CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2013

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

August 26, 2014

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Summer Food Service Program for Children 2013	10.559		$ 333,693
Total Department of Agriculture			333,693
Department of Energy			
Weatherization Assistance for Low-Income Persons 2011	81.042	11-111	162
Weatherization Assistance for Low-Income Persons DOE 2012	81.042	12-111	578,020
ARRA-Weatherization Assistance for Low Income Persons 2009	81.042	99-111	39
Subtotal			578,221
ARRA-Energy Efficiency And Conservation Block Grant Program (EECBG)	81.128		587,731
Subtotal			587,731
Total Department of Energy			1,165,952
Department of Health and Human Services			
Healthy Start Initiative Yr 12	93.926		1,079,342
Healthy Start Initiative Yr 13	93.926		888,118
Subtotal			1,967,460
Family Planning Services Title X FY 2012	93.217		1,820
Family Planning Services Title X FY 2013	93.217		109,621
Family Planning Services Title X FY 2014	93.217		222,104
Subtotal			333,545
Pass through Programs:			
Ohio Department of Health:			
Centers for Disease Control and Prevention - Investigators and Technical Assistance:			
Substance Abuse and Mental Health Services Administration	93.243	5H79TI019946-02	367
Substance Abuse and Mental Health Services Administration	93.243	5H79TI019946-03	41
Substance Abuse and Mental Health Services Administration	93.243	1H79TI023734-01	276,069
Substance Abuse and Mental Health Services Administration	93.243	1H79TI024189-01	256,057
Subtotal			532,534
Ohio Department of Health:			
Immunization Grants 2013	93.268	18-100-1-2-IM-0613	86,662
Subtotal			86,662
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2011/2012	93.197	1-2-001-1-BD-11	6,976
Subtotal			6,976

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

Department of Health and Human Services (continued):			
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
City Readiness Initiative 2012	93.069	18-200-1-2-PH-0312	30,637
City Readiness Initiative 2013	93.069	18-200-1-2-PH-0413	474,968
Public Health Collaborative 2012	93.069	18-1-001-2-BI-12	1,482
Public Health Collaborative 2013	93.069	18-1-001-2-BI-13	98,035
Public Health Collaborative 2014	93.069	18-1-001-2-BI-14	57,808
Subtotal			662,930
WRAAA OAA/ADRC Project 2011	93.044		42
WRAAA OAA/ADRC Project 2012	93.044		13,688
WRAAA Supporting Services 2012	93.044		5,798
WRAAA OAA/ADRC Project 2013	93.044		187,705
WRAAA Supporting Services 2013	93.044		43,967
Subtotal			251,200
City Readiness Initiative 2014	93.074	18-200-1-2-PH-0514	71,757
Subtotal			71,757
WRAAA Supportive Services/MIPPA 2012	93.779		5
WRAAA Supportive Services/MIPPA 2011	93.779		2,856
Subtotal			2,861
Ohio Department of Health:			
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2012	93.977	18-2-001-2-SD-0112	38,653
Sexually Transmitted Diseases Diagnosis & Treatment 2013	93.977	18-2-001-2-ST-0513	117,847
Subtotal			156,500
Ohio Department of Health:			
HIV Prevention 2012	93.940	18-2-001-2-AS-12	95,492
HIV Prevention 2013	93.940	18-2-001-2-AS-13	709,010
Subtotal			804,502
Cuyahoga County Board of Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Student Assistance 2012 Treatment	93.959		35,675
Student Assistance 2013 Treatment	93.959		136,202
Subtotal			171,877
Ohio Depatment of Development:			
Weatherization Assistance for Low-Income Home Energy Assistance-HHS 2012	93.568	12-111	1,839,579
Weatherization Assistance for Low-Income Home Energy Assistance-HHS 2013	93.568	13-111	219,207
Subtotal			2,058,786
Temporary Assistance to Needy Families	93.558		500,399
Connecting the Dots - TANF Demo	93.558		13,576
Subtotal - TANF Cluster			513,975
Total Department of Health and Human Services			7,621,565

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

Department of Housing & Urban Development			
Lead Hazard Reduction Demonstration Grant Program 2010	14.905		301
Pass Through Programs:			
Cuyahoga County Board of Health:			
Lead Hazard Reduction Demonstration Grant Program 2012	14.905	OHLHD0218-10	89,287
Subtotal			89,588
CDBG Yr 34	14.218		1,200
CDBG Yr 35	14.218		63,194
CDBG Yr 36	14.218		771,717
CDBG Yr 37	14.218		585,364
CDBG Yr 38	14.218		14,666,933
CDBG Yr 39	14.218		9,375,226
Neighborhood Stabilization Program 1	14.218		650,154
Neighborhood Stabilization Program 3	14.218		1,752,786
Subtotal			27,866,574
ARRA Neighborhood Stabilization Program	14.256	B-09-CN-OH-0032	1,447,022
Subtotal			1,447,022
Healthy Homes Production Program Grant	14.913		165,876
Subtotal			165,876
HOME Investment Partnerships Program 1992	14.239		651
HOME Investment Partnerships Program 2006	14.239		20,000
HOME Investment Partnerships Program 2008	14.239		59,141
HOME Investment Partnerships Program 2009	14.239		91,915
HOME Investment Partnerships Program 2010	14.239		627,671
HOME Investment Partnerships Program 2011	14.239		3,660,016
HOME Investment Partnerships Program 2012	14.239		996,229
Subtotal			5,455,623
Emergency Shelter Grants Program 2009	14.231		8,000
Emergency Shelter Grants Program 2011	14.231		689,734
Emergency Shelter Grants Program 2012	14.231		1,276,464
Emergency Shelter Grants Program 2013	14.231		30,879
Subtotal			2,005,077
Housing Opportunities for Persons With Aids 2010	14.241		533,521
Housing Opportunities for Persons With Aids 2012	14.241		238,419
Subtotal			771,940
Empowerment Zones Program	14.244	E-95-EZ-39-0004	1,376,349
Subtotal			1,376,349
Hemingway HUD 108	14.248	B-10-MC-39-0004	3,600,543
Ameritrust 1010 HUD 108	14.248	B-10-MC-39-0004	6,000,000
Flats East Development LLC HUD 108	14.248	B-09-MC-39-0004	6,502,258
Subtotal			16,102,801

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

Department of Housing & Urban Development (continued):			
Pass Through Programs:			
Ohio Department of Development:			
Neighborhood Stabilization Program - State	14.228	A-Z-08-264-1	292,062
			292,062
Lead Technical Studies Grants 2009	14.900		323
Lead Technical Studies Grants 2010	14.900		139,017
Subtotal			139,340
Total Department of Housing & Urban Development			55,712,252
Department of Justice			
Public Safety Partnership and Community Policing Grants:			
Cleveland Universal Hiring II	16.710	2011-UL-WX-0025	1,819,309
ARRA Cleveland Universal Hiring II	16.710	2009-RJ-WX-0070	458,148
Federal DOJ-COPS Technology GR FY08	16.710	2008-CK-WX-0618	28,765
Federal DOJ-COPS Technology GR FY10	16.710	2010-CK-WX-0308	137,634
Subtotal			2,443,856
2010 Paul Coverdell	16.742	2010-CD-BX-0071	136,817
Subtotal			136,817
2010-Edward Burne Memorial-JAG	16.738	2010-DJ-BX-0251	183,644
2012-Edward Burne Memorial-JAG	16.738	2012-DJ-BX-0146	490,126
Pass Through Programs:			
Ohio Department of Public Safety:			
2012-Edward Burne Memorial-JAG	16.738	2012-JG-D01-6926	24,178
2012-Edward Byrne Memorial-NOLETF	16.738	2012-JG-A01-6444	131,608
2011-Edward Byrne Memorial-NOVCC	16.738	2011-JG-A02-6947	35,407
Cuyahoga County - Department of Justice Affairs:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2011-Edward Byrne Memorial-JAG	16.738	2011-DJ-BX-3241	164,247
Subtotal			1,029,210
ARRA-Recovery Act-Edard Byrne Memorial Justice Assistance Grants to Units of Local Government FY09	16.804	2009-SB-B9-0367	164,398
Subtotal			164,398
Subtotal - JAG Cluster			1,193,608
State of Ohio - Office of Criminal Justice Services:			
Equitable Sharing Program - Asset Forfeiture Program	16.922		66,780
Subtotal			66,780
State of Ohio - Office of Criminal Justice Services:			
Violence Against Women Formula Grants :			
OVW Education, Training, and Enhanced Services to End Violence and Abuse of Women with Disabilities FY 2011	16.529	2011-FW-AX-K004	4,791
Subtotal			4,791

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

Department of Justice (continued):			
State of Ohio - Office of Criminal Justice Services:			
Violence Against Women Formula Grants :			
VAWA Team Approach 2010 Law	16.588	2010-VP-VA-V041	48,216
VAWA Team Approach 2011 Law	16.588	2011-VP-VA-V041	60,709
VAWA Team Approach 2011 Law	16.588	2011-WC-AX-0002	5,259
VAWA Team Approach 2012 Law	16.588	2012-VP-VA-V041	54,781
Subtotal			168,965
State of Ohio - Office of Criminal Justice Services:			
VAWA Team Approach 2010 Safety	16.590	2010-VP-VA-V042	25,442
VAWA Team Approach 2011 Safety	16.590	2011-VP-VA-V042	19,797
VAWA Team Approach 2012 Safety	16.590	2012-VP-VA-V042	80,155
Subtotal			125,394
State of Ohio - Office of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grants 2011	16.523	2011-JB-MUN-1001	13,610
Juvenile Accountability Incentive Block Grants 2012	16.523	2012-JB-MUN-1001	2,892
Juvenile Accountability Incentive Block Grants 2013	16.523	2012-JB-MUN-1101	32,892
Subtotal			49,394
Total Department of Justice			4,189,605
Department of Commerce			
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	3,120,855
Total Department of Commerce			3,120,855
Department of Labor			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	17.258	G-1011-15-0258	827,992
WIA Youth Program	17.259	G-1011-15-0258	17,345
WIA Dislocated Worker Program	17.278	G-1011-15-0258	277,340
WIA Rapid Response	17.278		17,884
Subtotal - WIA Cluster			1,140,561
Total Department of Labor			1,140,561
Department of Transportation			
Airport Improvement Program	20.106		16,959,932
Subtotal			16,959,932
Pass Through Programs:			
Highway Planning and Construction:		See Footnote 2	
Lakes to Lakes Trail/Woodland	20.205	PID 90183	114,716
Lake Pedestian Bridge	20.205	PID80966	68,803
Professor Avenue	20.205	PID90218	616,413
West Sixth Streetscape	20.205	PID89722	752,468
ARRA- Avenue District Ph IV	20.205	PID 86251	14,739
ARRA-KAMM'S CORNER	20.205	PID 86255	103,148

