liabilities	23,765	25,214
Total liabilities	274,532	285,650
Deferred inflows of resources	5,627	814

***Restricted assets**:* The Division's restricted assets decreased by $13,769,000. The decrease is primarily due to a $13,401,000 reduction in unspent bond proceeds due to construction related expenses.

Current assets: The Division's current assets increased by $6,001,000 in 2018. The increase is mainly due to an increase of $8,365,000 in unrestricted cash and cash equivalents, offset by a decrease of $3,834,000 in recoverable costs of purchased power. Both fluctuations are related to the Division increasing the Energy Adjustment Charge (EAC) in 2018 to partially recover energy charges incurred in 2017.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: The Division's capital assets as of December 31, 2018, amounted to $361,290,000 (net of accumulated depreciation). The total increase in the Division's net capital assets for the current year was $9,084,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2018, is as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
	(Amounts in Thousands)			
Land	$ 5,574	$	$	$ 5,574
Land improvements	318	74		392
Utility plant	587,712	39,047	(2,145)	624,614
Buildings, structures and improvements	22,858	482		23,340
Furniture, fixtures, equipment and vehicles	91,759	3,265	(2,686)	92,338
Construction in progress	38,707	24,128	(37,242)	25,593
Total	746,928	66,996	(42,073)	771,851
Less: Accumulated depreciation	(394,722)	(20,428)	4,589	(410,561)
Capital assets, net	$ 352,206	$ 46,568	$ (37,484)	$ 361,290

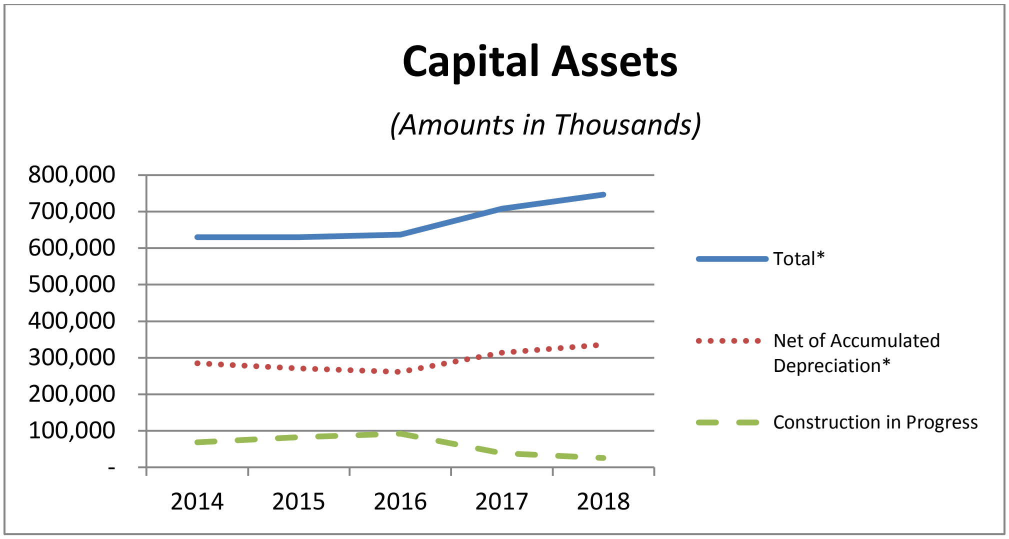
The principal additions to construction in progress during 2018 included the following:

- Southern Transmission Line
- General engineering services
- Underground cable reconstruction
- Duct lines

In addition, the Denison Avenue project, totaling $10,729,000, was completed. The project's primary purpose was to install a new duct bank for new underground power lines.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 a decrease of $5,741,000 in deferred outflows of resources. Pension decreased by $6,019,000 primarily due to investment returns exceeding expectations. The decrease was partially offset by an increase in other postemployment benefits (OPEB) of $1,109,000.

Current liabilities: The decrease in current liabilities of $1,449,000 is primarily due to the decrease of $2,065,000 in the current portion of long-term debt. The decrease was partially offset by an increase in payable from restricted assets of $701,000.

***Net pension/OPEB liabilities*:** The net pension liability is reported by the Division at December 31, 2018 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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. This implementation also had the effect of restating net position at December 31, 2017 from $199,901,000 to $187,695,000. Additional information on the restatement can be found in Note K – Restatement of Net Position.

Long-term obligations: The long-term obligations decrease of $9,669,000 in 2018 is mainly due to a decrease of $7,901,000 in net pension liability and a $5,553,000 decrease in revenue bonds payable due to scheduled principal payments and refunding of bonds. The reduction in the net pension liability is primarily due to investment returns exceeding expectations. These decreases were partially offset by an increase in accreted interest payable of $2,492,000.

At December 31, 2018, the Division had total bonded debt outstanding of $189,278,000. 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, 2018, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

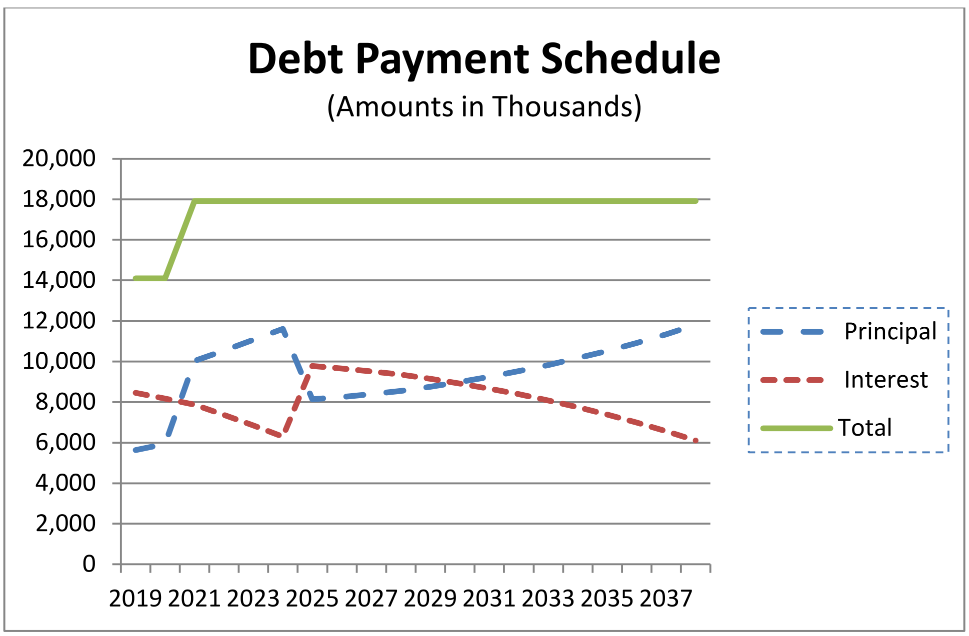
	Balance January 1, 2018	Debt Issued	Debt Retired	Balance December 31, 2018
	(Amounts in Thousands)			
Revenue Bonds:				
Revenue Bonds 2008 A	$ 16,975	$	$ (16,975)	$ -
Revenue Bonds 2008 B-1	38,715		(38,715)	-
Revenue Bonds 2008 B-2	27,903			27,903
Revenue Bonds 2014	76,885			76,885
Revenue Bonds 2016	41,695		(4,450)	37,245
Revenue Bonds 2018		47,245		47,245
Total	$ 202,173	$ 47,245	$ (60,140)	$ 189,278

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 2018 and 2017 was 192% and 152%, 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 $4,813,000 increase in deferred inflows of resources. Pension and OPEB deferred inflows increased due to investment returns exceeding expectations.

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 $189,575,000 and $187,695,000 at December 31, 2018 and 2017, respectively.

Of the Division's net position at December 31, 2018, $176,289,000 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, $493,000 denotes funds restricted for use in capital projects and $2,493,000 represents resources subject to debt service restrictions.

The remaining $10,300,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

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

The Division had a net gain of $1,880,000 in 2018. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2018 and 2017:

	2018	2017
	(Amounts in Thousands)	
Operating revenues	$ 211,864	$ 194,904
Operating expenses	207,294	187,478
Operating income (loss)	4,570	7,426
Non-operating revenue (expense):		
Investment income	703	398
Interest expense	(9,876)	(9,510)
Amortization of bond premiums and discounts	1,075	821
Gain (loss) on disposal of assets	(242)	(73)
Other	5,650	3,075
Total non-operating revenue (expense), net	(2,690)	(5,289)
Change in net position	$ 1,880	$ 2,137

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Operating revenues: In 2018, operating revenues increased by $16,960,000, mostly from increases of $7,433,000 in revenue from residential customers and $7,169,000 in revenue from large commercial customers due to an increase in the EAC.

Operating expenses: Operating expenses increased by $19,816,000 in 2018 primarily due to a $18,305,000 increase in purchased power costs. A contributing factor to the purchased power costs increase was an escalation in capacity charges of $7,555,000 or 73.4% . The increase is mainly due to market conditions at the time of the capacity auction.

In addition, operations expense increased by $720,000. The rise is primarily attributed to an increase of $658,000 in salary costs related to ratification of union contracts that resulted in increased wages and retroactive pay being owed.

Non-OPEB expenses: The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $168,000 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $1,275,000. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	(Amounts in Thousands)
Total 2018 program expenses under GASB 75	$ 217,412
OPEB expense under GASB 75	(1,275)
Adjusted 2018 program expenses	216,137
Total 2017 program expenses under GASB 45	(197,061)
Increase in program expenses not related to OPEB	$ 19,076

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 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 2019.

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 2018, about 21% 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 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 31,2018
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 5,574
Land improvements	392
Utility plant	624,614
Buildings, structures and improvements	23,340
Furniture, fixtures, equipment and vehicles	92,338
	746,258
Less: Accumulated depreciation	(410,561)
	335,697
Construction in progress	25,593
CAPITAL ASSETS, NET	361,290
RESTRICTED ASSETS	
Cash and cash equivalents	4,178
Accrued interest receivable	5
TOTAL RESTRICTED ASSETS	4,183
CURRENT ASSETS	
Cash and cash equivalents	47,030
Restricted cash and cash equivalents	723
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $8,180 in 2018	16,894
Recoverable costs of purchased power	4,418
Unbilled revenue	2,811
Due from other City of Cleveland departments, divisions or funds	3,407
Materials and supplies	10,061
Prepaid expenses	394
TOTAL CURRENT ASSETS	85,738
TOTAL ASSETS	451,211
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on debt refunding	11,769
Pension	5,477
OPEB	1,277
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,523

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF NET POSITION
December 31, 2018
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
NET POSITION	
Net investment in capital assets	$ 176,289
Restricted for capital projects	493
Restricted for debt service	2,493
Unrestricted	10,300
TOTAL NET POSITION	189,575
LIABILITIES	
LONG-TERM OBLIGATIONS-excluding amounts due within one year	
Accrued wages and benefits	389
Accreted interest payable	20,937
Revenue bonds	192,321
Net pension liability	21,587
Net OPEB liability	13,762
Other	1,771
TOTAL LONG-TERM OBLIGATIONS	250,767
CURRENT LIABILITIES	
Accounts payable	11,633
Other accrued expenses	448
Customer deposits and other liabilities	1,099
Current portion of accrued wages and benefits	2,645
Due to other City of Cleveland departments, divisions or funds	520
Accrued interest payable	1,057
Current payable from restricted assets	723
Current portion of long-term debt, due within one year	5,640
TOTAL CURRENT LIABILITIES	23,765
TOTAL LIABILITIES	274,532
DEFERRED INFLOWS OF RESOURCES	
Pension	4,630
OPEB	997
TOTAL DEFERRED INFLOWS OF RESOURCES	5,627

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, 2018
(Amounts in Thousands)

OPERATING REVENUES		
Charges for services	$	211,864
TOTAL OPERATING REVENUES		211,864
OPERATING EXPENSES		
Purchased power		141,679
Operations		28,074
Maintenance		17,113
Depreciation		20,428
TOTAL OPERATING EXPENSES		207,294
OPERATING INCOME (LOSS)		4,570
NON-OPERATING REVENUE (EXPENSE)		
Investment income		703
Interest expense		(9,876)
Amortization of bond premiums and discounts		1,075
Gain (loss) on disposal of assets		(242)
Other		5,650
TOTAL NON-OPERATING REVENUE (EXPENSE), NET		(2,690)
INCREASE (DECREASE) IN NET POSITION		1,880
NET POSITION AT BEGINNING OF YEAR (as restated)		187,695
NET POSITION END OF YEAR	$	189,575

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, 2018
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 212,784
Cash payments to suppliers for goods or services	(17,668)
Cash payments to employees for services	(19,523)
Cash payments for purchased power	(138,880)
Electric excise tax payments to agency fund and other	(5,566)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	31,147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Electric excise tax receipts	6,232
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	6,232
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of revenue bonds	52,954
Acquisition and construction of capital assets	(26,708)
Principal paid on long-term debt	(7,705)
Interest paid on long-term debt	(8,570)
Cash paid to escrow agent for refunding	(52,923)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(42,952)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	880
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	880
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,693)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	56,624
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 51,931

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$ 4,570
Adjustments:	
Depreciation	20,428
(Increase) decrease in assets:	
Accounts receivable, net	220
Recoverable costs of purchased power	3,834
Unbilled revenue	(69)
Due from other City of Cleveland departments, divisions or funds	(184)
Materials and supplies, net	(595)
Prepaid expenses	(141)
(Increase) decrease in deferred outflows of resources:	
Pension	6,019
OPEB	(1,109)
Increase (decrease) in liabilities:	
Accounts payable	(253)
Other accrued expenses	2
Customer deposits and other liabilities	81
Accrued wages and benefits	240
Due to other City of Cleveland departments, divisions or funds	142
Other long-term liabilities	(338)
Net pension liability	(7,901)
Net OPEB liability	1,388
Increase (decrease) in deferred inflows of resources:	
Pension	3,816
OPEB	997
TOTAL ADJUSTMENTS	26,577
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 31,147

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Accounts payable related to capital assets	$ 723

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Cleveland Public Power (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Public Utilities and is a part of the City's primary government. The Division was created for the purpose of supplying electrical services to customers within the City. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that are provided by other entities. As required, the Division has implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The Division has determined that GASB Statement No. 85 has no impact on its financial statements as of December 31, 2018.