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

Department of Transportation (continued):			
Highway Planning and Construction:			
Federal NOACA League Park Plan	20.205	PID 84338	3,328
Federal NOACA Variety Village Study	20.205	PID 84339	11,681
Federal NOACA UCI Bicycle Network Study	20.205	PID 84339	9,164
Federal NOACA W. 65 Corridor Study	20.205	PID 84339	42,408
Federal NOACA E. 55 & Euclid Ave.	20.205	PID 84339	25,194
Federal NOACA E. 131 St. Corridor Plan	20.205	PID 84339	31,840
Federal NOACA Bessemer	20.205		509
Federal NOACA E. 140	20.205		52,330
Federal NOACA Lorain Ave.	20.205		51,369
Subtotal - Highway Cluster			1,898,110
State of Ohio - Office of Criminal Justice Services:			
Cuyahoga County OVI Task Force 2012	20.601	OVITF-2012-18-00-00-00392-00	18,889
Cuyahoga County OVI Task Force 2013	20.601	OVITF-2013-18-00-00-00315-00	4,110
High Visibility Enforcement Overtime 2012	20.600	HVEO-2012-18-00-00-00300-00	69,080
High Visibility Enforcement Overtime 2013	20.600	HVEO-2013-18-00-00-00300-00	13,106
Subtotal - Highway Safety Cluster			105,185
Total Department of Transportation			18,963,227
Department of Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2012	66.001		88,970
Air Pollution Control Program Support 2013	66.001		1,802,640
Air Pollution Control Program Support 2014	66.001		560,738
Subtotal			2,452,348
Near Road Grant Assistance	66.034		18,739
Pass Through Programs:			
Environmental Protection Agency:			
Ohio Water Development Authority:			
OWDA Water	66.468	6213	9,747,250
Subtotal			9,747,250
Pass Through Programs:			
Cuyahoga County:			
ARRA-Warner Swasey Brownfield ASBES	66.818	2B-00E97301-0	28,480
Subtotal			28,480
Brownfield Assessment Grant	66.814		9,625
Brownfield Assessment Grant	66.814		131,230
Subtotal			140,855
Total Department Environmental Protection Agency			12,387,672
Department of Homeland Security			
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2013	97.091		220,612
Bio-Watch Program 2014	97.091		52,171
Subtotal			272,783
Assistance to Firefighters Grant FY10	97.044	EMW-2010-FO-10160	295,435
Subtotal			295,435

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2013

Department of Homeland Security (continued):			
Port Security Grant Program FY08	97.056	2008-GB-T8-K107	12,518
Port Security Grant Program FY 09	97.056	2009-PU-T9-K039	119,383
Port Security Grant Program FY 10	97.056	2010-PU-Y0-K018	299,725
Port Security Grant Program FY 2011	97.056	EMW-2011-PU-K00080-S01	393,818
Subtotal			825,444
National Explosives Detection Canine Team Program	97.072		118,400
Subtotal			118,400
FEMA Disaster Grant Federal Portion	97.036		531,052
Subtotal			531,052
2010 Safer Grant	97.083	EMW-2010-FH-00697	988,311
Subtotal			988,311
Law Enforcement Officer Reimbursement Agreement Program	97.090		276,560
Subtotal			276,560
Cuyahoga County Department of Justice Affairs			
Metropolitan Medical Response System 2010	97.067	2010-SS-T0-0012	252,095
2010 (LETPP) Law Enforcement Terrorism Prevention Program	97.067		259,700
Urban Area Security Initiative 2008	97.067	2008-GE-T8-0025	41,722
Urban Area Security Initiative 2010	97.067	2010-SS-T0-0012	1,897,384
Urban Area Security Initiative 2011	97.067		691,838
Subtotal			3,142,739
Public Safety Fire Grants:			
Buffer Zone Protection FY 10	97.078	2010-BF-T0-0028	277,436
Subtotal			277,436
Total Department of Homeland Security			6,728,160
Department of Natural Resources			
Federal Boating Infrastructure Grant	15.622	DNRFR026	838,956
Total Department of Natural Resources			838,956
Grand Total			$ 112,202,498

(Concluded)

CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"
FOR THE YEAR ENDED DECEMBER 31, 2013

Basis of Presentation

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

Footnote 1: Revolving Loan Fund
Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2013:

Beginning loans receivable balance as of January 1, 2013	$1,939,245
Loans made during 2013	495,642
Loan principal repaid on loans issued prior to 2013	(778,032)
Loan principal repaid on 2013 loans issued	(6,460)
Ending loans receivable balance as of December 31, 2013	$1,650,395

Cash balance on hand in the revolving loan fund as of December 31, 2013	
Cash balance, unobligated	$1,070,006
Revolving loan committed but not disbursed	747,216
Total unobligated cash and committed but not disbursed cash	1,817,222
Total value of revolving loan portion of the EDA 11.307 program	3,467,617
Less: City's matching share	(346,762)
Total federal value of revolving loan portion as of December 31, 2013	$3,120,855

4500 LTD	$4,935
Binkowsky-Dougherty Distribution, LLC	174,854
Bula Forge & Machine Inc.	32,359
Ceam Investment Co.	67,704
Certified Aircraft Maintenance	25,982
Evergreen Real Estate Corporation	235,147
Green City Growers Cooperative	54,756
Hemingway AT 6555 LLC	500,000
Jane & Arthur Ellison Ltd.	73,938
Northern Ohio Lumber & Timber Co.	135,627
Ohio Cooperative Solar Inc.	104,468
Otto Klonigslow Manufacturing Co.	3,961
Patterson-Britton	120,618
Unger Company	54,983
Northeast Ohio Neighborhood Real Estate	54,963
Northeast Ohio Neighborhood Real M & E	6,100
Total	$1,650,395

Footnote 2: Ohio Department of Transportation

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

Amounts reimbursed to the City by ODOT during 2013	$2,040,075
Federal Expenditures reported in prior years schedule	(735,986)
Amount expensed by the City in Fiscal Year 2013 not yet reimbursed	366,198
Expensed and reported by the City in Fiscal Year 2013	$1,670,287

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio ("City") as of and for the year ended December 31, 2013 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 26, 2014, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 65.

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.

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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 26, 2014

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the City of Cleveland, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Basis for Qualified Opinion on CDBG - Entitlement Grants Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding CFDA 14.218, Community Development Block Grant (CDBG) - Entitlement Grants Program, as described in Finding 2013-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on CDBG - Entitlement Grants Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the CDBG - Entitlement Grants Program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

Other Matters

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

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.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the City as of and for the year ended December 31, 2013, and have issued our report thereon dated June 26, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2014

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

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?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditors' report issued on compliance for major programs:	Unmodified for all major programs except for CDBG (CFDA 14.218) which was qualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes

Identification of major programs:

- CFDA 14.218 – Community Development Block Grant (CDBG) – Entitlement Grants
- CFDA 14.248 – CDBG – Section 108 Loan Guarantees
- CFDA 16.710 – ARRA-Public Safety Partnership and Community Policing Grants
- CFDA 20.106 – Airport Improvement Program
- CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
- CFDA 81.128 – ARRA – Energy Efficiency and Conservation Block Grant Program
- CFDA 97.067 – Homeland Security Grant Program

Dollar threshold to distinguish between Type A and Type B Programs:	$3,000,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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

Condition: We performed tests to determine if the City was in compliance with reporting requirements. We found the City did not file a Federal Financial Report (FFR), Standard Form 425 (SF-425) for the first two quarters of 2013. Additionally, the City did not report the required 2013 subaward data through the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS).

Criteria: 24 CFR 85.41(b) prescribes the use of the FFR to report status of funds, and to be submitted no later than 30 days after the end of each quarter. OMB prescribes the use of the SF-425 to standardize Federal financial reporting.

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. This act requires prime recipients of federal awards to report, through the FSRS, awards to any subcontractor greater than $25,000 by the end of the month following the month in which the prime recipient awarded the subaward.

Context: The City did not file the SF-425 for the first two quarters of 2013 until May 28, 2014, after the lack of filing was noted during our audit. The City did not file any subaward information through the FSRS, as required by FFATA.

Cause: The Department of Community Development experienced significant turnover in key positions during 2013, which caused the oversight in financial reporting. The Department of Community Development was unaware of the FFATA reporting requirements.

Effect: The City was not in compliance with reporting requirements during 2013.

Recommendation: We recommend the City implement procedures to ensure each department is knowledgeable and compliant with reporting requirements of federal awards.

Views of Responsible Officials: The SF-425 and FFATA reports are a requirement of the grant agreement. While information related to the SF-425 is available on a daily basis in IDIS, we recognize the need to complete not only the SF-425 but also the FFATA reports.

The SF-425 issue has been corrected. The missing reports have been completed and submitted to HUD. Furthermore, a notification structure has been setup to alert staff when reports are due.

Employees are signing up for access to FFATA reporting and will begin reporting as required. These corrections will be made in 2014.

Finding 2012-1 – Correction of an Error

Previously unrecorded capital assets acquired prior to 2012 were reported in the 2012 financial statements as a prior period restatement. The Division of Water capitalized assets relating to new water service agreements signed in 2012.

Status: Corrected.

Finding 2012-2 – ARRA-Neighborhood Stabilization Program – CFDA 14.256

We performed tests to determine if the City was in compliance with time and effort documentation requirements for payroll charged to the federal program. The City allocates payroll and benefits for certain employees working on the federal program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, instead their time is charged based on a budget estimate. Costs of $207,891 were questioned as a result of not maintaining appropriate time and effort documentation.

Status: Corrected.

Finding 2012-3 – Neighborhood Stabilization Program – CFDA 14.218

While testing the ARRA Neighborhood Stabilization program, we noted employees charging time to that program also charged time to the Neighborhood Stabilization Program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, instead their time is charged based on a budget estimate. Costs of $337,511 were questioned as a result of not maintaining appropriate time and effort documentation.

Status: Corrected.

Finding 2012-4 – ARRA-Energy Efficiency and Conservation Block Grant Program – CFDA 81.128

We performed tests to determine if the City was in compliance with time and effort requirements for payroll charged to the federal program. The City allocates payroll and benefits for certain employees working on the federal program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, instead their time is charged based on budget estimates. Costs of $67,286 were questioned as a result of not maintaining appropriate time and effort documentation.

Status: Corrected.

CITY OF CLEVELAND, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2013

CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2013

Issued by the
Department of Finance

Sharon Dumas
Director

James E. Gentile, CPA
City Controller

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CITY OF CLEVELAND, OHIO

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FOR THE YEAR ENDED DECEMBER 31, 2013

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June 26, 2014

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

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Cleveland (the City) for the year ended December 31, 2013. 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 2013 activities. Our intention is to provide a clear, comprehensive and materially accurate overview of the City's financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City's finances, including financial trends, financial instruments and fund performances. The City has complete responsibility for all information contained in this report.

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

The City's financial statements have been audited by Clark, Schaefer, Hackett & Co. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2013, 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, 2013 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

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

Structure of this Comprehensive Annual Financial Report

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

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

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

- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 2004 through 2013.

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

Profile of the Government

The City

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

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

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

City Government

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

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

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

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

Financial Reporting Entity

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

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

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

Internal Control

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

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

Accounting and Financial Reporting

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

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

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

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

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the City implemented GASB Statement No. 65 as of December 31, 2013.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The City has determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

Budgeting Procedures

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 59 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 116.

Factors Affecting Financial Condition

Local Economy

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

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

Major Industries, Economic Conditions and Employment

Cleveland, as well as most large urban municipalities across the nation, has faced significant economic challenges in recent years. Like all manufacturing cities across the country, Cleveland has tried to combat the declining industry base with more professional and service industry opportunities. The City's budget basis income tax collections increased 3.5% in 2013.

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

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

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

Current Projects and 2013 Accomplishments

The 2013 budget focused on continuing the City's commitment to improve the quality of life of its citizens by strengthening our neighborhoods, fostering a favorable business climate and providing superior services.

Despite fiscal constraints and economic challenges, the City achieved the following 2013 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- The City continued its policy that all housing projects that receive City financial assistance – including tax abatement – meet the City's new Green Building Standards. The City coordinated with Enterprise Community Partners in updating the existing Green Building Standards that are applied nationally to low-income housing developments. The updated standards were implemented in 2013.

- Expended $51.5 million of the Neighborhood Stabilization Program (NSP-1 and NSP-2) and $6.0 million of NSP-3 funds to support demolition, land reutilization and housing renovations to strengthen the housing stock.

- Habitat for Humanity (Habitat) initiated an expansion of its affordable home ownership model by commencing a 12 unit rehabilitation project in two neighborhoods in 2013. Habitat has historically focused on new construction and the Habitat expansion into rehabilitation furthers our efforts to focus on renovation.

- Repositioning vacant urban land into productive community gardens and urban farms has continued as a priority for making our neighborhoods more vibrant and sustainable. To better partner with the expanding urban agriculture community the City reformed its policies and increased its efforts and investment in land reuse, with an emphasis on urban agriculture projects.

- Several noteworthy multifamily projects were completed in 2013, including Cotman Vistas, University Tower and Lee Miles Apartments. Cotman Vistas is a new 34-unit apartment building on the Health Line in University Circle for persons with mobility disabilities; University Towers involved the rehabilitation of a 158-unit building into 113 apartments for low-income people; and Lee-Miles Apartments, a new 40-unit apartment building for low-income seniors on the site of Beehive Elementary School.

- The Department supported the completion of the innovative Fairfax Intergenerational Housing project. The 40-unit, new construction, rental townhomes were designed specifically for low-income seniors that have legal custody of their grandchildren. The project was developed jointly by Fairfax Renaissance Development Corporation and the Cuyahoga Metropolitan Housing Authority with substantial financial assistance from the City of Cleveland. This will be one of the first housing developments specifically designed to address this population. These families are routinely not eligible for other affordable senior housing. Also, traditional low-income family housing projects frequently lack the specialized physical accommodations and services that may be required by a senior head of household.

- The City, as part of a broad consortium of non-profit housing developers and service providers, collaborates to develop and implement activities to reduce and prevent homelessness. Through the Housing First Initiative, over 575 units of permanent supportive housing have been developed since 2006. Two more permanent supportive housing projects were completed in 2013. The $9.4 million Winton on Lorain is comprised of 40 units, while the $11.5 million Buckeye Square project includes 65 apartments. The City provided a total of $1.9 million of funding for the two projects. In addition, the City committed funding in 2013 for another 66 units of permanent supportive housing apartments as part of the Emerald Alliance VIII project on Detroit Avenue.

- In anticipation of, and to prepare for a rebound in the housing market, the City strategically assembled land. Several sites across the City are, or have been, assembled for development when the market is ready. One of those sites includes the 72-unit housing project Trailside at Morgana Run, which is currently under construction.

Department of Building and Housing

- Demolished 1,087 condemned structures. Since January 2006, the Department has inspected, condemned and razed over 7,604 structures.
- Initiated 1,316 court cases against negligent property owners.
- Issued 5,187 violation notices.
- Issued 15,760 construction permits valued at $900 millon in new construction.
- Boarded-up and secured 4,102 vacant structures.
- Issued 1,608 condemnation notices.

Department of Economic Development

- The City closed on a $6 million Housing and Urban Development (HUD) Section 108 Loan to fund the Rotunda and 1010 Building redevelopment, which will feature a Heinen's grocery store. Located at the corner of Euclid and East 9^{th}, this site has long been identified as a redevelopment priority by the City. The total project cost is estimated at $170 million and the developer has committed to the creation of 300 jobs.

- The Health Tech Corridor continues to grow and attract businesses. In the past 3 years, the City assisted with over 334,000 square feet of newly constructed or renovated space which have reached 86% occupancy since the first building opened in 2011. Over 40 acres of land have been assessed to determine if contamination exists and 28 acres of land have been remediated and received their NFA (No Further Action) Letter and are being marketed with great interest. The opportunities for business attraction to Cleveland by partnering with the area's institutions are immense and have already resulted in over 1,200 new jobs since the Corridor's inception in 2008.

- The City provided a $50,000 Vacant Properties Initiative loan to assist JC BeerTech with the acquisition and renovation of a long-time vacant building located at 4125 Lorain Avenue. JC BeerTech installs and services draft beer and soda dispensing systems. They moved their office from Medina, Ohio and immediately relocated 5 jobs and expect to create additional jobs in Cleveland.

- The final phase of the renovation of St. Luke's Manor began in 2013 and focused on the East Wing of the building. The Intergenerational School will occupy 3 floors, and the Boys and Girls Club of Cleveland, Neighborhood Progress, Inc., and St. Vincent Charity Medical Center will occupy the balance of the newly renovated space. The City provided a financing package of $680,000. The total budget was $15,600,000 and the project expects to create 5 new jobs.

- The City provided $200,000 to the Economic and Community Development Institute (ECDI) to structure microloans to small businesses in Cleveland that would not be eligible for traditional bank funding. A portion of the funding ($50,000) is specifically geared toward immigrant and refugee business. ECDI's lending efforts in 2013 have resulted in the following:
    - 17 loans in the City of Cleveland;
    - $674,500 to Cleveland-based businesses;
    - 9 female-owned businesses;
    - 8 minority-owned businesses;
    - 77 jobs created in the City

Department of Health (CDPH)

- Coordinated a city-wide education and outreach event to inform Cleveland residents about their options for obtaining health care insurance through the Affordable Care Act's Health Insurance Marketplace. Over 500 individuals attended and received one-on-one assistance from a team of health care navigators, certified application counselors, insurance agents and brokers.
- Secured over $3 million from the US Environmental Protection Agency (EPA) for the remediation of hazardous chemicals at the W.C. Reed Playfield.
- The Department was instrumental in the successful prosecution of illegal dumpers at the Wayside Avenue dumpsite and also facilitated the clean-up of the site.
- Conducted a city-wide Safe Sleep Community Education Campaign that included 25 billboards targeting ten neighborhoods with the highest sleep related deaths to decrease the infant mortality rates in Cleveland's communities. In addition, over 100 Safe Sleep Tool Kits were distributed to places of worship throughout Greater Cleveland.
- In partnership with the Cuyahoga County Board of Health, established the Ohio Institute for Equity in Birth Outcomes. This three year project is designed to implement community-wide initiatives to reduce infant mortality and to eliminate health disparities in birth outcomes.
- The Department's Office of Emergency Preparedness earned the highest preparedness rating in the history of the Cleveland Cities Readiness Initiative Program, scoring 100%.
- Received two grants from the National Association of County and City Health Officials (NACCHO) and the Ohio Public Health Partnership to support CDPH's initial preparations for Public Health Accreditation.
- Developed five neighborhood data briefs on diabetes, hypertension, obesity, asthma, cigarette and all tobacco use in partnership with the Prevention Research Center for Healthy Neighborhoods at Case Western Reserve University.
- Published a peer review paper examining public health workforce issues regarding enforcement of Ohio's Smoke Free Work Place law (Public Health Reports). This work was funded by a Robert Wood Johnson Foundation grant.
- Obtained Title X funding to expand reproductive health services in the City's Health Centers.

- The Enforcement Section of Air Quality obtained a FLIR Infrared Camera to use on inspections and complaint investigations. This device will record images of volatile organic emissions that cannot be seen in the visible light spectrum.

- The Division of Air Quality received a grant of $200,000 from the USEPA to develop a site for Near Road Monitoring.

- The Division of Air Quality's revenue (predominantly from City Air Permit fees) slightly exceeded its 2013 calendar year goal of $155,000.

Department of Aging

- Provided core services to 5,718 clients including senior citizens and adults with disabilities.

- Secured approximately $500,000 of external grants.

- The Annual Senior Day Program held in May 2013 attracted more than 2,000 senior citizens. The Annual Cleveland Senior Walk, held in July in conjunction with the National Senior Games had over 1,600 participants, while the Annual Disability Awareness Day luncheon held in October included over 200 participants.

- Provided the following services: 3,253 clients received supportive services, 117 received help with a major home repair, 668 received grass cutting services, 242 received help with indoor chores, 663 received help with leaf raking, 681 with snow removal, 273 clients received a daily call through the automated telephone reassurance program to check on their well-being, 192 received assistance to prevent homelessness, 1,890 seniors were registered for transportation services, 206 clients received economic case management, 1,308 clients received a benefits checkup, 168 clients received long-term support counseling and the Department handled 998 information and assistance contacts for Cleveland residents in 2013.

The Office of Equal Opportunity

- Under Codified Ordinance 188, OEO penalizes contractors that fail to meet the Resident Employment Law. Since 2009, over $223,290 in penalties have been collected for non-compliance with the Codified Ordinance 188.

- Under Codified Ordinance 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) has enhanced standardization and effectiveness through technology. As such OEO, through the Director, will continue the role of Convener and Facilitator.

- A Disparity Study (conducted by National Employment Rights Authority), was completed in December 2012. OEO continues to work inter-departmentally with the Division of Purchasing and the Department of Law to implement recommendations from the Disparity Study. Recommendations that were immediately implemented include:

    1. The contracting market was expanded to include the 6 contiguous counties surrounding Cuyahoga (Geauga, Lake, Lorain, Medina, Portage, and Summit).
    2. The threshold for diversity and inclusion was increased from $10,000 to $50,000.

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

- In 2013, OEO provided more than 250 hours of technical assistance to both internal and external customers: contractors, subcontractors, and City of Cleveland contracting departments as a matter of *customer service*, a Mayoral goal, and in effort to implement seamless Go Live implementation of B2GNow & LCP. In 2014 OEO will continue to provide technical assistance sessions as a matter of customer service and to alleviate fear commonly associated with the introduction of technology.

- In 2013, OEO monitored over 107 construction contracts exceeding $100,000 to ensure compliance with the Cleveland Resident Employment Law (aka Fannie M. Lewis Law) requiring that at least 20% construction worker hours are City of Cleveland residents. For the *4th consecutive year*, contractors have exceeded the 20% requirement. Over the course of 2013, contractors managed an average of 22.8% Cleveland resident construction worker hours.

Department of Public Works

- The Division of Recreation served over 170,000 nutritious after school and summer meals during 2013.

- The Division of Park Maintenance serviced 50,699 vacant properties in 2013.

- The Division of Motor Vehicle Maintenance purchased 370 new vehicles. Included in the total are small engine equipment vehicles purchased for Park Maintenance.

- The Division of Urban Forestry trimmed 2,384 trees, removed 835 trees and planted 500 new trees.

- The Division of Waste Collection collected and disposed of 216,046 tons of debris and recycled 22,280 tons of materials. They expanded the automated waste collection and curbside recycling program to 25,000 additional households, bringing the citywide total to 95,000.