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The Division has determined that GASB Statement No. 86 has no impact on its financial statements as of December 31, 2018.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statement of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of electricity to residential, commercial and industrial customers based upon actual consumption. Electricity rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018. 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.

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

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 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 2018, total interest costs incurred amounted to $12,295,000, of which $2,252,000 was capitalized, net of interest income of $167,000.

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2018, is as follows:

	Interest Rate	Original Issuance	2018
		(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	37,245
Series 2018, due through 2038	5.00%	47,245	47,245
		$ 194,058	$ 189,278
Less:			
Unamortized premium (discount)-current interest bonds (net)			8,683
Current portion			(5,640)
Total long-term debt			$ 192,321

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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

Summary: Changes in long-term obligations for the year ended December 31, 2018, are as follows:

	Restated Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
	(Amounts in Thousands)				
Revenue Bonds:					
Series 2008 A, due through 2024	$ 16,975	$	$ (16,975)	$ -	$
Series 2008 B-1, due through 2038	38,715		(38,715)	-	
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	41,695		(4,450)	37,245	4,640
Series 2018, due through 2038		47,245		47,245	1,000
Total revenue bonds	202,173	47,245	(60,140)	189,278	5,640
Accrued wages and benefits	2,794	2,888	(2,648)	3,034	2,645
Net pension liability	29,488		(7,901)	21,587	
Net OPEB liability	12,374	1,388		13,762	
Total	$ 246,829	$ 51,521	$ (70,689)	$ 227,661	$ 8,285

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)		
2019	$ 5,640	$ 8,453	$ 14,093
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
2024-2028	44,949	44,597	89,546
2029-2033	46,357	43,199	89,556
2034-2038	54,767	34,788	89,555
	$ 189,278	$ 161,302	$ 350,580

The City has pledged future power system revenues, net of specified operating expenses, to repay $189,278,000 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 53% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $350,580,000. Principal and interest paid for the current year and total net revenues were $16,275,000 and $31,242,000, respectively.

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%.

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, 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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, 2018, 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, 2018, 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, 2018, the Division's carrying amount of deposits totaled $21,083,000 and the Division's bank balances totaled $20,744,000. 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*, $20,744,000 of the bank balances at December 31, 2018, 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, 2018:

Type of Investment	Fair Value	Fair Value Measurements Using Level 2
	(Amounts in Thousands)	
Commercial Paper	$ 347	$ 347
Total Investments	$ 347	$ 347

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, 2018, include STAR Ohio, commercial paper and money market mutual funds. Investments in STAR Ohio 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-.

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, 2018, 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	2018 Value	2018 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 27,164	$ 27,164	$ 27,164
Commercial Paper	347	347	347
Money Market Mutual Funds	3,337	3,337	3,337
Total Investments	30,848	30,848	30,848
Total Deposits	21,083	21,083	21,083
Total Deposits and Investments	$ 51,931	$ 51,931	$ 51,931

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, 2018, the investments in STAR Ohio, commercial paper and money market mutual funds are approximately 88.1%, 1.1% and 10.8%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
		(Amounts in Thousands)		
Capital assets, not being depreciated:				
Land	$ 5,574	$	$	$ 5,574
Construction in progress	38,707	24,128	(37,242)	25,593
Total capital assets, not being depreciated	44,281	24,128	(37,242)	31,167
Capital assets, being depreciated:				
Land improvements	318	74		392
Utility plant	587,712	39,047	(2,145)	624,614
Buildings, structures and improvements	22,858	482		23,340
Furniture, fixtures, equipment and vehicles	91,759	3,265	(2,686)	92,338
Total capital assets, being depreciated	702,647	42,868	(4,831)	740,684
Less: Accumulated depreciation	(394,722)	(20,428)	4,589	(410,561)
Total capital assets being depreciated, net	307,925	22,440	(242)	330,123
Capital assets, net	$ 352,206	$ 46,568	$ (37,484)	$ 361,290

Commitments: The Division has outstanding commitments of approximately $8,638,000 for future capital expenditures at December 31, 2018. 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 pservices 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 2018, 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 $2,456,000 for 2018. 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, 2017 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	$	21,587
Proportion of the Net Pension Liability		0.125259%
Change in proportion		0.00055%
Pension Expense	$	4,450

At December 31, 2018, 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		
Differences between expected and actual economic experience	$	20
Change in Division's proportionate share		652
Change in assumptions		2,349
Division's contributions subsequent to the measurement date		2,456
Total Deferred Outflows of Resources	$	5,477
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	433
Net difference between projected and actual earnings on pension plan investments		3,894
Change in Division's proportionate share		303
Total Deferred Inflows of Resources	$	4,630

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

The $2,456,000 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, 2019. 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:		
2019	$	1,983
2020		43
2021		(1,871)
2022		(1,747)
2023		(6)
Thereafter		(11)
Total	$	(1,609)

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
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	7.5%
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 2017, 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 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 38,053	$ 21,587	$ 8,137

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 2018, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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, 2018, OPERS did not allocate any employer contributions to the OPEB plan.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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, 2016, rolled forward to the measurement date of December 31, 2017, 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		0.123223%
Prior Measurement Date		0.122500%
Change in Proportionate Share		0.000723%
Proportionate Share of the Net OPEB Liability	$	13,762
OPEB Expense	$	1,275

At December 31, 2018, 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 economic experience	$	10
Changes in assumptions		974
Changes in proportion and differences between Division contributions and proportionate share of contributions		293
Total Deferred Outflows of Resources	$	1,277
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$	997
Total Deferred Inflows of Resources	$	997

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)	
2019	$	361
2020		361
2021		(193)
2022		(249)
Total	$	280

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, 2016, rolled forward to the measurement date of December 31, 2017. 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	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial 3.25%, ultimate in 2028
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 2017, 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 15.2% for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

NOTE F – DEFINED BENEFIT OPEB PLANS *(*Continued)

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 6.5% and a municipal bond rate of 3.31%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034 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 3.85%, 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 (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 17,778	$ 13,762	$ 9,825

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 2018 is 7.5%. 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	$ 12,803	$ 13,762	$ 13,979

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 $1,707,835 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 $166,174 and interest expense incurred on AMP's line-of-credit of $208,912. 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, 2018, of $2,021,083. The Division does have a potential PHFU Liability of $3,899,873 resulting in a net total potential liability of $5,920,956, 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 11 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 2018.

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.

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, 2018, are as follows:

	(Amounts in Thousands)
Telephone Exchange	$ 2,189
Utilities Administration and Fiscal Control	2,069
City Administration	1,670
Division of Water	445
Motor Vehicle Maintenance	355

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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 $1,196,000 for the year ended December 31, 2018.

NOTE J - KILOWATT PER HOUR TAX

In May 2001, the Division started billing its customers the electric deregulation kilowatt-hour tax according to the laws of the State of Ohio. This law requires the Division to remit the proceeds to the City's General Fund, except for any proceeds attributable to sales outside the City which are remitted to the State of Ohio. The Division billed $5,485,000 for this tax in 2018, of which $7,191 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 – RESTATEMENT OF NET POSITION

For 2018, the Division implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* It established standards for measuring and recognizing postemployment benefits other than pension, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of GASB Statement No. 75 had the following effect on net position as reported December 31, 2017:

	Net Position December 31, 2017	Restatement	Restated Net Position December 31, 2017
		(Amounts in Thousands)	
Beginning net position	$ 199,901	$ (12,206)	$ 187,695

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 Five Measurement Years (1), (2)

	2018	2017	2016	2015	2014
	(Amounts in Thousands)				
Division's Proportion of the Net Pension Liability	0.125259%	0.124709%	0.139410%	0.136385%	0.136385%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 21,587	$ 29,488	$ 23,597	$ 16,397	$ 16,054
Division's Covered Payroll	$ 16,769	$ 16,542	$ 17,775	$ 17,067	$ 15,462
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	128.73%	178.26%	132.75%	96.07%	103.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(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. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 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
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 Six Years (1)

	2018	2017	2016	2015	2014	2013
			(Amounts in Thousands)			
Contractually Required Contributions	$ 2,456	$ 2,180	$ 1,985	$ 2,133	$ 2,048	$ 2,010
Contributions in Relation to the Contractually Required Contributions	(2,456)	(2,180)	(1,985)	(2,133)	(2,048)	(2,010)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Division's Covered Payroll	$ 17,543	$ 16,769	$ 16,542	$ 17,775	$ 17,067	$ 15,462
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(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 Two Measurement Years (1), (2)

	2018	2017
	(Amounts in Thousands)	
Division's Proportion of the Net OPEB Liability	0.123223%	0.122500%
Division's Proportionate Share of the Net OPEB Liability	$ 13,762	$ 12,374
Division's Covered Payroll	$ 16,769	$ 16,542
Division's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.07%	74.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(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 2018, the single discount rate changed from 4.23% to 3.85%.

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 Three Years (1), (2), (3)

	2018	2017	2016
		(Amounts in Thousands)	
Contractually Required Contributions	$ -	$ 168	$ 331
Contributions in Relation to the Contractually Required Contributions	-	(168)	(331)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered Payroll	$ 17,543	$ 16,769	$ 16,542
Contributions as a Percentage of Covered Payroll	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 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, 2018

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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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, 2018 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.

Auditor's Responsibility

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

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

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

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, 2018, 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.

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, 2018, 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.

Change in Accounting Principle

During the year ended December 31, 2018, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the Division restated net position at January 1, 2018 for the change in accounting principle (See Note J). 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, 2019

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, 2018. 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 429,000 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 2018, the Division provided services to approximately 117,000 accounts located within Cleveland and approximately 313,000 accounts located in direct service communities. Water provided to each master meter community is metered at each community's boundary. Consumers within the City of Cleveland accounted for 24.2% 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. UFC processes approximately 12,000 payments daily, which include bills for water only, sewer only, water and sewer, final notices and delinquent bills.

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

FINANCIAL HIGHLIGHTS

- The Division's net position was $1,500,852,000 and $1,470,198,000 (restated) at December 31, 2018 and 2017, respectively. Of these amounts, $347,085,000 and $354,384,000 are unrestricted net position at December 31, 2018 and 2017, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's overall net position increased by $30,654,000 during 2018. Operating revenues increased by $4,697,000 or 1.6% primarily due to an increase in the installation of water main lines related to construction.

FINANCIAL HIGHLIGHTS (Continued)

- The total long-term revenue bonds and loans payable of the Division decreased by $44,314,000 due to scheduled principal payments on the bonds and loans.

- Investment income increased by $4,628,000 or 102.4% due to a combination of higher investable cash balances and rising interest rates.