- The Division of Parking installed 49 smart meters that accept both coin and credit card payments. Additionally, 91 sensor guided parking spaces were installed for vehicles seeking on-street parking.

- The Division of Streets resurfaced 258,180 square yards of curb-to-curb projects and an additional 39,003 square yards of spot resurfacing.

- The Division of Traffic Engineering painted over 672 miles of lane lines and replaced over 2,186 traffic light bulbs.

Department of Public Safety

- The City of Cleveland completed the purchase and deployment of the 800 MHz voice communication system. As a result, every City department and division has new mobile and portable radios capable of transmitting and receiving critical information and every officer in the Division of Police was issued a new hand-held portable radio that can be used on and off-duty. The new communication system allows the City to expand interoperability with our community partners across Cuyahoga County. The ability to communicate across jurisdictions is paramount to our strong regional partnerships.

- Through City Council legislation passed in May 2013, the City increased the Portable Camera Program from 24 locations to 47. Fifteen of the cameras are Portable Camera Units, allowing the Chief of Police to utilize them for targeted mobile speed enforcement. In November 2013, the City began upgrading our current photo enforcement cameras with the latest technology and video surveillance capabilities, which immediately aided in several traffic accident investigations for the City and other municipalities. The Automated Photo Enforcement Cameras consist of Red Light, Speed on Green and Fixed Speed pole configurations. The use of portable camera units enabled the Division of Police Traffic Unit to redeploy officers for traditional enforcement and various related duties.

- In September 2013, the City opened the new One Stop Impound and Clerk of Courts Payment Center (the Center). Prior to the opening of the Center, all paperwork had to be completed at the Clerk of Courts office in the Justice Center before going to the impound center to retrieve their vehicle. Now, people retrieving a towed vehicle can go straight to the Center, complete all paperwork and recover their vehicle. The Center now provides a more efficient way of doing business for the City and improves our customer service to the community.

- In November of 2013, the Department of Public Safety broke ground on the new Division of Police Third District Headquarters. This state-of-the-art facility is scheduled to be completed in the second quarter of 2015 and will house the new Public Safety Communications Center for the Divisions of Police, Fire and Emergency Medical Service.

- In the spring of 2014, the Department of Public Safety will break ground for a new Division of Fire and EMS facility that will replace outdated Fire Station 36. The new facility will be designed to headquarter cross-trained, dual role firefighter-paramedics and will be the first station of the new era of integrated service for fire and medical response for the City.

- The integration of the Divisions of Fire and Emergency Medical Service continued throughout 2013 and will continue in 2014. In addition to the administrative consolidation of timekeeping and payroll, supply and equipment purchasing, tracking and delivery; a new classification of firefighter-paramedic has been created. The process of cross-training employees into the all hazard classification is underway and the deployment of firefighter-paramedics onto ambulances and fire response apparatus will commence in the second quarter of 2014. This integration will significantly enhance response capabilities and provide a higher level of medical service to the community while maintaining fire suppression and rescue service. The integrated division will begin providing community health screenings and fire safety programs at facilities throughout the community.

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

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

Department of Public Utilities

- The Division of Water (CWD) reliably provides approximately 1.4 million customers throughout Cleveland and 79 surrounding communities with high quality, safe water. CWD pumped more than 78.1 billion gallons of water to customers and invested more than $87 million in its infrastructure this year.

- The Division of Cleveland Public Power (CPP) provided 74,000 residential and business customers in the City of Cleveland with reliable and affordable power. In 2013, CPP continued work on its Capacity Expansion Program which is designed to upgrade infrastructure, increase customer capacity and improve reliability.

- The Division of Water Pollution Control maintains the local sanitary sewer and storm water collection system within the City of Cleveland. The system is comprised of 1,436 miles of sewer lines, more than 42,000 storm drains and 15 pump stations. In 2013, WPC cleaned 11,860 storm drains, 490,897 linear feet of sewers and completed TV inspections of 264,697 linear feet of sewer lines.

Department of Port Control

- Terminal Terrazzo Flooring Project: The first phase of the Cleveland Hopkins International Airport (CLE) terrazzo floor and artwork installation project began in January 2011 and continued throughout 2013. The project consists of removing old flooring and carpet to replace them with terrazzo starting at security checkpoint C, continuing up Concourse C, then proceeding to Concourses A and B. The entire project is expected to be complete in January 2014. As part of the terrazzo flooring project, artwork selected from an airport artist competition will be installed into select floor locations. Six of the seven select art pieces were installed by the end of 2013. The project will be substantially complete in 2014.

- Parking Redevelopment Project, Phase I: This consists of demolition of the long-term garage and replacing the garage with a 1,000 space surface parking lot. The demolition and resurfaced parking lot were completed in 2013. The project also improved several of the existing peripheral lots and included the installation of "smart parking" technology which increased the efficiency of the existing short-term garage usage. The smart parking installation was also completed in 2013. In 2014, construction of a parking management building and access structure will be completed.

Department of Law

- Drafted approximately 451 contracts and reviewed over 979 contracts for legal form and correctness.
- Prepared 525 pieces of legislation for introduction to City Council.
- Obtained 744 search warrants for housing court enforcement actions and helped Building and Housing obtain legal authorization for more than 1,263 demolitions of unsafe structures in the City.
- Responded to 3,143 citizen requests for non-routine public records; provided legal advice as needed in response to almost 8,000 routine requests.
- Processed 1,216 general claims for property damage and other losses.
- Initiated 1,336 criminal prosecutions in Housing Court for health and safety code violations to ensure that property owners adequately maintain their properties. Successfully prosecuted civil nuisance abatement actions for numerous properties across the City.

2014 Budget

During 2013, the City continued to strengthen its financial position through increased efficiencies, streamlining of operations, improving accountability, refinancing debt and increasing revenue. The City continues to see moderate growth in income taxes primarily related to heightened construction activity in the downtown and University Circle areas. The Budget Management Strategy for fiscal 2014 includes, but is not limited to, the following:

- Federal assistance for demolition of condemned structures expired in 2013, necessitating a need to identify new funding sources.
- Enhance downtown public safety and service.

The estimate of receipts and expenditures for all General Fund departments and divisions for the 2014 budget are:

- Revenues and other sources are projected to decrease from $513.7 million in 2013 to $493.8 million in 2014. This decline is primarily attributed to a reduction of $4.4 million in miscellaneous revenue related to one-time monies and a $3.0 million decrease in the estate tax.
- Expenditures and other uses are estimated to increase from $515.6 million to $540.3 million in 2014. The rise is primarily attributed to a $8.1 million increase in Public Safety expenditures (related to the hiring of 90 additional employees) and increased benefit costs.

Long-term financial planning:

The City has a long-term goal of increasing the Rainy Day Reserve Fund to 5% of General Fund expenditures (approximately $25 million). As part of the goal, the City transferred $5 million into the Rainy Day Reserve Fund in 2013, bringing the balance in the fund to $18.6 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 manages its long-term financing of its capital needs through the annual updating of its Capital Improvement Plan (CIP). The CIP schedules capital improvements through the current and succeeding five years. The CIP does not include appropriations or authorizations to expend monies. Capital Projects are approved by City Council when funding sources have been determined. The City usually issues bonds to fund capital projects.

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

- Phase two of the Flats East Bank Project began construction in 2013. The second phase includes a 243-unit upscale apartment complex as well as 10-15 restaurants/nightclubs and additional parking.

- The $250 million Ameritrust Project commenced construction in 2013. The project includes a new headquarters building for Cuyahoga County, office space, housing and a Heinen's grocery store.

- The $120 million renovation of FirstEnergy Stadium. The City worked with the Cleveland Browns to bring needed improvements to the stadium in 2014, including state-of-the-art scoreboards in both end zones and increased seating capacity in the lower level.

- The City is expected to select a development team amongst four respondents to our Request for Proposals (RFP) for private lake development. The City's Group Plan provided direction for the development of more than 28 acres of property along the Lake Erie shoreline, with the goal of infusing a sustainable and complimentary assortment of entertainment, dining, hospitality, office and public waterfront access.

- Cuyahoga County began demolition in 2013 of its former Administration Building on Lakeside Ave. to clear the way for the construction of a $260 million 600-room convention center hotel. The construction is expected to be completed by 2016 and Hilton Worldwide will operate the facility.

Major Initiatives

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

- *Citywide Municipal Wireless Broadband* – the City completed a survey of its entire wireless infrastructure to solve immediate, specific, operational needs in a more cost-efficient way. Based on the survey results, free wireless internet access was installed in City Hall and Public Auditorium. Also, a pilot program which deployed a 4.5 square mile Wi-Fi network in the 13th Ward was implemented in an attempt to help close the Digital Divide throughout the City.

- *Automated Waste Collection Program* – begun in 2009, the program provides automated waste collection and curbside recycling to City residents. The City provides each resident participating in the program with a 96 gallon cart for garbage and a 64 gallon cart for recyclable items. Currently, 95,000 of the 152,000 households in the City participate in the program. Another 25,000 households are scheduled to participate by October, 2014. During the past year, new recycle income and landfill diversion cost reductions allowed the City to realize $1.4 million in total savings and revenue.

- *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.

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, 2013, represents the 33^{rd} consecutive year the City has prepared a Comprehensive Annual Financial Report (CAFR). In addition to the independent auditors, the City maintains its own Internal Audit Division. Along with the duty of assisting the independent auditors, the Internal Audit Division is responsible for strengthening and reviewing the City's internal controls. The Internal Audit Division performs its own independent operational and financial audits of the City's many funds, departments and divisions. We believe that the City's internal control structure adequately safeguards its assets and provides reasonable assurance of proper recording of all financial transactions.

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland, Ohio for its CAFR for the fiscal year ended December 31, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 29 years (years ended 1984 – 2012). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

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

Very truly yours,

Sharon Dumas

Sharon Dumas, Director
Department of Finance

James E Gentile

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

City Officials
Frank G. Jackson, Mayor

EXECUTIVE STAFF

Ken Silliman, Esq	Chief of Staff
Darnell Brown	Chief Operating Officer
Valarie J. McCall	Chief of Government and International Affairs
Monyka S. Price, M.A.Ed., M.Ed	Chief of Education
Maureen R. Harper	Chief of Communications
Jenita McGowan	Chief of Sustainability
Natoya J. Walker Minor	Chief of Public Affairs
Sharon Dumas	Director, Department of Finance
Barbara A. Langhenry	Director, Department of Law
Michael McGrath	Director, Department of Public Safety

ADMINISTRATION

Jane E. Fumich	Director, Department of Aging
Edward W. Rybka	Director, Department of Building and Housing
Edward W. Rybka	Interim Director, City Planning Commission
Lucille Ambroz	Secretary, Civil Service Commission
Daryl P. Rush, Esq.	Director, Department of Community Development
Blaine Griffin	Director, Community Relations Board
Tracey A. Nichols	Director, Economic Development
George Baker	Interim Director, Department of Public Health
Natoya J. Walker Minor	Director, Office of Equal Opportunity
Michael E. Cox	Director, Department of Public Works
Deborah Southerington	Director, of Human Resources
Ricky D. Smith, Sr.	Director, Department of Port Control
Matthew L. Spronz	Director, Mayor’s Office of Capital Projects
Paul Bender.	Director, Department of Public Utilities

CITY OF CLEVELAND, OHIO

City Council

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland

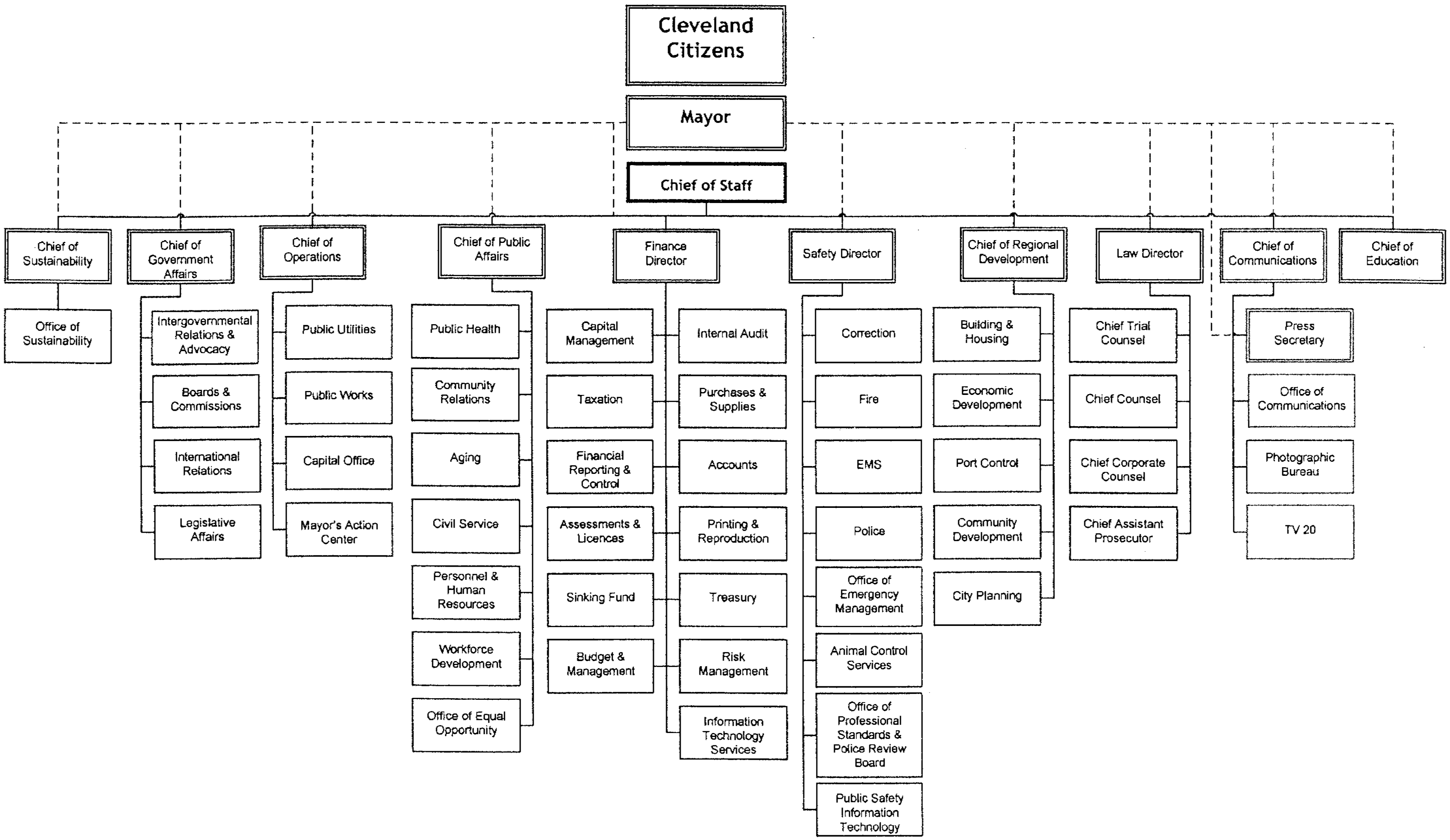
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

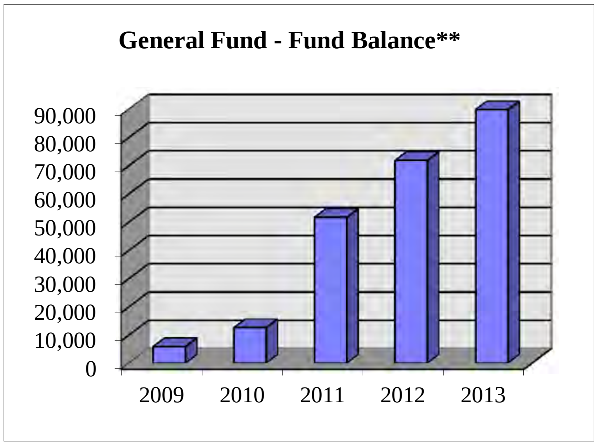
Executive Director/CEO

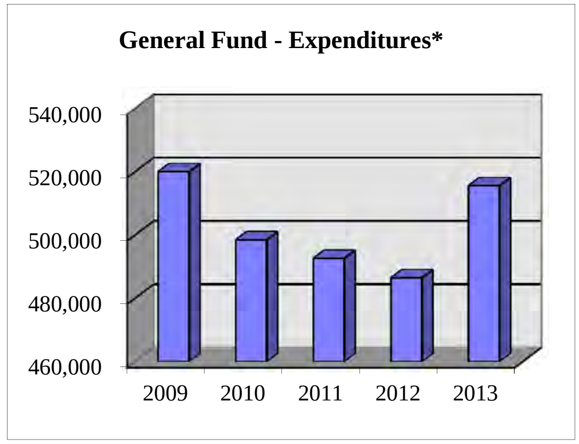
CITY OF CLEVELAND, OHIO
ADMINISTRATIVE ORGANIZATION CHART

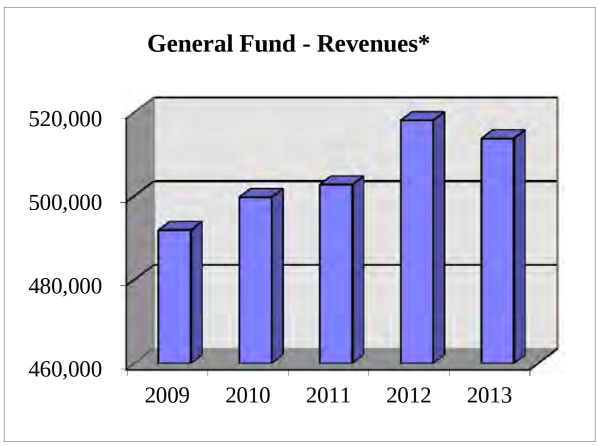


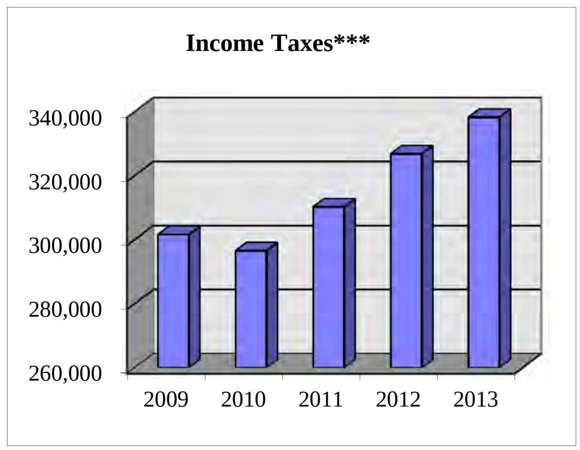
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(Amounts in 000's)









For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
2009	5,865	491,827	520,036	301,559
2010	12,541	499,681	498,504	296,525
2011	51,594	502,703	492,672	310,197
2012	71,750	518,001	486,484	326,783
2013	89,748	513,698	515,594	338,229

* *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

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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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, 2013, 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.

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, in 2013, the City adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 33 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration of the City of Cleveland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cleveland's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2014

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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, 2013. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 52.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at December 31, 2013 by approximately $2.805 billion (net position). Of this amount, $420.7 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the approximately $2.805 billion of net position, governmental activities accounted for approximately $779 million of net position, while business-type activities net position accounted for approximately $2.026 billion.
- The City's net position increased by $145.2 million as compared to 2012. The governmental activities net position increased by $118.0 million and the business-type activities net position increased by $27.2 million.
- At the end of the current year, unassigned fund balance for the General Fund was $75.9 million, which represents the amount available for spending at the City's discretion. The unassigned fund balance equals 15.7% of the total current General Fund expenditures and other financing uses.
- In 2013, the City's total long-term debt and other long-term debt-related obligations, excluding premiums, accreted interest and discounts decreased by $62.6 million. The decrease indicates that the City's debt service payments and debt refunded or defeased exceeded new debt issued in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 52-55 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 56-59 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 and workers' compensation reserve. 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 60-64 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 65 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 67-114 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, 2013 and 2012

	Governmental Activities		Business-Type Activities (Amounts in 000's)		Total	
	2013	**2012 (restated)**	**2013**	**2012 (restated)**	**2013**	**2012 (restated)**
Assets:						
Current and other assets	$ 765,631	$ 743,284	$ 1,143,316	$ 1,197,141	$ 1,908,947	$ 1,940,425
Capital assets	1,025,543	929,462	3,085,009	3,055,706	4,110,552	3,985,168
Total assets	1,791,174	1,672,746	4,228,325	4,252,847	6,019,499	5,925,593
Deferred outflows of resources	8,241	9,509	79,369	96,829	87,610	106,338
Liabilities:						
Long-term obligations	784,325	784,215	2,071,097	2,135,047	2,855,422	2,919,262
Other liabilities	176,798	180,791	192,982	187,605	369,780	368,396
Total liabilities	961,123	965,006	2,264,079	2,322,652	3,225,202	3,287,658
Deferred inflows of resources	59,217	56,135	17,573	28,240	76,790	84,375
Net position:						
Net investment in capital assets	686,794	572,213	1,307,661	1,303,584	1,994,455	1,875,797
Restricted	145,729	122,488	244,196	227,826	389,925	350,314
Unrestricted	(53,448)	(33,587)	474,185	467,374	420,737	433,787
Total net position	$ 779,075	$ 661,114	$ 2,026,042	$ 1,998,784	$ 2,805,117	$ 2,659,898

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by approximately $2.805 billion at the close of the most recent fiscal year. This represents an increase of 5.5% in 2013. Of the City's net position, 27.8% represents its governmental net position and 72.2% represents its business-type net position.

Of the net position from governmental activities, $686.8 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, $145.7 million, represents resources that are subject to external restrictions on how they may be used. There was a decrease in unrestricted net position of $19.9 million.

In 2013, the total assets and deferred outflows from governmental activities increased by $117.2 million. This increase is primarily attributed to increases in capital assets of $96.1 million. The increase in capital assets relates largely to the construction of the Fulton Road Bridge of $40.7 million and an increase of $14.5 million in construction in progress due to the Metroparks Lakefront Parks.

Also in 2013, the total liabilities and deferred inflows of resources from governmental activities decreased by $801,000. This was caused primarily by a decrease in accrued wages and benefits payable of $11.2 million which was offset by an increase in unearned revenue of $10.0 million in 2013.