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 - 55 of this report. Required supplementary information can be found on pages 56 - 59.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2018 and 2017:

	2018	Restated 2017
	(Amounts in Thousands)	
Assets:		
Capital assets, net	$ 1,699,295	$ 1,709,310
Restricted assets	67,506	67,522
Current assets	489,057	485,198
Total assets	2,255,858	2,262,030
Deferred outflows of resources	51,730	70,359
Net position:		
Net investment in capital assets	1,090,009	1,051,909
Restricted for capital projects	1	1
Restricted for debt service	63,757	63,904
Unrestricted	347,085	354,384
Total net positon	1,500,852	1,470,198
Liabilities:		
Long-term obligations	695,924	767,271
Current liabilities	84,097	81,378
Total liabilities	780,021	848,649
Deferred inflows of resources	26,715	13,542

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Current assets: The Division had an increase in current assets of $3,859,000, primarily due to an increase in unrestricted cash and cash equivalents of $26,334,000, offset by a decrease of $20,051,000 in investments. The fluctuation in both is mainly due to less favorable long-term interest rates at year end. There were also decreases of $2,231,000 in net accounts receivable and $1,893,000 in due from other City departments, divisions and funds. The decreases are attributed to the more timely receipt and transfer of customer payments at year end.

Restricted assets: The Division's restricted assets decreased by $16,000.

Deferred outflows of resources: The Division's deferred outflows of resources decreased by $18,629,000, primarily due to a $16,807,000 decrease in pension outflows and a $3,127,000 decrease in the fair value of the Division's interest-rate swaps. The decrease in pension is chiefly due to investment returns exceeding expectations. These decreases were partially offset by a $3,508,000 increase in other postemployment benefits (OPEB).

Capital assets: The Division's investment in capital assets, as of December 31, 2018, amounted to $1,699,295,000 (net of accumulated depreciation). The total net decrease in the Division's investment in net capital assets was $10,015,000. A summary of the activity in the Division's capital assets during December 31, 2018, is as follows:

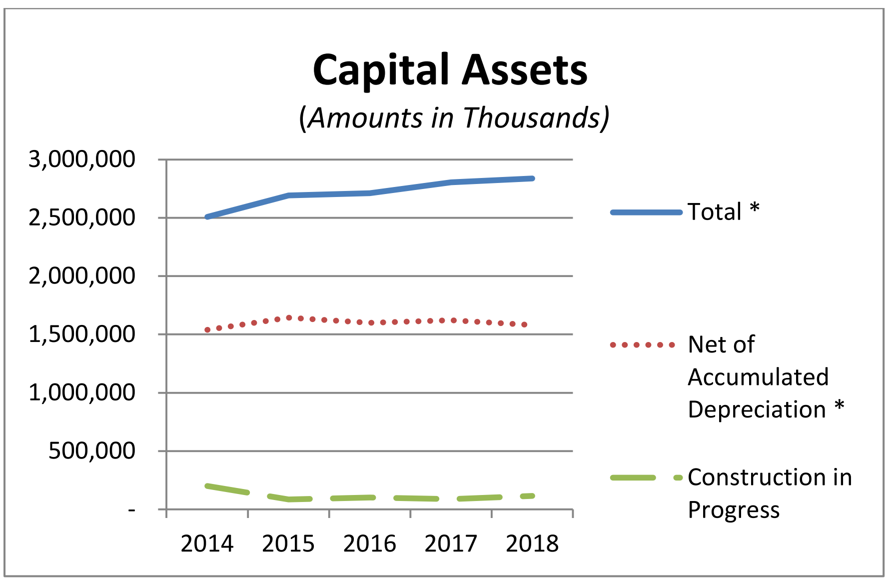
	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
	(Amounts in Thousands)			
Land	$ 5,443	$	$	$ 5,443
Land improvements	17,614	134		17,748
Utility plant	1,918,584	33,702	(8,789)	1,943,497
Buildings, structures and improvements	261,647	1,593	(797)	262,443
Furniture, fixtures, equipment and vehicles	601,986	11,419	(4,766)	608,639
Construction in progress	87,930	48,827	(19,679)	117,078
Total	2,893,204	95,675	(34,031)	2,954,848
Less: Accumulated depreciation	(1,183,894)	(83,644)	11,985	(1,255,553)
Capital assets, net	$ 1,709,310	$ 12,031	$ (22,046)	$ 1,699,295

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Utility plant had a net increase of $24,913,000, primarily due to the acquisition and completion of various suburban water mains. Additionally, construction in progress had additions and reductions of $48,827,000 and $19,679,000, respectively, resulting in a net increase of $29,148,000 (See Note D – Capital Assets).

Major projects still under construction chiefly consist of suburban water main renewals and related engineering services, phase two of the automated meter reading implementation, network upgrades 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 2018, the factors contributing to the Division's net decrease in long-term obligations of $71,347,000 is primarily due to a decrease in the non-current portion of revenue bonds and OWDA loans amounting to $42,995,000 and $8,166,000, respectively. Additionally, there was a decrease in the net pension liability of $24,955,000 primarily due to investment returns exceeding expectations. These decreases were offset by a $4,387,000 increase in net OPEB liability.

Current liabilities: In 2018, total current liabilities increased by $2,719,000. The significant component of the change was an increase of $2,447,000 in accounts payable due to higher maintenance costs incurred at year end. The increase was partially offset by a decrease of $1,723,000 in the customer deposits and other liabilities, primarily due to lower construction related deposits on hand at year end.

Deferred inflows of resources: The Division's deferred inflows of resources increased by $13,173,000 in 2018. Pension grew by $13,151,000, primarily due to investment returns exceeding expectations. The $3,149,000 increase in OPEB was partially offset by a $3,127,000 decrease in the fair value of interest-rate swaps.

Net pension/OPEB liabilities**:** The net pension liability is reported by the Division at December 31, 2018 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 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. This implementation also had the effect of restating net position at December 31, 2017 from $1,507,361,000 to $1,470,198,000. Additional information on the restatement can be found in Note J – Restatement.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-term debt: At the end of 2018, the Division had total long-term debt outstanding of $604,170,000. 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, 2018, is summarized below (excluding unamortized discounts and premiums):

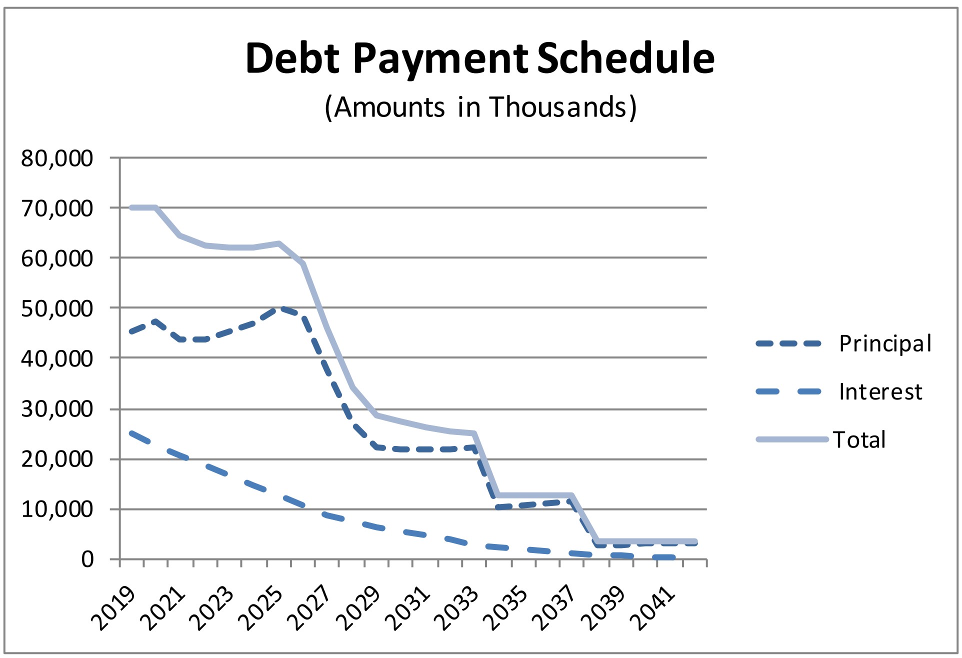
	Balance January 1, 2018	Debt Issued	Debt Retired	Balance December 31, 2018
	(Amounts in Thousands)			
Long-Term Debt				
Water Revenue Bonds:				
Series G 1993	$ 46,200	$	$ (10,650)	$ 35,550
Series P 2007	6,025		(6,025)	-
Series T 2009	47,480		(10,415)	37,065
Series U 2010	54,935			54,935
Series V 2010	26,495			26,495
Series W 2011	1,530		(150)	1,380
Series X 2012	27,575			27,575
Series Y 2015	116,205			116,205
Series Z 2015	3,410		(2,415)	995
Series AA 2015	90,800			90,800
Series BB 2017	15,760		(45)	15,715
Series CC 2017	54,730			54,730
Second Lien Series A 2012	30,860		(6,105)	24,755
Second Lien Series B 2017	43,095		(600)	42,495
Ohio Water Development Authority Loans	83,384		(7,909)	75,475
Total	$ 648,484	$ -	$ (44,314)	$ 604,170

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds as of December 31, 2018, are as follows:

	Moody's Investors Service	Standard & Poor's
Waterworks Improvement Revenue Bonds	Aa1	AA+
Second Lien Water Revenue Bonds	Aa2	AA

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers, investors and creditors. The Division's revenue bond coverage for 2018 and 2017 was 247% and 266%, respectively.



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 27 - 35.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1,500,852,000 and $1,470,198,000 at December 31, 2018 and 2017, respectively.

Of the Division's net position, $1,090,009,000 at December 31, 2018, 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, $63,758,000 at December 31, 2018, 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, $347,085,000, at December 31, 2018, 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 2018 by $30,654,000. The following table identifies the key elements of the Division's results of operations for the years ended December 31, 2018 and 2017:

	2018	2017
	(Amounts in Thousands)	
Operating revenues	$ 306,150	$ 301,453
Operating expenses	273,156	263,202
Operating income (loss)	32,994	38,251
Non-operating revenue (expense):		
Investment income	9,146	4,518
Interest expense	(26,004)	(25,535)
Amortization of bond premiums and discounts	5,935	4,452
Gain (loss) on disposal of capital assets	(2,368)	(2,250)
Other	129	(1,066)
Total non-operating revenue (expense), net	(13,162)	(19,881)
Income (loss) before capital and other contributions	19,832	18,370
Capital and other contributions	10,822	45,810
Change in net position	$ 30,654	$ 64,180

Operating revenue: In 2018, total operating revenues of the Division increased $4,697,000 or 1.6%. The rise is primarily attributed to an increase of $2,640,000 or 51.4% in construction related revenue. The increase was partially offset by a $454,000 decrease in fire line revenue.

Operating expenses: The overall increase in operating expenses of $9,954,000 in 2018 was primarily attributed to a $5,267,000 increase in utility costs and a $3,111,000 increase in salary costs. Utility expenses grew due to a combination of higher rates and increased usage of electricity and sewer services. The increase in salary costs is mainly attributed to fulfillment of budgeted positions as well as ratification of union contracts that resulted in increased wages and retroactive pay being owed.

There was $5,535,000 increase in maintenance expense that was primarily attributed to a $2,533,000 increase in salary costs. In addition, there was a $2,502,000 increase in repairs to water mains, valves, connections and hydrants.

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

Non-operating revenue: From 2017 to 2018, non-operating revenues increased by $6,240,000 or 69.6%. This increase is primarily related to increased cash position and higher interest rates.

Non-operating expense: From 2017 to 2018, non-operating expenses decreased by $479,000 or 1.7%, mainly due to not incurring bond issuance costs in 2018.

Capital and other contributions: In 2018, capital and other contributions amounted to $10,822,000. This was primarily due to the Division acquiring the distribution mains in the city of Parma.