In 2013, business-type total assets and deferred outflows of resources decreased by $42.0 million. Restricted cash and cash equivalents decreased $79.2 million which was offset by an increase in capital assets of $29.3 million. The increase in capital assets is largely related to an increase of $24.2 million in the Division of Water's rehabilitation of water mains and water tanks.

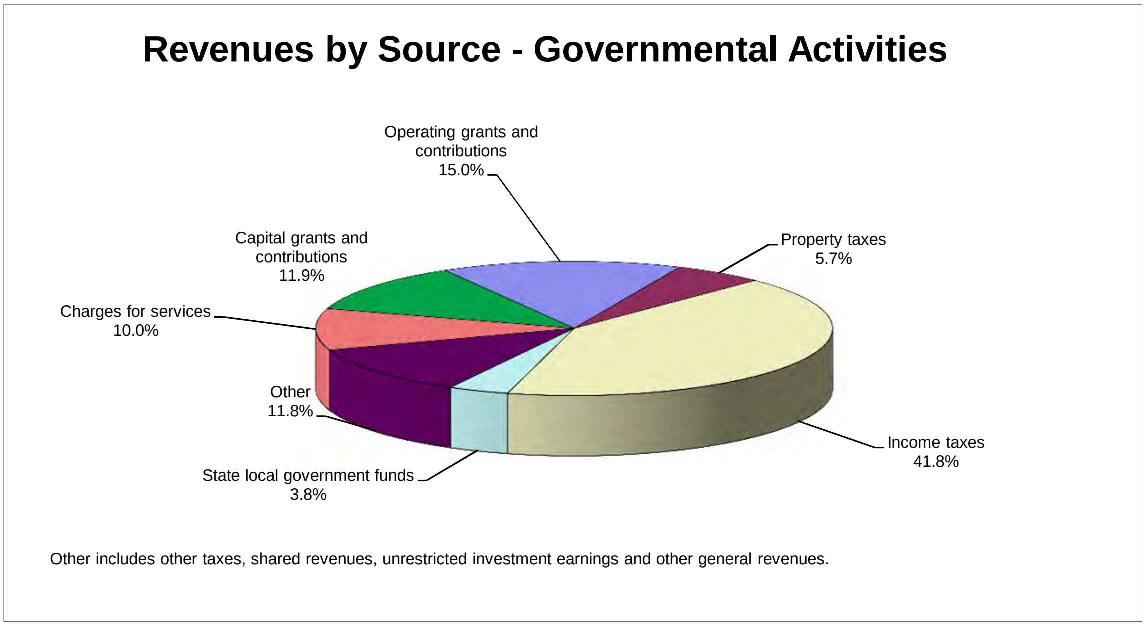
Business-type total liabilities and deferred inflows of resources decreased by $69.2 million primarily due to a decrease in long-term obligations in 2013 related to payments of principal in 2013 and an increase of $10.5 million in the fair market value of derivative instruments.

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

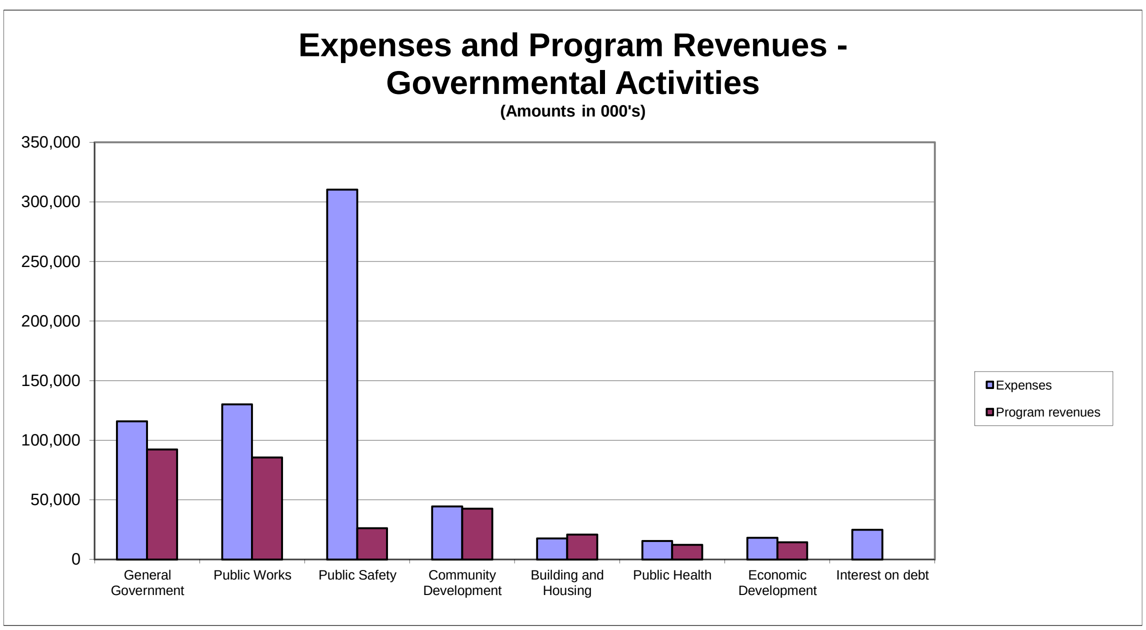
Changes in Net Position
For Fiscal Years Ended December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities (Amounts in 000's)		Total	
	2013	2012 (restated)	2013	2012 (restated)	2013	2012 (restated)
Revenues:						
Program revenues:						
Charges for services	$ 79,650	$ 72,938	$ 590,395	$ 595,381	$ 670,045	$ 668,319
Operating grants and contributions	119,587	143,883	6,858	4,927	126,445	148,810
Capital grants and contributions	94,958	25,845	48,736	55,613	143,694	81,458
General revenues:						
Income taxes	332,719	330,863			332,719	330,863
Property taxes	45,055	56,086			45,055	56,086
Other taxes	37,765	28,680			37,765	28,680
Shared revenues	34,434	27,338			34,434	27,338
State local government funds	30,081	25,966			30,081	25,966
Unrestricted investment earnings	683	692	3		686	692
Other	21,194	18,141			21,194	18,141
Total revenues	796,126	730,432	645,992	655,921	1,442,118	1,386,353
Expenses:						
General Government	115,793	103,975			115,793	103,975
Public Works	130,108	128,276			130,108	128,276
Public Safety	310,246	310,745			310,246	310,745
Community Development	44,337	70,705			44,337	70,705
Building and Housing	17,694	14,729			17,694	14,729
Public Health	15,405	17,385			15,405	17,385
Economic Development	18,142	13,845			18,142	13,845
Interest on debt	24,913	26,153			24,913	26,153
Water			258,014	244,647	258,014	244,647
Electricity			171,669	163,489	171,669	163,489
Airport facilities			155,343	152,951	155,343	152,951
Nonmajor activities			35,235	39,444	35,235	39,444
Total expenses	676,638	685,813	620,261	600,531	1,296,899	1,286,344
Changes in net position before transfers	119,488	44,619	25,731	55,390	145,219	100,009
Transfers	(1,527)	(1,589)	1,527	1,589	-	-
Changes in net position	117,961	43,030	27,258	56,979	145,219	100,009
Net position at beginning of year (as restated)	661,114	618,084	1,998,784	1,941,805	2,659,898	2,559,889
Net position at end of year	$ 779,075	$ 661,114	$ 2,026,042	$ 1,998,784	$ 2,805,117	$ 2,659,898

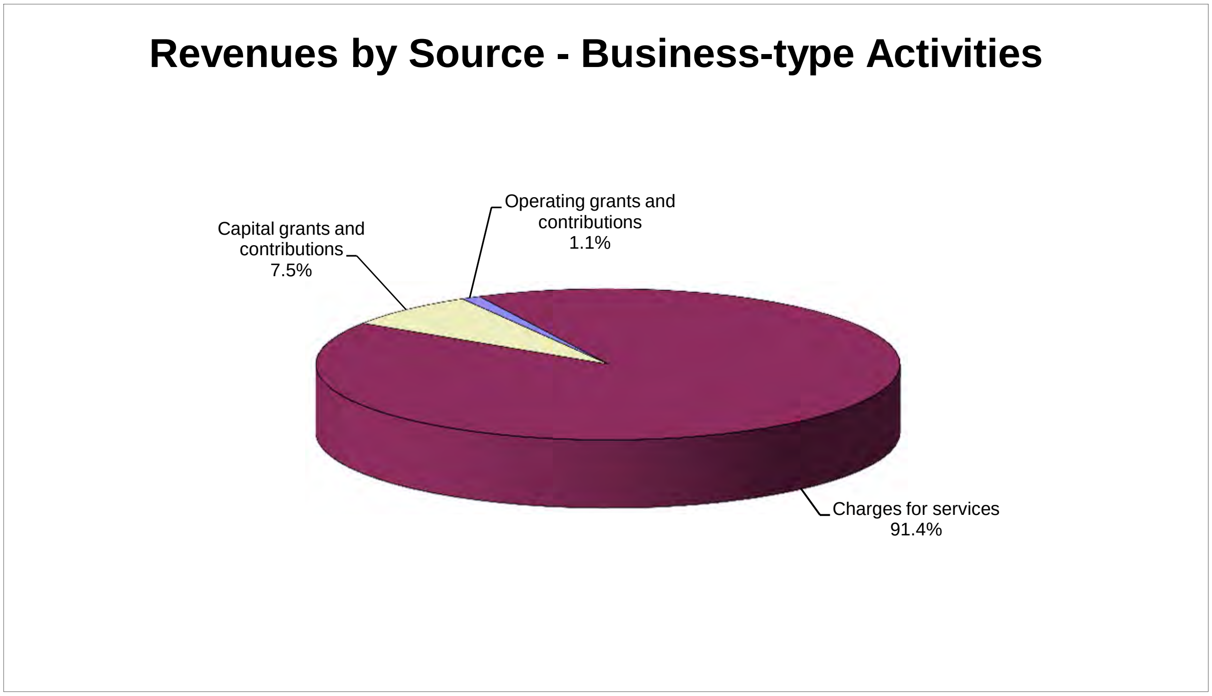
Business-type net position increased $27.2 million in 2013. Of the business-type net position, $1.308 billion represents its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. These capital assets 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 $244.0 million of net position is subject to external restrictions on their use. The remaining balance of $474.0 million is unrestricted and may be used to meet the City’s ongoing obligations to customers and creditors.