Non-OPEB expenses: The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $527,000 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $4,028,000. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

		(Amounts in Thousands)
Total 2018 program expenses under GASB 75	$	301,528
OPEB expense under GASB 75		(4,028)
Adjusted 2018 program expenses		297,500
Total 2017 program expenses under GASB 45		(292,053)
Increase in program expenses not related to OPEB	$	5,447

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, 2018
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CAPITAL ASSETS		
Land	$	5,443
Land improvements		17,748
Utility plant		1,943,497
Buildings, structures and improvements		262,443
Furniture, fixtures, equipment and vehicles		608,639
		2,837,770
Less: Accumulated depreciation		(1,255,553)
		1,582,217
Construction in progress		117,078
CAPITAL ASSETS, NET		1,699,295
RESTRICTED ASSETS		
Cash and cash equivalents		67,417
Accrued interest receivable		89
TOTAL RESTRICTED ASSETS		67,506
CURRENT ASSETS		
Cash and cash equivalents		411,768
Restricted cash and cash equivalents		2,307
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $18,114		51,103
Unbilled revenue		10,116
Accrued interest receivable		5
Due from other City of Cleveland departments, divisions or funds		2,631
Materials and supplies - at average cost		9,686
Prepaid expenses		1,441
TOTAL CURRENT ASSETS		489,057
TOTAL ASSETS		2,255,858
DEFERRED OUTFLOWS OF RESOURCES		
Derivative instruments-interest rate swaps		7,980
Unamortized loss on bond refunding		22,283
Pension		17,432
OPEB		4,035
TOTAL DEFERRED OUTFLOWS OF RESOURCES		51,730

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF NET POSITION
December 31, 2018
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	1,090,009
Restricted for capital projects		1
Restricted for debt service		63,757
Unrestricted		347,085
TOTAL NET POSITION		1,500,852
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Accrued wages and benefits		957
OWDA loans		67,309
Revenue bonds		522,692
Net pension liability		62,889
Net OPEB liability		42,077
TOTAL LONG-TERM OBLIGATIONS		695,924
CURRENT LIABILITIES		
Accounts payable		14,261
Customer deposits and other liabilities		2,816
Current portion of accrued wages and benefits		8,816
Due to other City of Cleveland departments, divisions or funds		1,741
Accrued interest payable		8,930
Current payable from restricted assets		2,307
Current portion of long-term debt, due within one year		45,226
TOTAL CURRENT LIABILITIES		84,097
TOTAL LIABILITIES		780,021
DEFERRED INFLOWS OF RESOURCES		
Derivative instruments-interest rate swaps		7,980
Pension		15,586
OPEB		3,149
TOTAL DEFERRED INFLOWS OF RESOURCES		26,715

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, 2018
(Amounts in Thousands)

OPERATING REVENUES		
Charges for services	$	306,150
TOTAL OPERATING REVENUES		306,150
OPERATING EXPENSES		
Operations		127,859
Maintenance		70,042
Depreciation		75,255
TOTAL OPERATING EXPENSES		273,156
OPERATING INCOME (LOSS)		32,994
NON-OPERATING REVENUE (EXPENSE)		
Investment income		9,146
Interest expense		(26,004)
Amortization of bond premiums and discounts		5,935
Gain (loss) on disposal of capital assets		(2,368)
Other		129
TOTAL NON-OPERATING REVENUE (EXPENSE), NET		(13,162)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS		19,832
Capital and other contributions		10,822
INCREASE (DECREASE) IN NET POSITION		30,654
NET POSITION, BEGINNING OF YEAR, as restated		1,470,198
NET POSITION, END OF YEAR	$	1,500,852

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, 2018
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	303,576
Cash payments to suppliers for goods or services		(99,987)
Cash payments to employees for services		(81,745)
Other		(556)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		121,288
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants		32
NET CASH PROVIDED BY(USED FOR) NONCAPITAL FINANCING ACTIVITIES		32
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(55,747)
Principal paid on long-term debt		(44,314)
Interest paid on long-term debt		(24,022)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(124,083)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities		(521,835)
Proceeds from sale and maturity of investment securities		541,914
Interest received on investments		9,094
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		29,173
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		26,410
CASH AND CASH EQUIVALENTS, beginning of year		455,082
CASH AND CASH EQUIVALENTS, end of year	$	481,492

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$	32,994
Adjustments:		
Depreciation		75,255
(Increase) decrease in assets:		
Accounts receivable, net		2,231
Unbilled revenue		362
Due from other City of Cleveland departments, divisions or funds		1,893
Materials and supplies, net		(1,296)
Prepaid expenses		(674)
(Increase) decrease in deferred outflows of resources		
Pension		16,807
OPEB		(3,508)
Increase (decrease) in liabilities:		
Accounts payable		2,447
Customer deposits and other liabilities		(1,723)
Accrued wages and benefits		872
Due to other City of Cleveland departments, divisions or funds		(104)
Net pension liability		(24,955)
Net OPEB liability		4,387
Increase (decrease) in deferred inflows of resources		
Pension		13,151
OPEB		3,149
TOTAL ADJUSTMENTS		88,294
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	121,288

SCHEDULE OF NON-CASH CAPITAL AND RELTAED FINANCING ACTIVITIES

Contributions and accounts payable related to capital assets	$	13,129

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying water services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that are provided by other entities. As required, the Division has implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The Division has determined that GASB Statement No. 85 has no impact on its financial statements as of December 31, 2018.

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The Division has determined that GASB Statement No. 86 has no impact on its financial statements as of December 31, 2018.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statement of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of water to residential, commercial and industrial customers based upon actual water consumption and from a fixed charge based upon meter size. Water rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018. 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.

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

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 2018, total interest costs incurred amounted to $26,793,000, of which $789,000 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, 2018

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2018, is as follows:

	Interest Rate	Original Issuance	2018
	(Amounts in Thousands)		
Water Revenue Bonds:			
Series G 1993 due through 2021	5.50%	$ 228,170	$ 35,550
Series T 2009 due through 2021	4.00%-5.00%	84,625	37,065
Series U 2010 due through 2033	Variable	54,935	54,935
Series V 2010 due through 2033	Variable	26,495	26,495
Series W 2011 due through 2026	2.00%-4.00%	82,090	1,380
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 Z 2015 due through 2019	4.00%-5.00%	15,930	995
Series AA 2015 due through 2033	Variable	90,800	90,800
Series BB 2017 due through 2032	3.00%-5.00%	15,760	15,715
Series CC 2017 due through 2028	5.00%	54,730	54,730
Second Lien Series A 2012 due 2022	4.00%-5.00%	76,710	24,755
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	75,475
		$ 1,086,722	604,170
Adjustments:			
Unamortized discount and premium			31,057
Current portion			(45,226)
Total Long-Term Debt			$ 590,001

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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

Summary: Changes in long-term obligations for the year ended December 31, 2018, are as follows:

	Restated Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
			(Amounts in Thousands)		
Water Revenue Bonds:					
Series G 1993 due through 2021	$ 46,200	$	$ (10,650)	$ 35,550	$ 11,225
Series P 2007 due through 2018	6,025		(6,025)	-	
Series T 2009 due through 2021	47,480		(10,415)	37,065	12,490
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	1,530		(150)	1,380	150
Series X 2012 due through 2042	27,575			27,575	
Series Y 2015 due through 2037	116,205			116,205	
Series Z 2015 due through 2019	3,410		(2,415)	995	995
Series AA 2015 due through 2033	90,800			90,800	
Series BB 2017 due through 2032	15,760		(45)	15,715	
Series CC 2017 due through 2028	54,730			54,730	5,780
Second Lien Series A 2012 due through 2022	30,860		(6,105)	24,755	6,420
Second Lien Series B 2017 due through 2027	43,095		(600)	42,495	
Ohio Water Development Authority Loans payable annually through 2032	83,384		(7,909)	75,475	8,166
Total revenue bonds/loans	648,484		(44,314)	604,170	45,226
Accrued wages and benefits	8,901	9,198	(8,326)	9,773	8,816
Net pension liability	87,844		(24,955)	62,889	
Net OPEB liability	37,690	4,387		42,077	
Total	$ 782,919	$ 13,585	$ (77,595)	$ 718,909	$ 54,042

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)		
2019	$ 45,226	$ 24,880	$ 70,106
2020	47,476	22,695	70,171
2021	43,870	20,571	64,441
2022	43,778	18,647	62,425
2023	45,475	16,760	62,235
2024-2028	210,112	54,098	264,210
2029-2033	109,788	23,196	132,984
2034-2038	46,510	7,097	53,607
2039-2042	11,935	1,231	13,166
Total	$ 604,170	$ 189,175	$ 793,345

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).

In 2018, the Division did not take out any new loans. OWDA completed an interest rate buy-down which resulted in interest rate savings on 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.

At December 31, 2018, the amount financed on these eleven loan projects, less principal payments made, totaled $75,475,000 and is reflected in the debt service payment schedule.

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

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, 2018:

Series X, 2012	$16,835,000
Second Lien Series A, 2012	$45,850,000

In 1996, the City authorized the adoption of the eighth supplemental indenture to amend and restate the existing indenture, subject to the receipt of consent of the requisite number of bondholders. With the issuance of the Series J bonds, the City reached the 66.7% consent required to enact the Amended and Restated Indenture. Effective October 5, 2001, all outstanding bonds were and any future bonds are secured by the Amended and Restated Indenture. Under the new indenture, the bonds are no longer secured by a mortgage lien. All bonds are secured by the Division's net revenues and by the pledged funds.

The Division's indentures have certain restrictive covenants and principally require that bond reserve funds 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, 2018, 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.

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

Contingency Fund: The balance in this fund must be maintained at $3,500,000.

Construction Fund: Proceeds from the various series of revenue bonds were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the waterworks system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding revenue bonds to the extent that amounts in all other funds are insufficient. No payments need be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in any fund may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and accordingly, the funds are classified as restricted assets in the accompanying financial statements.

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.

Upon the mandatory tender by the direct purchasers of the Water Revenue Bonds, Series U, 2010 and the Water Revenue Bonds, Series V, 2010, the Division entered into new direct purchase agreements on both series of bonds. Effective 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 Division is paying an interest rate equal to 65.001% of one month LIBOR plus a spread for three years.

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

The City has pledged future water system revenues, net of specified operating expenses, to repay $528,695,000 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 43.0% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $708,128,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were $49,719,000 and $117,395,000, respectively.

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

Interest Rate Swap Transactions: Upon the refunding of the Series M Bonds in 2009, the Division's swap became associated with the Series Q, Series R and Series S Bonds. When the Series R and Series S Bonds were refunded in 2010, the swap associated with these bonds was transferred to a portion of the new Series U and Series V Bonds. The portion of the swap associated with Series Q remained unchanged. The Series Q Bonds were then refunded in 2015 and the swap associated with these bonds was transferred to the new Series AA Bonds.

Terms: Simultaneously with the issuance of the City's $175,000,000 Water Revenue Bonds, Series M on August 10, 2004, the City entered into floating to fixed rate swap agreements with notional amounts equal to the total declining balance of the Series M Bonds. Bear Stearns Financial Products Inc. (Bear Stearns) (which has since been acquired by JPMorgan Chase Bank, N.A. (JPM)) was the counterparty on a two-thirds pro-rata share of the transaction and Morgan Stanley Capital Services Inc. (Morgan Stanley) was the counterparty on a one-third pro-rata share of the transaction.

Under the original swap agreements for the Series M Bonds, the Water System was the fixed rate payor, paying a fixed rate of 3.533%. Each counterparty was a floating rate payor, with each paying the Water System 61.25% of one month LIBOR plus a spread. Net payments were exchanged semiannually on January 1 and July 1. The obligation of the Water System to make periodic payments (but not any termination payment) was secured by a pledge of and lien on the net revenues of the Water System on a parity with the pledge and lien securing the payment of debt service on the bonds. Both the bond debt service payments on the Series M bonds and the periodic swap payments were insured by Financial Security Assurance (FSA).

As part of the refunding of the Series M Bonds, the City amended and restated the original swap agreements to (a) eliminate the swap insurance and related insurer rights, (b) modify the payment frequency, (c) transfer the original swap agreement from Bear Stearns to JPM and (d) split each original swap agreement into two separate interest rate swaps in order to hedge separate series of bonds. The original Bear Stearns swap which has been assumed by JPM hedged the entire principal amount of Series R and certain maturities of the Series Q Bonds. The original Morgan Stanley swap hedged the entire principal amount of Series S and a portion of the Series Q Bonds. The floating rate received by the City was not altered. However, the fixed rate paid by the City was adjusted to 3.553% for the JPM swap and 3.5975% for the Morgan Stanley swap. The termination date for the swaps associated with the Series Q Bonds (now the Series AA Bonds) is January 1, 2021 while the termination date for the Series R and Series S swaps is January 1, 2033. Net payments are now exchanged monthly. With the refunding of the Series R and Series S Bonds, the JPM swap now hedges all but $200,000 of the Series U Bonds and the Morgan Stanley swap hedges all but $200,000 of the Series V Bonds.

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

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

Basis Risk: By entering into swaps based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between Securities Industry and Financial Markets Association (SIFMA) (tax-exempt) and LIBOR (taxable) interest rates has been 67.0% over time, this relationship may not always apply. If the payments received from the counterparties are less than the amount paid on the variable rate bonds, the Water System must make up the difference in addition to paying the fixed rate resulting from the swap. As a result of the turmoil in the financial markets beginning in 2008, the SIFMA/LIBOR ratio has been both significantly higher and lower than 67.0% for large periods of time. In addition, a reduction in federal income tax rates, such as the one recently enacted, might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of the financing.

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

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

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2018, as reported by JPM and Morgan Stanley totaled $7,980,000, which would be payable by the City.

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

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.

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

	Changes in Fair Value		Fair Value at December 31, 2018		
	Classification	Amount	Classification	Amount	Notional
			(Amounts in Thousands)		
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2015 AA Water Swap	Deferred inflow	$ 950	Debt	$ (746)	$ 39,030
2010 U Water Swap	Deferred inflow	1,452	Debt	(4,832)	54,735
2010 V Water Swap	Deferred inflow	725	Debt	(2,402)	26,295

The following table presents the objective and significant terms of the Division's derivative instruments at December 31, 2018, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 25,295,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa2/A+/AA
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 13,735,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa2/A+/AA
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A

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

The following table presents the aggregate debt service requirements on the Division's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2018. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2018, remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented. The following table is the total amount of the bond issuances that have hedging, although some of the bonds are not hedged.

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(Amounts in Thousands)		
2019	$	$ 3,465	$ 1,894	$ 5,359
2020		3,471	1,653	5,124
2021	2,170	3,427	1,405	7,002
2022	14,830	3,166	1,145	19,141
2023	15,415	2,873	875	19,163
2024-2028	80,240	9,514	1,235	90,989
2029-2033	59,575	2,628	93	62,296
Total	$ 172,230	$ 28,544	$ 8,300	$ 209,074

Ohio Water Development Authority (OWDA) Loans: These loans are payable from net revenues derived from the Waterworks System. These obligations do not have a lien on revenues of the Division. The current loans are being paid directly to the contractor by the State of Ohio, but accounted for as if the Division received and disbursed those monies.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2018, totaled $108,935,000 and the Division's bank balances were $107,772,000 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*, $107,772,000 of the bank balances at December 31, 2018, was insured or collateralized with securities held by the City or by its agent in the City's name.

NOTE C – DEPOSITS 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% 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, 2018:

Type of Investment	Fair Value	Fair Value Measurement Level 2
	(Amounts in Thousands)	
Commercial Paper	$ 7,189	$ 7,189
Total Investments	$ 7,189	$ 7,189

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, 2018, include STAR Ohio, commercial paper and money market mutual funds. Investments in STAR Ohio, the PNC Treasury Money Market Fund and the First American Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that 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, 2018, 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	2018 Value	2018 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 302,997	$ 302,997	$ 302,997
Commercial Paper	7,189	7,189	7,189
Money Market Mutual Funds	62,371	62,371	62,371
Total Investments	372,557	372,557	372,557
Total Deposits	108,935	108,935	108,935
Total Deposits and Investments	$ 481,492	$ 481,492	$ 481,492

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, 2018, the investments in STAR Ohio, commercial paper and money market mutual funds are approximately 81.3%, 1.9% and 16.8%, respectively, of the Division’s total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE D – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
		(Amounts in Thousands)		
Capital assets, not being depreciated:				
Land	$ 5,443	$	$	$ 5,443
Construction in progress	87,930	48,827	(19,679)	117,078
Total capital assets, not being depreciated	93,373	48,827	(19,679)	122,521
Capital assets, being depreciated:				
Land improvements	17,614	134		17,748
Utility plant	1,918,584	33,702	(8,789)	1,943,497
Buildings, structures and improvements	261,647	1,593	(797)	262,443
Furniture, fixtures, equipment and vehicles	601,986	11,419	(4,766)	608,639
Total capital assets, being depreciated	2,799,831	46,848	(14,352)	2,832,327
Less: Accumulated depreciation	(1,183,894)	(83,644)	11,985	(1,255,553)
Total capital assets being depreciated, net	1,615,937	(36,796)	(2,367)	1,576,774
Capital assets, net	$ 1,709,310	$ 12,031	$ (22,046)	$ 1,699,295

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Commitments: The Division has outstanding commitments at December 31, 2018, of approximately $173,926,000 for future capital expenditures. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION 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 2018, 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 $8,156,000 for 2018. 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, 2017 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	$	62,889
Proportion of the Net Pension Liability		0.395659%
Change in Proportion		0.015776%
Pension Expense	$	13,215

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, 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		
Differences between expected and actual economic experience	$	61
Change in proportionate share		2,059
Change in assumptions		7,156
Division's contributions subsequent to the measurement date		8,156
Total Deferred Outflows of Resources	$	17,432
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	1,355
Difference in projected & actual investment earnings		13,309
Change in Division's proportionate share		922
Total Deferred Inflows of Resources	$	15,586

The $8,156,000 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, 2019. 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)
2019	$	5,532
2020		(377)
2021		(5,894)
2022		(5,516)
2023		(17)
Thereafter		(38)
Total	$	(6,310)

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
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	7.5%
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 2017, 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 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
		(Amounts in Thousands)	
Division's proportionate share of the net pension liability	$ 112,688	$ 62,889	$ 22,254

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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 2018, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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, 2018, 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 for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, 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		0.389228%
Prior Measurement Date		0.373155%
Change in Proportionate Share		0.016073%
Proportionate Share of the Net OPEB Liability	$	42,077
OPEB Expense	$	4,028

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, 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	$ 33
Changes in assumptions	3,078
Changes in proportion and differences between Division contributions and proportionate share of contributions	924
Total Deferred Outflows of Resources	$ 4,035
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 3,149
Total Deferred Inflows of Resources	$ 3,149

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)
2019	$ 1,142
2020	1,142
2021	(611)
2022	(787)
Total	$ 886

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, 2016, rolled forward to the measurement date as of December 31, 2017. 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	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial 3.25%, ultimate in 2028
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 2017, 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 15.2% for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date as of December 31, 2016. 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 6.50% and a municipal bond rate of 3.31%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034 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 3.85%, 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 (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 56,155	$ 42,077	$ 31,034

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 2018 is 7.50%. 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	$ 40,442	$ 42,077	$ 44,155

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 2018.

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 $2,238,000 in 2018. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $683,000 in 2018.

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, 2018 was as follows:

	(Amounts in Thousands)
Electricity Purchases	$ 18,086
Utilities Administration and Utilities Fiscal Control	8,274
City Administration	4,134
Motor Vehicle Maintenance	2,797
Telephone Exchange	1,002

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 $4,831,000 for December 31, 2018.

NOTE J – RESTATEMENT

For 2018, the Division implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* It established standards for measuring and recognizing postemployment benefits other than pension, deferred outflows of resources, deferred inflows of resources and expense. The implementation of GASB Statement No. 75 had the following effect on net position as reported December 31, 2017:

	Net Position December 31, 2017	Restatement	Restated Net Position December 31, 2017
	(Amounts in Thousands)		
Beginning net position	$ 1,507,361	$ (37,163)	$ 1,470,198

NOTE K – SUBSEQUENT EVENTS

On April 25, 2019, the City issued $97,160,000 Water System Revenue Bonds, Series DD, 2019. These bonds were issued to currently refund all of the outstanding Water System Revenue Bonds, Series T and the outstanding Water System Revenue Bonds, Series W. As a result of the refunding of the Series T and Series W Bonds, the Division achieved net present value savings of approximately $865,000. The Series DD Bonds also refunded all of the outstanding Water System Revenue Bonds, Series U and the Water System Revenue Bonds, Series V. These bonds were initially issued as variable rate bonds and have now been converted to fixed rate bonds through this refunding. Bond proceeds were also used to make termination payments with respect to interest rate swaps agreements and to pay the costs of issuing the Series DD Bonds.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

Required Supplementary Information

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

	2018	2017	2016	2015	2014
	(Amounts in Thousands)				
Division's Proportion of the Net Pension Liability	0.395659%	0.379883%	0.396321%	0.411161%	0.411161%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 62,889	$ 87,844	$ 69,902	$ 49,432	$ 48,397
Division's Covered Payroll	$ 52,731	$ 50,392	$ 50,533	$ 51,458	$ 46,600
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	119.26%	174.32%	138.33%	96.06%	103.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(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. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 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
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

Required Supplementary Information (Continued)

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

	2018	2017	2016	2015	2014	2013
			(Amounts in Thousands)			
Contractually Required Contributions	$ 8,156	$ 6,855	$ 6,047	$ 6,064	$ 6,175	$ 6,058
Contributions in Relation to the Contractually Required Contributions	(8,156)	(6,855)	(6,047)	(6,064)	(6,175)	(6,058)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Division's Covered Payroll	$ 58,257	$ 52,731	$ 50,392	$ 50,533	$ 51,458	$ 46,600
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(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
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 Two Measurement Years (1), (2)

	2018	2017
	(Amounts in Thousands)	
Division's Proportion of the Net OPEB Liability	0.389228%	0.373155%
Division's Proportionate Share of the Net OPEB Liability	$ 42,077	$ 37,690
Division's Covered Payroll	$ 52,731	$ 50,392
Division's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	79.80%	74.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(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 2018, the single discount rate changed from 4.23% to 3.85%.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

Required Supplementary Information (Continued)

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

	2018	2017	2016
	(Amounts in Thousands)		
Contractually Required Contributions	$ -	$ 527	$ 1,008
Contributions in Relation to the Contractually Required Contributions	-	(527)	(1,008)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered Payroll	$ 58,257	$ 52,731	$ 50,392
Contributions as a Percentage of Covered Payroll	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 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.

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, 2018

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

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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, 2018, 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.

Auditor's Responsibility

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

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

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

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, 2018, 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.

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, 2018, 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.

Change in Accounting Principle

During the year ended December 31, 2018, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the Division restated net position at January 1, 2018 for the change in accounting principle (See Note J). 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, 2019

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, 2018. 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 116,942 customer accounts in the City, of which 95.5% are residential and 4.5% commercial. Also, in 2018, the Division's sewers transported 1,698,122 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 \$103,813,000 and \$101,504,000 at December 31, 2018 and 2017, respectively. Of these amounts, \$28,688,000 and \$24,991,000 are unrestricted net position at December 31, 2018 and 2017, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net position increased by \$2,309,000 in 2018. Operating revenues increased by \$627,000 or 2.1% primarily due to an increase in consumption and fixed fee revenue.

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total debt decreased in 2018 by $594,000 due to the 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 - 49 of this report. Required supplementary information can be found on pages 50 - 53 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, 2018 and December 31, 2017:

	2018	Restated 2017
	(Amounts in Thousands)	
Assets:		
Capital assets, net	$ 100,828	$ 92,526
Restricted assets	9,422	17,921
Current assets	193,043	177,622
Total Assets	303,293	288,069
Deferred outflows of resources	2,636	4,309
Net position:		
Net investment in capital assets	72,531	73,967
Restricted for debt service	2,594	2,546
Unrestricted	28,688	24,991
Total net position	103,813	101,504
Liabilities:		
Long-term obligations	48,925	52,298
Current liabilities	150,794	138,272
Total liabilities	199,719	190,570
Deferred inflows of resources	2,397	304

Current assets: The Division's current assets increased by $15,421,000. Unrestricted cash and cash equivalents rose by $9,110,000, while net accounts receivable increased by $8,730,000. The increase in both is primarily attributed to rising sewer rates. These increases were partially offset by $1,359,000 decrease in due from other governments due to lower grant reimbursements outstanding at year end.

Restricted assets: The Division's restricted assets decreased by $8,499,000 due to disbursements of bond proceeds for construction related expenses.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: At December 31, 2018, net capital assets amounted to $100,828,000. This is a net increase of $8,302,000 from the prior year, mainly attributed to a net increase of $26,807,000 in utility plant, partially offset by a net decrease of $13,328,000 in construction in progress and a net increase in accumulated depreciation of $5,958,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2018, is as follows:

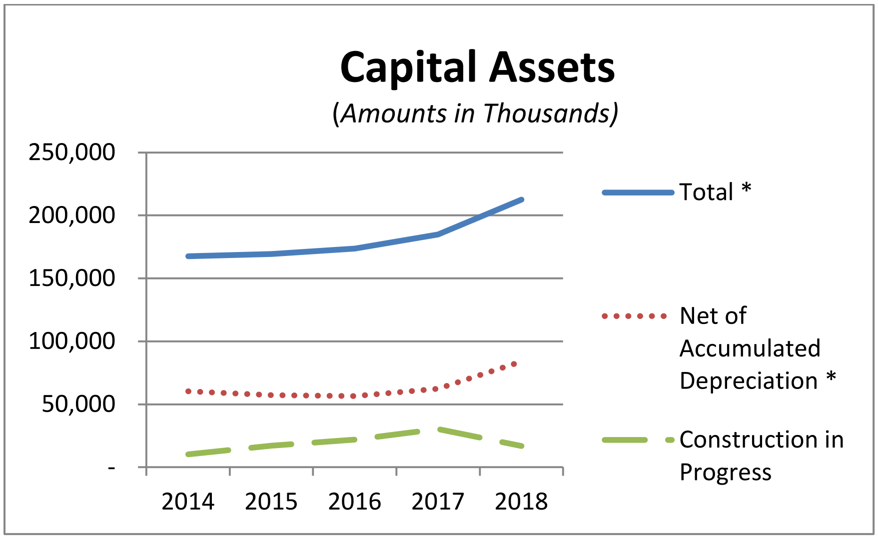
	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
	(Amounts in Thousands)			
Land	$ 297	$	$	$ 297
Land improvements	73	72		145
Utility plant	156,807	26,852	(45)	183,614
Buildings, structures and improvements	9,607	568		10,175
Furniture, fixture, equipment and vehicles	18,159	743	(602)	18,300
Construction in progress	30,254	14,182	(27,510)	16,926
Total	215,197	42,417	(28,157)	229,457
Less: Accumulated depreciation	(122,671)	(6,562)	604	(128,629)
Capital assets, net	$ 92,526	$ 35,855	$ (27,553)	$ 100,828

In 2018, the largest capital additions were sewer installations, re-linings, replacements, connections and the Bryant Avenue sewer rehabilitation.