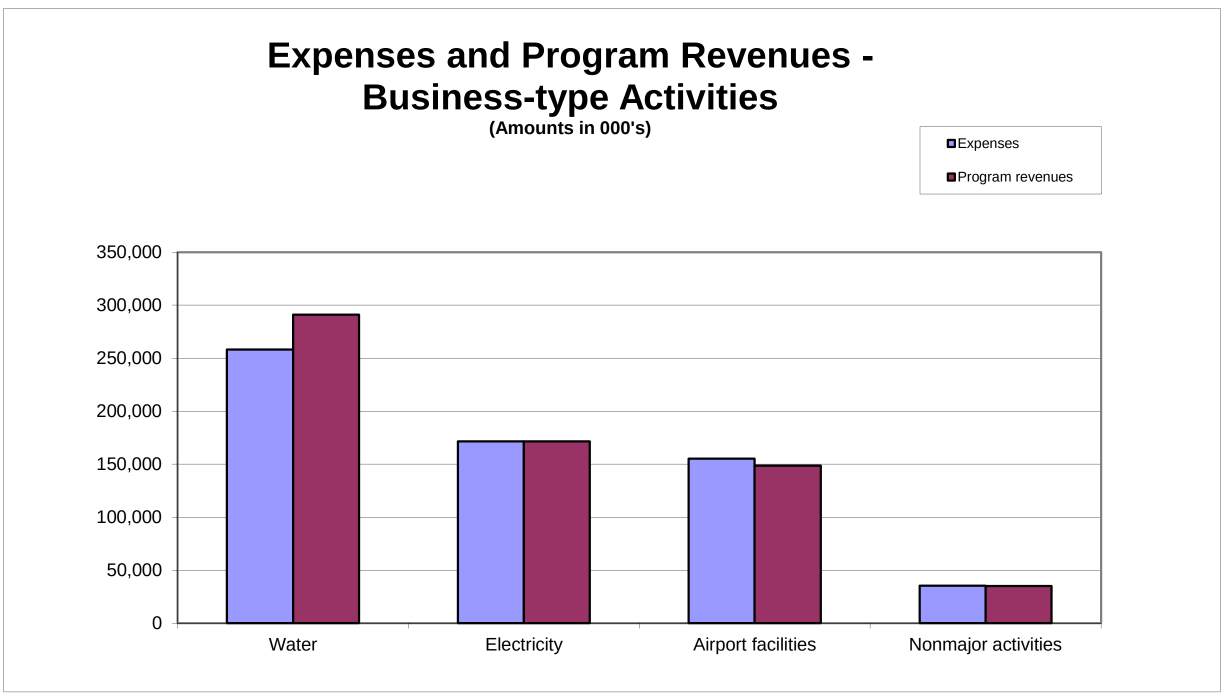


Revenues by Source - Governmental Activities
Operating grants and contributions 15.0%
Property taxes 5.7%
Capital grants and contributions 11.9%
Charges for services 10.0%
Other 11.8%
Income taxes 41.8%
State local government funds 3.8%
Other includes other taxes, shared revenues, unrestricted investment earnings and other general revenues.



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


Revenues by Source - Business-type Activities
Operating grants and contributions 1.1%
Capital grants and contributions 7.5%
Charges for services 91.4%


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

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

Division of Water: The Division operates a major public water supply system, the ninth largest in the United States that serves not only the City, but also 68 direct service, eight master meter and three emergency standby suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. They provide water to approximately 417,605 city and suburban accounts in the Cleveland Metropolitan Area. Operating revenue in 2013 decreased to $272.7 million from $280.3 million in 2012. The decrease is mainly due to a decrease in water pumpage. Operating expenses, exclusive of depreciation, increased approximately 3.9% to $154.9 million compared to $149.2 million in 2012.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 74,000 customers in the City. The Division is responsible for supplying, transmitting and distributing electricity and providing related electrical services to customers within its service area. The Division's 2013 operating revenue increased 3.1% to $170.3 million from $165.2 million in 2012. Purchased power expense increased 5.4% to $100.9 million in 2013 from $95.8 million in 2012. Operating expenses, exclusive of depreciation and purchased power, decreased 2.5% to $40.2 million compared to $41.2 million in 2012.

Department of Port Control: The City's Department of Port Control consists of the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport. Currently, 26 passenger airlines provide scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities. The airports' operating income experienced little change in 2013. There was an $8.1 million increase in capital contributions in 2013 which was primarily for the design and construction of the Burke Runway Safety Area Improvements Project.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of $433.9 million, an increase of $24.9 million and approximately 6.1% in comparison with the prior year. The components of the governmental fund balances include an unassigned balance of $75.9 million, which indicates the amount available for spending at the City's discretion. An additional $245.0 million of fund balance is available for expenditures that are legally restricted for a particular purpose. The nonspendable portion of fund balance has $1.0 million of items that are not in a spendable form, such as inventory. An additional $98.8 million is committed to fund specific purposes and cannot be reassigned without legislative approval. The remaining assigned balance of $13.2 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 $75.9 million and the total fund balance was $89.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 15.7% of total General Fund expenditures and other financing uses, while total fund balance represents approximately 18.5% 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

2013 and 2012

(Amounts in 000's)

	2013	2012
Revenues:		
Income taxes	$ 295,758	$ 294,648
Property taxes	32,705	36,028
State local government funds	28,439	31,821
Other taxes	37,764	35,218
Other shared revenues	19,212	15,271
Licenses and permits	13,614	12,314
Charges for services	33,447	34,230
Fines, forfeits and settlements	20,543	21,451
Investment earnings	515	277
Grants	2,701	5,724
Miscellaneous	14,741	10,074
Total revenues	499,439	497,056
Expenditures:		
General Government	75,834	76,966
Public Works	62,444	63,622
Public Safety	295,028	294,955
Community Development	168	157
Building and Housing	8,874	7,836
Public Health	4,419	5,326
Economic Development	1,472	1,407
Other	12,127	10,992
Capital outlay	13	2,302
Total expenditures	460,379	463,563
Excess (deficiency) of revenues over (under) expenditures	39,060	33,493
Other financing sources (uses):		
Transfers in	2,444	3,602
Transfers out	(23,507)	(16,941)
Sale of City assets	1	2
Net change in fund balance	17,998	20,156
Fund balance at beginning of year	71,750	51,594
Fund balance at end of year	$ 89,748	$ 71,750

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $501.9 million in 2013, an increase of approximately $1.2 million from 2012. A discussion of each of the major types of General Fund revenues follows.

Municipal Income Taxes

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

The income tax is also imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 50% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City. In 2013, approximately 89% 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 $1.1 million in 2013 from 2012, primarily due to increased construction activity in the University Circle and downtown areas.

Property Taxes

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

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

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

Tax Collection Year	Real Property	Public Utility Tangible Personal (Amounts in 000's)	Total Assessed Valuation
2013	$ 4,602,210	$ 266,558	$ 4,868,768
2012	$ 5,385,180	$ 246,081	$ 5,631,261

Property tax revenue fell by $3.3 million as a result of a decrease in both residential property valuations and lower collection rates.

State Local Government Funds, Other Taxes and Other Shared Revenues

State Local Government Funds, Other Taxes and Other Shared Revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other Taxes and Other Shared Revenues include state income, sales, admission, motor vehicle, parking, hotel, commercial activity, corporate franchise, casino, homestead and rollback, public utility, estate and cigarette taxes as well as liquor fees. State Local Government Funds revenue decreased by $3.4 million or 10.6% due to decreases in the distributions to local governments implemented as part of the State's budget balancing measures. Other Taxes increased $2.5 million or 7.2% from 2012 levels primarily as a result of increases in admission tax revenues. Other Shared Revenues increased $3.9 million or 25.8% from 2012 levels primarily as a result of the City collecting revenue from all four casinos of which three were open for the entire year.

Since 1993, the State Local Government Funds (LGF) have been the City's largest source of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State's collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amount in the funds has been capped at specified levels.

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

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

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled $483.9 million in 2013, an increase of 0.7% from 2012. 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 2013**	**% of Total**	**Actual 2012**	**% of Total**	**Increase (Decrease)**	**% Change**
			(Amounts in 000's)			
Current:						
General Government	$ 75,834	15.67	$ 76,966	16.02	$ (1,132)	(1.47)
Public Works	62,444	12.91	63,622	13.24	(1,178)	(1.85)
Public Safety	295,028	60.97	294,955	61.38	73	0.02
Community Development	168	0.03	157	0.03	11	7.01
Building and Housing	8,874	1.83	7,836	1.63	1,038	13.25
Public Health	4,419	0.91	5,326	1.11	(907)	(17.03)
Economic Development	1,472	0.31	1,407	0.29	65	4.62
Other	12,127	2.51	10,992	2.29	1,135	10.33
Capital Outlay	13	0.00	2,302	0.48	(2,289)	(99.44)
Transfers Out	23,507	4.86	16,941	3.53	6,566	38.76
Total Expenditures and Other Financing Uses	$ 483,886		$ 480,504		$ 3,382	

The total expenditures and other financing uses increased by $3.4 million. The growth was primarily caused by a $7.3 million increase in transfers out to the Cleveland Stadium Operations Fund. This was primarily offset by a decrease of $2.3 million in capital outlay relating to repairs for the Public Auditorium.

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 $274.5 million, $41.8 million and $114.0 million, respectively, at December 31, 2013. The change in net position for each of the respective funds amounted to an increase of $33.4 million and decreases of $143,000 and $6.8 million during 2013. 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, 2013 and 2012, the City had approximately 7,109 and 7,126 full-time employees, respectively. Of the 7,109 full-time employees, approximately 5,350 full-time employees are represented by 31 collective bargaining units. The largest collective bargaining units, together with the approximate number of employees represented by such units, include the American Federation of State, County and Municipal Employees, Local 100 – 1,165 members; Cleveland Police Patrolmen's Association – 1,234 members; the Association of Cleveland Firefighters – 779 members; Municipal Foreman and Laborers Union, Local 1099 – 417 members; and Local 244 – 233 members.

There have been no significant labor disputes or work stoppages in the City within the last 30 years.

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

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

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

Year	**Amount Paid (Amounts in 000's)**
2013	$ 431,853
2012	421,023

In 2013, there was an increase in salaries and wages payable due to the addition of a 27th pay period.

Employee Retirement Benefits

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

These two retirement systems are:

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

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

	2013	2012
	(Amounts in 000's)	
Paid by City to:		
OPERS	$ 35,261	$ 35,516
OP&F	31,956	32,607
Total paid by City	67,217	68,123
Paid by employees to:		
OPERS	25,130	25,380
OP&F	15,582	15,060
Total paid by employees	40,712	40,440
Total	$ 107,929	$ 108,563

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

GENERAL FUND BUDGETARY ANALYSIS

In 2013, the principal difference between the original and the final revenue and other sources budget (see page 59) was a $5.4 million increase in miscellaneous revenue which is attributed to a workers' compensation adjustment the City expected to receive. There was also an increase of $5.2 million in other expenditures attributed to a $3.6 million expected increase in capital outlay as well as a $1.6 million expected increase in Justice Center expenditures.

The major differences between the final amended budget and the actual total revenues were increases of $10.0 million in income taxes and $2.8 million in other taxes. The increase in income taxes is primarily attributed to increased construction activity and an improving local economy, while the other taxes resulted from mostly admission taxes which came in higher than expected in 2013. There were minor decreases in most expenditure components due to increased operating efficiencies and reduced payroll costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

***Capital assets*:** The City's capital assets for its governmental and business-type activities as of December 31, 2013, amounts to $4.1 billion (net of accumulated depreciation). This capital assets balance includes land; land improvements; utility plant; buildings, structures and improvements; furniture, fixtures, equipment and vehicles; infrastructure; and construction in progress. The total increase in the City's capital assets for the current fiscal year was 3.1% (a 10.3% increase for governmental activities and a 1.0% increase for business-type activities). A summary of the City's capital assets at December 31, 2013 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
		(Amounts in 000's)	
Land	$ 66,188	$ 191,677	$ 257,865
Land improvements	55,082	55,793	110,875
Utility plant		1,545,100	1,545,100
Buildings, structures and improvements	325,606	334,434	660,040
Furniture, fixtures, equipment and vehicles	44,993	141,014	186,007
Infrastructure	374,809	499,732	874,541
Construction in progress	158,865	317,259	476,124
Total	$ 1,025,543	$ 3,085,009	$ 4,110,552

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

- Cleveland Public Power incurred $20.9 million of capital additions relating to the Lake Road Project, Flats East Bank Project and Emergency Transformer Repairs.