The major capital projects/expenses for the year included:

- Sewer installations
- East 75th Street rehabilitation
- Project management
- Building improvements
- East 103rd Street rehabilitation

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 decreased by $1,673,000 in 2018, due to a decrease in pension of $2,114,000 primarily due to investment returns exceeding expectations, offset by an increase in other postemployment benefits (OPEB) of $441,000.

Current liabilities: Current liabilities increased by $12,522,000 in 2018, mainly due to an increase in amounts due for billings on behalf of others of $14,907,000. The growth is primarily attributed to rising sewer account balances associated with the NEORSD. A decrease in due to other City of Cleveland departments, divisions or funds of $1,750,000 is primarily due to more timely transfers of amounts owed at year end.

***Net pension/OPEB liabilities*:** The net pension liability is reported by the Division at December 31, 2018 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 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. This implementation also had the effect of restating net position at December 31, 2017 from $106,196,000 to $101,504,000. Additional information on the restatement can be found in Note J – Restatement of Net Position.

Long-term debt: At the end of 2018, the Division had total debt outstanding of $31,340,000 associated with its issuance of revenue bonds and two OPWC construction loans. 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, 2018 is summarized below:

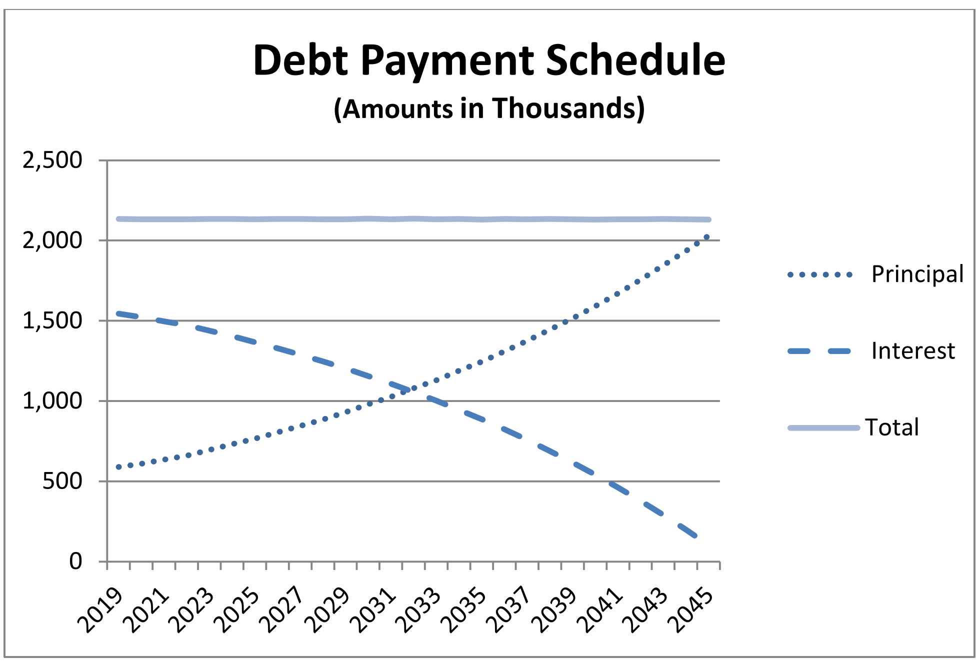
	Balance January 1, 2018	Debt Issued	Debt Retired	Balance December 31, 2018
	(Amounts in Thousands)			
Water Pollution Control Revenue Bonds, Series 2016	$ 31,840	$	$ (570)	$ 31,270
Ohio Public Works Commission Loans (OPWC)	94		(24)	70
Total	$ 31,934	$ -	$ (594)	$ 31,340

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bonds ratings for the Division's outstanding revenue bonds as of December 31, 2018, 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 2018 was 483%.



Additional information on the Division's long-term debt can be found in Note B – Long-term Obligations on pages 27 - 31.

Deferred inflows of resources: Deferred inflows of resources increased by $2,093,000 in 2018. The increase is attributed to increases in pension and OPEB deferred inflows of resources due to investment returns exceeding 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 $103,813,000 and $101,504,000 at December 31, 2018 and 2017, respectively.

The largest portion of the Division's net position, $72,531,000 at December 31, 2018, 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, $2,594,000 at December 31, 2018, represents resources that are subject to external restrictions. These funds are set aside for the payment of revenue bonds.

The remaining balance of net position, $28,688,000 at December 31, 2018, 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 2018, the Division's operations increased its net position by $2,309,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2018 and 2017:

	2018	2017
	(Amounts in Thousands)	
Operating revenues	$ 30,019	$ 29,392
Operating expenses	28,854	27,415
Operating income (loss)	1,165	1,977
Non-operating revenue (expense):		
Investment income	642	631
Interest expense		(2)
Amortization of bond premiums and discounts	276	280
Gain (loss) on the disposal of assets	(43)	
Other	11	8
Total non-operating revenue (expense), net	886	917
Income (loss) before capital and other contributions	2,051	2,894
Capital and other contributions	258	3,893
Change in net position	$ 2,309	$ 6,787

Operating revenues: Operating revenues amounted to $30,019,000 in 2018, which was an increase of $627,000 from the previous year. The increase is primarily the result of an increase in consumption and fixed fee revenue in 2018.

Operating expenses: In 2018, total operating expenses increased by $1,439,000. Operations expense increased by $930,000 compared to 2017. The growth is primarily attributed to a $735,000 increase in contractual services related to costs to prepare a sewer system evaluation survey. In addition, salary costs increased by $375,000 due to fulfillment of budgeted positions as well as ratification of union contracts that resulted in increased wages and retroactive pay being owed.

There was $287,000 increase in maintenance expense that was primarily attributed to a $203,000 increase in salary costs related to the previously mentioned reasons.

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

Non-operating revenues: From 2017 to 2018, non-operating revenues increased by $10,000 or 1.1%. This increase is primarily related to increased cash position and higher interest rates.

Non-operating expenses: From 2017 to 2018, non-operating expenses increased by $41,000; resulting from a loss on disposal of assets.

Capital and other contributions: The Division was the recipient of a grant from the NEORSD totaling $258,000. The grant is intended to help mitigate the detrimental effects of storm water runoff.

Non-OPEB expenses: The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $66,000 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $506,000. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	(Amounts in Thousands)
Total 2018 program expenses under GASB 75	$ 28,897
OPEB expense under GASB 75	(506)
Adjusted 2018 program expenses	28,391
Total 2017 program expenses under GASB 45	(27,417)
Increase in program expenses not related to OPEB	$ 974

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, 2018
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 297
Land improvements	145
Utility plant	183,614
Buildings, structures and improvements	10,175
Furniture, fixtures, equipment and vehicles	18,300
	212,531
Less: Accumulated depreciation	(128,629)
	83,902
Construction in progress	16,926
CAPITAL ASSETS, NET	100,828
RESTRICTED ASSETS	
Cash and cash equivalents	9,403
Accrued interest receivable	19
TOTAL RESTRICTED ASSETS	9,422
CURRENT ASSETS	
Cash and cash equivalents	78,495
Restricted cash and cash equivalents	1,509
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $2,981 in 2018	110,218
Unbilled revenue	1,843
Accrued interest receivable	36
Due from other governments	258
Due from other City of Cleveland departments, divisions or funds	27
Materials and supplies	591
Prepaid expenses	66
TOTAL CURRENT ASSETS	193,043
TOTAL ASSETS	303,293
DEFERRED OUTFLOWS OF RESOURCES	
Pension	2,129
OPEB	507
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,636

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2018
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	72,531
Restricted for debt service		2,594
Unrestricted		28,688
TOTAL NET POSITION		103,813
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OPWC loans		46
Accrued wages and benefits		150
Revenue bonds		35,309
Net pension liability		8,110
Net OPEB liability		5,310
TOTAL LONG-TERM OBLIGATIONS		48,925
CURRENT LIABILITIES		
Accounts payable		666
Customer deposits and other liabilities		190
Payable from restricted assets		1,509
Accrued wages and benefits		1,167
Due to other City of Cleveland departments, divisions or funds		2,585
Amounts due for billing on behalf of others		143,870
Accrued interest payable		193
Current portion of long-term debt, due within one year		614
TOTAL CURRENT LIABILITIES		150,794
TOTAL LIABILITIES		199,719
DEFERRED INFLOWS OF RESOURCES		
Pension		2,001
OPEB		396
TOTAL DEFERRED INFLOWS OF RESOURCES		2,397

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, 2018
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 30,019
TOTAL OPERATING REVENUES	30,019
OPERATING EXPENSES	
Operations	12,923
Maintenance	9,369
Depreciation	6,562
TOTAL OPERATING EXPENSES	28,854
OPERATING INCOME (LOSS)	1,165
NON-OPERATING REVENUE (EXPENSE)	
Investment income	642
Amortization of bond premiums and discounts	276
Gain (loss) on disposal of assets	(43)
Other	11
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	886
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	2,051
Capital and other contributions	258
INCREASE (DECREASE) IN NET POSITION	2,309
NET POSITION, BEGINNING OF YEAR (as restated)	101,504
NET POSITION, END OF YEAR	$ 103,813

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, 2018
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 29,044
Cash payments to suppliers for goods or services	(9,937)
Cash payments to employees for services	(9,931)
Agency activity on behalf of NEORSD	4,645
Other	42
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	13,863
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(14,509)
Principal paid on long-term debt	(594)
Interest paid on long-term debt	(1,562)
Capital grant proceeds	1,617
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(15,048)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	(9,914)
Proceeds from sale and maturity of investment securities	9,914
Interest received on investments	842
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	842
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(343)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	89,750
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 89,407

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$	1,165
Adjustments		
Depreciation		6,562
(Increase) decrease in assets:		
Accounts receivable, net		(8,730)
Unbilled revenue		228
Due from other City of Cleveland departments, divisions or funds		5
Materials and supplies, net		(42)
Prepaid expenses		(66)
(Increase) decrease in deferred outflows of resources:		
Pension		2,114
OPEB		(441)
Increase (decrease) in liabilities:		
Accounts payable		311
Customer deposits and other liabilities		1
Accrued wages and benefits		89
Due to other City of Cleveland departments, divisions or funds		(1,750)
Amounts due for billings on behalf of others		14,907
Net pension liability		(3,135)
Net OPEB liability		552
Increase (decrease) in deferred inflows of resources:		
Pension		1,697
OPEB		396
TOTAL ADJUSTMENTS		12,698
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	13,863

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Accounts payable related to capital assets	$	1,509

See notes to financial statements.

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying sewer services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that are provided by other entities. As required, the Division has implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The Division has determined that GASB Statement No. 85 has no impact on its financial statements as of December 31, 2018.

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments,* was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The Division has determined that GASB Statement No. 86 has no impact on its financial statements as of December 31, 2018.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and is divided into the following categories:

- Net investment in capital assets
- 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.

Accounts Receivables: The Division's share of the accounts receivable balance is $13,341,000, net of allowance for doubtful accounts of $2,981,000. The remaining net accounts receivable balance of $96,877,000 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018. 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

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 2018, total interest costs incurred amounted to $1,560,000, of which $1,341,000 was capitalized, net of interest income of $219,000.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resources and is amortized over the shorter of the defeased bond or the newly issued bond.

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

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, 2018 as follows:

	Interest Rate	Original Issuance	2018
		(Amounts in Thousands)	
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	3.00% - 5.00%	$ 32,390	$ 31,270
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	0.00%	481	70
		$ 32,871	31,340
Less:			
Unamortized discount and premium			4,629
Current portion			(614)
Total Long-Term Debt			$ 35,355

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2018, are as follows:

	Restated Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
	(Amounts in Thousands)				
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	$ 31,840	$	$ (570)	$ 31,270	$ 590
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	94		(24)	70	24
Total bonds and loans	31,934	-	(594)	31,340	614
Accrued wages and benefits	1,228	1,267	(1,178)	1,317	1,167
Net pension liability	11,245		(3,135)	8,110	
Net OPEB liability	4,758	552		5,310	
Total	$ 49,165	$ 1,819	$ (4,907)	$ 46,077	$ 1,781

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(Amounts in Thousands)		
2019	$ 614	$ 1,545	$ 2,159
2020	634	1,522	2,156
2021	646	1,497	2,143
2022	671	1,472	2,143
2023	695	1,439	2,134
2024-2028	4,030	6,636	10,666
2029-2033	5,145	5,523	10,668
2034-2038	6,565	4,102	10,667
2039-2043	8,375	2,289	10,664
2044-2045	3,965	299	4,264
Total	$ 31,340	$ 26,324	$ 57,664

The Ohio Public Works Commission Loans 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 are being 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.

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.

NOTE B - LONG-TERM OBLIGATIONS (Continued)

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, 2018, 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.

The City has pledged future water pollution control revenues to repay $31,270,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds are being 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 21.0% of net revenues.

NOTE B - LONG-TERM OBLIGATIONS (Continued)

The total principal and interest remaining to be paid on the Water Pollution Control Revenue Bonds is $57,594,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $2,132,000 and $10,307,000 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, 2018.

In addition, the Division had two OPWC loan awards as of December 31, 2018. 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, 2018, totaled $5,614,000 and the Division's bank balances were approximately $9,669,000. 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*, $9,669,000 of the bank balances at December 31, 2018, 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.

NOTE C – DEPOSIT AND INVESTMENTS (Continued)

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, 2018 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 PNC Treasury Money Market Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that 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, 2018, 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	2018 Value	2018 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 48,166	$ 48,166	$ 48,166
Money Market Mutual Funds	35,627	35,627	35,627
Total Investments	83,793	83,793	83,793
Total Deposits	5,614	5,614	5,614
Total Deposits and Investments	$ 89,407	$ 89,407	$ 89,407

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, 2018, the investments in STAR Ohio and money market mutual funds are 57.5% and 42.5%, 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, 2018

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	30,254	14,182	(27,510)	16,926
Total capital assets, not being depreciated	30,551	14,182	(27,510)	17,223
Capital assets, being depreciated:				
Land improvements	73	72		145
Utility plant	156,807	26,852	(45)	183,614
Buildings, structures and improvements	9,607	568		10,175
Furniture, fixtures, equipment and vehicles	18,159	743	(602)	18,300
Total capital assets, being depreciated	184,646	28,235	(647)	212,234
Less: Accumulated depreciation	(122,671)	(6,562)	604	(128,629)
Total capital assets being depreciated, net	61,975	21,673	(43)	83,605
Capital assets, net	$ 92,526	$ 35,855	$ (27,553)	$ 100,828

Commitments: The Division had outstanding commitments of approximately $20,280,000 for future capital expenses at December 31, 2018. 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 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 PLAN (Continued)

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer. For 2018, 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 $959,000 for 2018. 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, 2017 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	$	8,110
Proportion of the Net Pension Liability		0.049706%
Change in proportion		0.001741%
Pension Expense	$	1,649

At December 31, 2018, 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		
Differences between expected and actual economic experience	$	8
Change in proportionate share		259
Change in assumptions		903
Division's contributions subsequent to the measurement date		959
Total Deferred Outflows of Resources	$	2,129
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	170
Difference in projected and actual investment earnings		1,715
Change in Division's proportionate share		116
Total Deferred Inflows of Resources	$	2,001

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The $959,000 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, 2019. 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:		
2019	$	680
2020		(70)
2021		(741)
2022		(693)
2023		(2)
Thereafter		(5)
Total	$	(831)

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
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	7.5%
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 2017, 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 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 14,623	$ 8,110	$ 2,790

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 2018, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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, 2018, 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, 2016, rolled forward to the measurement date of December 31, 2017, 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		0.048898%
Prior Measurement Date		0.047116%
Change in Proportionate Share		0.001782%
Proportion Share of the Net OPEB Liability	$	5,310
OPEB Expense	$	506

At December 31, 2018, 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 economic experience	$	4
Changes in assumptions		387
Changes in proportion and differences between Division contributions and proportionate share of contributions		116
Total Deferred Outflows of Resources	$	507
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$	396
Total Deferred Inflows of Resources	$	396

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)	
2019	$	143
2020		143
2021		(76)
2022		(99)
Total	$	111

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, 2016, rolled forward to the measurement date of December 31, 2017. 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	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial 3.25%, ultimate in 2028
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 2017, 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 15.2% for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 6.50% and a municipal bond rate of 3.31%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034 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 3.85%, 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 (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 7,055	$ 5,310	$ 3,899

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 2018 is 7.50%. 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	$ 5,081	$ 5,310	$ 5,547

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 2018.

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 $2,238,000 in 2018.

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, 2018, was as follows:

	(Amounts in Thousands)
Utilities Administration and Utilities Fiscal Control	$ 1,149
City Administration	969
Motor Vehicle Maintenance	293
Electricity purchases	246
Street construction/repairs	95

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 $22,000 for the year ended December 31, 2018.

NOTE J – RESTATEMENT OF NET POSITION

For 2018, the Division implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* It established standards for measuring and recognizing postemployment benefits other than pension, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of GASB Statement No. 75 had the following effect on net position as reported December 31, 2017:

	Net Position December 31, 2017	Restatement	Restated Net Position December 31, 2017
	(Amounts in Thousand's)		
Beginning net position	$ 106,196	$ (4,692)	$ 101,504

NOTE K – SUBSEQUENT EVENTS

Ordinance No. 422-18 was passed on May 14, 2018, authorizing the Director of Public Utilities to apply and accept any loans related to the public improvement of E. 185th Street and Marcella Rd. 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.

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 Five Measurement Years (1), (2)

	2018	2017	2016	2015	2014
	(Amounts in Thousands)				
Division's Proportion of the Net Pension Liability	0.049706%	0.047965%	0.047798%	0.054153%	0.054153%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 8,110	$ 11,245	$ 8,979	$ 6,511	$ 6,375
Division's Covered Payroll	$ 6,585	$ 6,367	$ 6,092	$ 6,783	$ 6,138
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	123.16%	176.61%	147.39%	95.99%	103.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(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. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 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
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 Six Years (1)

	2018	2017	2016	2015	2014	2013
	(Amounts in Thousands)					
Contractually Required Contributions	$ 959	$ 856	$ 764	$ 731	$ 814	$ 798
Contributions in Relation to the Contractually Required Contributions	(959)	(856)	(764)	(731)	(814)	(798)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Division's Covered Payroll	$ 6,850	$ 6,585	$ 6,367	$ 6,092	$ 6,783	$ 6,138
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(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
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 Two Measurement Years (1), (2)

	2018	2017
	(Amounts in Thousands)	
Division's Proportion of the Net OPEB Liability	0.048898%	0.047116%
Division's Proportionate Share of the Net OPEB Liability (Asset)	$ 5,310	$ 4,758
Division's Covered Payroll	$ 6,585	$ 6,367
Division's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	80.64%	74.73%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(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 2018, the single discount rate changed from 4.23% to 3.85%

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 Three Years (1), (2), (3)

	2018	2017	2016
	(Amounts in Thousands)		
Contractually Required Contributions	$ -	$ 66	$ 127
Contributions in Relation to the Contractually Required Contributions	-	(66)	(127)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered Payroll	$ 6,850	$ 6,585	$ 6,367
Contributions as a Percentage of Covered Payroll	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 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 WORKS
DIVISION OF PARKING FACILITIES

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2018

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Parking Facilities
Department of Public Works
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio (the "Division") as of and for the year ended December 31, 2018 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.

Auditor's Responsibility

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

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

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

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, 2018, 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.

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, 2018, 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.

Change in Accounting Principle

During the year ended December 31, 2018, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the Division restated net position at January 1, 2018 for the change in accounting principle (See Note K). 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, 2019

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, 2018. 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 2018, 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 $37,083,000 and $33,225,000 at December 31, 2018 and 2017, respectively. Of these amounts, $4,067,000 and $2,167,000 (unrestricted net position) at December 31, 2018 and 2017, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $3,858,000 during 2018. In 2018, operating revenues increased $820,000 due to the addition of the West Side Market and Hicks lots. Investment income increased by $67,000 due to the increase in interest rates and higher cash balances. Capital contributions decreased by $2,194,000 related to the Willard Garage rehabilitation project being nearly completed during 2017, leaving minimal projects nearing completion in 2018.

- The Division's total bonded debt decreased by $3,200,000 (18.0%) during 2018. This amount represents the principal payment made in 2018.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 – 47 of this report. Required supplementary information can be found on pages 49 – 52 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, 2018 and 2017:

	2018	Restated 2017
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 6,279	$ 4,666
Restricted assets	8,731	8,599
Capital assets, net	38,674	39,947
Total assets	53,684	53,212
Deferred outflows of resources	766	1,190
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	4,024	4,220
Long-term liabilities	13,025	16,830
Total liabilities	17,049	21,050
Deferred inflows of resources	318	127
Net positon:		
Net investment in capital assets	27,362	25,483
Restricted for debt service	5,654	5,575
Unrestricted	4,067	2,167
Total net position	$ 37,083	$ 33,225

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets:

Current, Restricted and Other Non-Capital Assets: From 2017 to 2018, the Division's current and restricted assets have increased 13.2%. This increase is primarily related to an increase in cash and cash equivalents due to increased parking revenues from the addition of two surface lots and decreased interest expenses.

Capital Assets*:* The Division's capital assets (net of accumulated depreciation) as of December 31, 2018 amounted to $38,674,000. The total decrease in the Division's investment in net capital assets was $1,273,000 (3.2%) in 2018. The decrease in 2018 was due to depreciation expense exceeding asset additions. During 2018, major projects included Gateway East Garage, Willard Garage and Hicks Lot.

A summary of the activity in the Division's capital assets during the year ended December 31, 2018 is as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
	(Amounts in Thousands)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256	321		1,577
Buildings, structures and improvements	54,167	2,316		56,483
Furniture, fixtures, equipment and vehicles	1,284	965	(16)	2,233
Construction in progress	10,092	307	(3,588)	6,811
Total	72,277	3,909	(3,604)	72,582
Less: Accumulated depreciation	(32,330)	(1,594)	16	(33,908)
Capital assets, net	$ 39,947	$ 2,315	$ (3,588)	$ 38,674

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, 2018 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 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.

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. This implementation also had the effect of restating net position at December 31, 2017 from $33,789,000 to $33,225,000. Additional information on the restatement can be found in Note K – Restatement.

Long-Term Debt: At the end of 2018, the Division had total bonded debt outstanding of $14,570,000. This is a reduction of approximately 18.0%. 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 2018, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2018 is summarized below:

	Balance January 1, 2018	Debt Retired	Balance December 31, 2018
	(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006	$ 17,770	$ (3,200)	$ 14,570

The bond ratings at December 31, 2018 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, 2018. 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 $37,083,000 at December 31, 2018.

Of the Division's net position at December 31, 2018, $5,654,000 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 $27,362,000 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 $4,067,000 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 2018 increased net position by $3,858,000. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2018 and 2017:

	2018	2017
	(Amounts in Thousands)	
Operating revenues	$ 10,131	$ 9,311
Operating expenses	5,862	5,536
Operating income (loss)	4,269	3,775
Non-operating revenue (expense):		
Investment income (loss)	281	214
Interest expense	(1,000)	(1,193)
Total non-operating revenue (expense), net	(719)	(979)
Income (loss) before capital contributions	3,550	2,796
Capital contributions	308	2,502
Change in net position	$ 3,858	$ 5,298

Operating Revenues: From 2017 to 2018, operating revenues increased $820,000 or 8.8%. This increase is primarily due to increased parking revenue related to the opening of the West Side Market and Hicks parking lots.

Operating Expenses: In 2018, operating and maintenance expenses increased $108,000 or 2.6%. This increase is due to expenses related to the repair of damaged parking meters and costs to maintain software for parking facility equipment.

Non-Operating Revenues: From 2017 to 2018, non-operating revenues increased by $67,000 or 31.3%. This increase is related to increased cash position and higher interest rates.

Non-Operating Expenses: From 2017 to 2018, non-operating expenses decreased by $193,000 or 16.2%; resulting from interest being paid on debt.

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

Non-OPEB Expenses: The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $7,000 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $61,000. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	(Amounts in Thousands)
Total 2018 program expenses under GASB 75	$ 6,862
OPEB expense under GASB 75	(61)
Adjusted 2018 program expenses	6,801
Total 2017 program expenses under GASB 45	(6,729)
Increase in program expenses not related to OPEB	$ 72

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

Operating revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the net income from the Gateway garage and on-street parking meter revenue.

The Division continues to assess their operations to improve efficiencies, identify additional revenue sources and improve existing revenue sources. City Council has the authority to further increase parking fees when deemed necessary to assist the Division in meeting operational and debt commitments as economic circumstances dictate.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
December 31, 2018
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	$ 6,206
Accounts receivable - net of allowance	30
Accrued interest	8
Due from other City of Cleveland departments, divisions or funds	28
Prepaid expenses	7
TOTAL CURRENT ASSETS	6,279
RESTRICTED ASSETS	
Cash and cash equivalents	8,721
Accrued interest receivable	10
TOTAL RESTRICTED ASSETS	8,731
CAPITAL ASSETS	
Land	5,478
Land improvements	1,577
Buildings, structures and improvements	56,483
Furniture, fixtures, equipment and vehicles	2,233
Construction in progress	6,811
	72,582
Less: Accumulated depreciation	(33,908)
CAPITAL ASSETS, NET	38,674
TOTAL ASSETS	53,684
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	458
Pension	247
OPEB	61
TOTAL DEFERRED OUTFLOWS OF RESOURCES	766

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

STATEMENT OF NET POSITION
December 31, 2018
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	$ 3,370
Accounts payable	43
Due to other governments	240
Due to other City of Cleveland departments, divisions or funds	45
Accrued interest payable	223
Accrued wages and benefits	103
TOTAL CURRENT LIABILITIES	4,024
LONG-TERM LIABILITIES	
Revenue bonds - excluding amount due within one year	11,455
Accrued wages and benefits	5
Net pension liability	928
Net OPEB liability	637
TOTAL LONG-TERM LIABILITIES	13,025
TOTAL LIABILITIES	17,049
DEFERRED INFLOWS OF RESOURCES	
Derivative instruments-interest rate swaps	36
Pension	235
OPEB	47
TOTAL DEFERRED INFLOWS OF RESOURCES	318
NET POSITION	
Net investment in capital assets	27,362
Restricted for debt service	5,654
Unrestricted	4,067
TOTAL NET POSITION	$ 37,083

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, 2018
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 10,131
TOTAL OPERATING REVENUES	10,131
OPERATING EXPENSES	
Operations	4,144
Maintenance	138
Depreciation	1,580
TOTAL OPERATING EXPENSES	5,862
OPERATING INCOME (LOSS)	4,269
NON-OPERATING REVENUE (EXPENSE)	
Investment income (loss)	281
Interest expense	(1,000)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(719)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	3,550
Capital contributions	308
INCREASE (DECREASE) IN NET POSITION	3,858
NET POSITION, beginning of year, as restated	33,225
NET POSITION, end of year	$ 37,083

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, 2018
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 10,003
Cash payments to suppliers for goods or services	(3,209)
Cash payments to employees for services	(1,086)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	5,708
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(3,200)
Interest paid on long-term debt	(952)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(4,152)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	219
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	219
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,775
CASH AND CASH EQUIVALENTS, beginning of year	13,152
CASH AND CASH EQUIVALENTS, end of year	$ 14,927

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating Income	$ 4,269
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	1,580
Noncash capital expense	1
Changes in assets:	
Accounts receivable, net	(4)
Due from other City of Cleveland departments, divisions or funds	(5)
Inventory of supplies	54
Prepaid expenses	(7)
Changes in deferred outflows of resources:	
Pension	260
OPEB	(54)
Changes in liabilities:	
Accounts payable	(228)
Due to other governments	2
Unearned revenue	(120)
Due to other City of Cleveland departments, divisions or funds	22
Accrued wages and benefits	3
Net pension liability	(376)
Net OPEB liability	66
Changes in deferred inflows of resources:	
Pension	198
OPEB	47
TOTAL ADJUSTMENTS	1,439
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,708

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Contributions of capital assets	$ 307

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Parking Facilities (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Public Works and is a part of the City's primary government. The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that are provided by other entities. As required, the Division has implemented GASB Statement No. 75 as of December 31, 2018.

In March of 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during the implementation and application of certain GASB Statements, specifically for blending component units, goodwill, fair value measurements and application and postemployment benefits. The Division has determined that GASB Statement No. 85 has no impact on its financial statements as of December 31, 2018.

In May of 2017, GASB Statement No. 86, *Certain Debt Extinguishments*, was issued. This Statement is effective for fiscal periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The Division has determined that GASB Statement No. 86 has no impact on its financial statements as of December 31, 2018.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division, including the Gateway and Willard Park garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily or monthly basis.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Division follows the provisions of GASB Statement No. 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 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 Division has invested funds in the STAR Ohio during 2018. 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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2018 is as follows:

	Interest Rate	Original Issuance	2018
	(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006, due through 2022	5.25%	$ 57,520	$ 14,570
Unamortized (discount) premium			255
Current portion (due within one year)			(3,370)
Total Long-Term Debt			$ 11,455

Summary: Changes in long-term obligations for the year ended December 31, 2018 are as follows:

	Restated Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
	(Amounts in Thousands)				
Parking Facilities Refunding Revenue Bonds:					
Series 2006, due through 2022	$ 17,770	$	$ (3,200)	$ 14,570	$ 3,370
Accrued wages and benefits	105	99	(96)	108	103
Net pension liability	1,304		(376)	928	
Net OPEB liability	571	66		637	
Total	$ 19,750	$ 165	$ (3,672)	$ 16,243	$ 3,473

Minimum principal and interest payments on outstanding long-term debt are as follows:

Year	Principal	Interest	Total
	(Amounts in Thousands)		
2019	$ 3,370	$ 765	$ 4,135
2020	3,540	588	4,128
2021	3,730	402	4,132
2022	3,930	206	4,136
Total	$ 14,570	$ 1,961	$ 16,531

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.

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.

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

Fair Value: The fair value of the swap at December 31, 2018 as reported by PNC was $36,000, 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 $14,570,000 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 $16,531,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,152,000 and $5,750,000, respectively.

In 2018, 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, 2018, 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, 2018. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor. The Division recognized a $54,000 investment revenue pursuant to this swap in 2018.

The following table presents the fair value balance and notional amount of the Division's derivative instrument outstanding at December 31, 2018, classified by type and the change in fair value of this derivative during fiscal year 2018 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, 2018 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, 2018		
	Classification	Amount	Classification	Amount	Notional
	(Amounts in Thousands)				
Floating to floating interest rate swap 2006 Parking Basis Swap	Investment Revenue	$ 54	Debt	$ (36)	$ 14,570

The table below presents the objective and significant terms of the Division's derivative instrument at December 31, 2018, 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	$ 14,570	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 $6,905,000 of defeased debt outstanding at December 31, 2018.

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 2018, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $948,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $53,390,000 at December 31, 2018. 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, 2018 totaled $1,105,000 and the Division's bank balances were $1,087,000. 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*, $1,087,000 of the bank balances at December 31, 2018 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, 2018 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.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2018, 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	2018 Value	2018 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 525	$ 525	$ 525
Money Market Mutual Funds	13,297	13,297	13,297
Total Investments	13,822	13,822	13,822
Total Deposits	1,105	1,105	1,105
Total Deposits and Investments	$ 14,927	$ 14,927	$ 14,927

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, 2018, the investments in STAR Ohio and money market mutual funds are approximately 3.8% and 96.2%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	10,092	307	(3,588)	6,811
Total capital assets, not being depreciated	15,570	307	(3,588)	12,289
Capital assets, being depreciated:				
Land improvements	1,256	321		1,577
Buildings, structures and improvements	54,167	2,316		56,483
Furniture, fixtures, equipment and vehicles	1,284	965	(16)	2,233
Total capital assets, being depreciated	56,707	3,602	(16)	60,293
Less: Accumulated depreciation	(32,330)	(1,594)	16	(33,908)
Total capital assets being depreciated, net	24,377	2,008	-	26,385
Capital assets, net	$ 39,947	$ 2,315	$ (3,588)	$ 38,674

NOTE F – DEFINED BENEFIT PENSION PLANS

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The net pension liability represents the Division's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (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 2018, 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 $107,000 for 2018. All required payments have been made.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2018

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, 2017 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	$	928
Proportion of the Net Pension Liability		0.005965%
Change in Proportion		0.000209%
Pension Expense	$	189

At December 31, 2018, 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	$	1
Change in proportionate share		31
Change in assumptions		108
Division's contributions subsequent to the measurement date		107
Total Deferred Outflows of Resources	$	247
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	20
Differences in projected and actual investment earnings		201
Change in Division's proportionate share		14
Total Deferred Inflows of Resources	$	235

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The $107,000 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, 2019. 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)
2019	$ 84
2020	(6)
2021	(89)
2022	(83)
2023	
Thereafter	(1)
Total	$ (95)

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
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	7.5%
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 2017, 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 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 1,659	$ 928	$ 330

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 2018, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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, 2018, 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, 2016, rolled forward to the measurement date of December 31, 2017, 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	0.005868%
Prior measurement date	0.005654%
Change in Proportionate Share	0.000214%
	(Amounts in Thousands)
Proportionate Share of the Net OPEB Liability	$ 637
OPEB Expense	$ 61

At December 31, 2018, 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	$ 1
Changes of assumptions	46
Changes in proportion and differences between Division contributions and proportionate share of contributions	14
Total Deferred Outflows of Resources	$ 61
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 47
Total Deferred Inflows of Resources	$ 47

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)
2019	$ 17
2020	17
2021	(9)
2022	(11)
Total	$ 14

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, 2016, rolled forward to the measurement date as of December 31, 2017. 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	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial 3.25%, ultimate in 2028
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 2017, 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 15.2% for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date as of December 31, 2016. 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 6.5% and a municipal bond rate of 3.31%. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034 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 3.85%, 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 (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
		(Amounts in Thousands)	
Division's proportionate share of the net OPEB liability	$ 847	$ 637	$ 468

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 2018 is 7.5%. 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	$ 610	$ 637	$ 666

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	$	8

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, 2018 is as follows:

Division	Amount (Amounts in Thousands)	
Parks Maintenance	$	70
Telephone		21
Motor Vehicle Maintenance		18
Waste Collection		1
Printing		6
	$	116

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 2018.

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 2018. Future minimum rentals on non-cancelable leases are as follows:

Year	Amount (Amounts in Thousands)
2019	$ 180
2020	180
2021	180
2022	180
2023	180
Thereafter	3,480
	$ 4,380

NOTE K – RESTATEMENT

For 2018, the Division implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* It established standards for measuring and recognizing postemployment benefits other than pension, deferred outflows of resources, deferred inflows of resources and expense. The implementation of GASB Statement No. 75 had the following effect on net position as reported December 31, 2017:

	Net Position December 31, 2017	Restatement	Restated Net Position December 31, 2017
	(Amounts In Thousands)		
Beginning net position	$ 33,789	$ (564)	$ 33,225

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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 FIVE MEASUREMENT YEARS (1), (2)

	2018	2017	2016	2015	2014
	(Amounts in Thousands)				
Division's Proportion of the Net Pension Liability	0.005965%	0.005756%	0.005975%	0.006017%	0.006017%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 928	$ 1,304	$ 1,032	$ 723	$ 708
Division's Covered Payroll	$ 715	$ 767	$ 758	$ 750	$ 685
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	129.79%	170.01%	136.15%	96.40%	103.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(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. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 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
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS (1)

	2018	2017	2016	2015	2014	2013
	(Amounts in Thousands)					
Contractually Required Contributions	$ 107	$ 93	$ 92	$ 91	$ 90	$ 89
Contributions in Relation to the Contractually Required Contributions	(107)	(93)	(92)	(91)	(90)	(89)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Division's Covered Payroll	$ 764	$ 715	$ 767	$ 758	$ 750	$ 685
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Represents Divison'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, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO MEASUREMENT YEARS (1), (2)

	2018	2017
	(Amounts in Thousands)	
Division's Proportion of the Net OPEB Liability	0.005868%	0.005654%
Division's Proportionate Share of the Net OPEB Liability	$ 637	$ 571
Division's Covered Payroll	$ 715	$ 767
Division's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.09%	74.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(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 2018, the single discount rate changed from 4.23% to 3.85%.

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 THREE YEARS (1), (2), (3)

	2018	2017	2016
	(Amounts in Thousands)		
Contractually Required Contributions	$ -	$ 7	$ 15
Contributions in Relation to the Contractually Required Contributions	-	(7)	(15)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered Payroll	$ 764	$ 715	$ 767
Contributions as a Percentage of Covered Payroll	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 Divison'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.

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 15, 2019