- The Division of Water had capital improvements totaling $87.7 million. Major improvements were for the continuing renovations and enhancements of water mains and water tanks as well as the security enhancement program and automated meter reading system.

- Port Control capital improvements totaled approximately $19.3 million. Major initiatives were the Power Distribution Enhancement Project, installation of a new terrazzo floor in the main concourse, the Regional Transportation Authority (RTA) Level Art Gallery, which replaces various interior infrastructure items to allow for the display of wall and floor artwork and Burke Lakefront Airport Runway 6L-24R safety area improvements.

- Water Pollution Control had capital improvements of $4.0 million. Major components included citywide rehabilitation and relining sewers, 800MHZ System Upgrade, Earle Avenue Sewer and emergency repairs.

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

The primary sources for financing the City's Capital Improvement Projects are general obligation bond proceeds, certificates of participation proceeds, urban renewal bond proceeds, revenue bond proceeds, proceeds from capital leases, interest earned on funds prior to and 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) provision of cost-effective, basic City services to Cleveland residents and the business community. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 15 – Capital Assets.

Long-term debt and certain other obligations: At the end of the current fiscal year, the City had total long-term debt and certain other obligations outstanding of $2.6 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, 2013 is summarized below (excluding unamortized discounts, premiums and accreted interest).

	Balance January 1, 2013	Debt Issued	Debt Refunded or Defeased	Debt Retired	Balance December 31, 2013
			(Amounts in 000's)		
Governmental Activities:					
General Obligation Bonds	$ 308,700	$	$	$ (26,150)	$ 282,550
Urban Renewal Bonds	4,270			(600)	3,670
Subordinated Income Tax Bonds	50,020			(3,105)	46,915
Subordinate Lien Income Tax Bonds	92,380	35,840		(3,730)	124,490
Non-Tax Revenue Bonds	55,894	25,360	(25,360)	(2,786)	53,108
Annual Appropriation Bonds	10,765			(240)	10,525
Certificates of Participation	123,605			(5,935)	117,670
Capital Lease Obligations	16,236	6,535		(3,586)	19,185
Note/Loans Payable	1,000	2,786		(431)	3,355
Total Governmental Activities	662,870	70,521	(25,360)	(46,563)	661,468
Business –Type Activities:					
Revenue Bonds & Notes	1,926,203	58,000	(58,000)	(62,615)	1,863,588
Ohio Water Development Loans	109,742	11,950		(7,320)	114,372
Deferred Payment Obligation	3,510			(3,230)	280
Total Business –Type Activities	2,039,455	69,950	(58,000)	(73,165)	1,978,240
Total	$ 2,702,325	$ 140,471	$ (83,360)	$ (119,728)	$ 2,639,708

Funds used to meet the debt service requirements of the City’s General Obligation Bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to $17.04 million in 2013 which represents approximately 42% 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 58% of debt service requirements is retired from a portion of the City’s restricted income tax proceeds, homestead and rollback reimbursement from the State, interest earnings and other miscellaneous revenue sources generated within the Debt Service Funds.

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

The City’s bond ratings for general obligation and revenue bonds are as follows as of December 31, 2013:

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

* On January 17, 2013, Moody's Investors Service lowered its rating on Assured Guaranty Municipal Corporation to A2 from Aa3. Parking Facilities' bonds only carry the insured rating.

** Effective November 26, 2013 Standard & Poor's changed its outlook on Cleveland Public Power from stable to negative.

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City’s debt position to management, citizens and investors. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Fund. This data at December 31, 2013 was:

Net General Bonded Debt:	$279,124,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.73%
Net General Bonded Debt Per Capita:	$703.41

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.50% of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.50% of total assessed value of property. The City’s total debt limit (10.50%) is $511,220,638 and unvoted debt limit (5.50%) is $267,782,239. At December 31, 2013, the City had virtually no capacity under the indirect debt limitation calculation per the Ohio Revised Code to issue additional unvoted debt. However, these debt limitations are not expected to affect the financing of any currently planned facilities or services.

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

The City reports a deferred outflow and a liability in the amount of the fair value of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2013 and an investment loss or gain as appropriate based on the change in fair value. The specific terms and conditions of each swap have been provided by the respective counterparty for each swap and confirmed by the City's financial advisor.

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

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

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

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

Other Impacting Factors

- On February 3, 2014, United Airlines announced a 60% reduction in average daily departures from Cleveland and a reduction of regional departures from Cleveland by over 70%.
- On February 11, 2014, the City issued $31,460,000 Subordinate Lien Income Tax Bonds, Series 2014A.
- Effective February 12, 2014, the City issued $24,255,000 Airport System Revenue Bonds, Series 2014A and $9,070,000 Airport System Revenue Bonds, Series 2014B.
- On March 18, 2014, Standard & Poor's Ratings Services raised its rating on Assured Guaranty Municipal Corp. which is the insurer of the Series 2006 Parking Facilities Refunding Revenue Bonds.
- On May 19, 2014, City Council approved legislation authorizing the issuance of one or more series of bonds to refund outstanding public power system revenue bonds for the purpose of restructuring the Cleveland Public Power debt.

See Note 22- Subsequent Events for additional information.

NEED ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2013
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 354,235	$ 405,869	$ 760,104
Investments	3,000	14,029	17,029
Receivables:			
Taxes	134,470		134,470
Accounts	36,181	172,407	208,588
Recoverable costs of purchased power		10,063	10,063
Grants	8,444		8,444
Loans	207,491		207,491
Unbilled revenue		40,207	40,207
Accrued interest	8	1	9
Assessments	3,433		3,433
Less: Allowance for doubtful accounts	(26,792)	(29,861)	(56,653)
Receivables, net	363,235	192,817	556,052
Internal balances	2,717	(2,717)	-
Due from other governments	40,221	1,801	42,022
Inventory of supplies	2,223	15,072	17,295
Prepaid expenses and other assets		1,445	1,445
Restricted assets:			
Cash and cash equivalents		506,784	506,784
Investments		5,952	5,952
Accrued interest receivable		50	50
Accrued passenger facility charge		2,214	2,214
Total restricted assets	-	515,000	515,000
Capital assets:			
Land and construction in progress	225,053	508,936	733,989
Other capital assets, net of accumulated depreciation	800,490	2,576,073	3,376,563
Total capital assets	1,025,543	3,085,009	4,110,552
Total assets	1,791,174	4,228,325	6,019,499
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps		17,206	17,206
Loss on refunding	8,241	62,163	70,404
Total deferred outflows of resources	8,241	79,369	87,610

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2013
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 15,874	$ 29,497	$ 45,371
Accrued wages and benefits	33,381	9,919	43,300
Due to other governments	102,158	97,040	199,198
Accrued interest payable	4,290	33,823	38,113
Unearned revenue	18,705		18,705
Liabilities payable from restricted assets		22,703	22,703
Loans payable	2,390		2,390
Long-term obligations:			
Due within one year	81,955	104,272	186,227
Due in more than one year	702,370	1,966,825	2,669,195
Total liabilities	961,123	2,264,079	3,225,202
DEFERRED INFLOWS OF RESOURCES			
Property tax	51,410		51,410
Special assessment - TIF	7,353		7,353
Derivative instruments-interest rate swaps	454	17,573	18,027
Total deferred inflows of resources	59,217	17,573	76,790
NET POSITION			
Net investment in capital assets	686,794	1,307,661	1,994,455
Restricted for:			
Capital	34,675	750	35,425
Debt service	33,384	233,122	266,506
Loans	40,200		40,200
Other purposes	37,470	10,324	47,794
Unrestricted	(53,448)	474,185	420,737
Total net position	$ 779,075	$ 2,026,042	$ 2,805,117

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs:			
Governmental activities:			
General Government	$ 115,793	$ 29,983	$ 5,601
Public Works	130,108	17,561	29,770
Public Safety	310,246	17,078	9,180
Community Development	44,337		42,608
Building and Housing	17,694	11,734	9,133
Public Health	15,405	2,917	9,249
Economic Development	18,142	377	14,046
Interest on debt	24,913		
Total governmental activities	676,638	79,650	119,587
Business-type activities:			
Water	258,014	272,674	5,984
Electricity	171,669	170,342	656
Airport facilities	155,343	113,244	132
Nonmajor activities:			
Sewer	21,758	22,554	58
Public Auditorium	2,519	940	
Westside Market	1,813	1,268	
Eastside Market	90		
Municipal Parking Lots	6,934	7,875	
Cemeteries	1,947	1,498	28
Golf Courses	174		
Total business-type activities	620,261	590,395	6,858
Total	$ 1,296,899	$ 670,045	$ 126,445

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

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year (as restated)

Net position at end of year

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Positon		
	Governmental Activities	Business-Type Activities	Total
$ 56,610	$ (23,599)	$	$ (23,599)
38,348	(44,429)		(44,429)
	(283,988)		(283,988)
	(1,729)		(1,729)
	3,173		3,173
	(3,239)		(3,239)
	(3,719)		(3,719)
	(24,913)		(24,913)
94,958	(382,443)	-	(382,443)
12,446		33,090	33,090
393		(278)	(278)
35,089		(6,878)	(6,878)
99		953	953
80		(1,499)	(1,499)
70		(475)	(475)
		(90)	(90)
117		1,058	1,058
378		(43)	(43)
64		(110)	(110)
48,736	-	25,728	25,728
$ 143,694	(382,443)	25,728	(356,715)
	332,719		332,719
	45,055		45,055
	37,765		37,765
	34,434		34,434
	30,081		30,081
	683	3	686
	21,194		21,194
	(1,527)	1,527	-
	500,404	1,530	501,934
	117,961	27,258	145,219
	661,114	1,998,784	2,659,898
	$ 779,075	$ 2,026,042	$ 2,805,117

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 89,988	$ 249,617	$ 339,605
Investments		3,000	3,000
Receivables:			
Taxes	99,879	34,591	134,470
Accounts	36,181		36,181
Grants		8,444	8,444
Loans		207,491	207,491
Accrued interest		8	8
Assessments		3,433	3,433
Less: Allowance for doubtful accounts	(26,792)		(26,792)
Receivables, net	109,268	253,967	363,235
Due from other funds	1,300	7,330	8,630
Due from other governments	23,489	16,732	40,221
Inventory of supplies	648	355	1,003
TOTAL ASSETS	$ 224,693	$ 531,001	$ 755,694
LIABILITIES			
Accounts payable	$ 3,511	$ 9,902	$ 13,413
Accrued wages and benefits	30,658	2,062	32,720
Due to other governments	1,554	99,602	101,156
Unearned revenue	425	18,280	18,705
Due to other funds	7,029	9,041	16,070
Total liabilities	43,177	138,887	182,064
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow	91,768	47,935	139,703
Total deferred inflows of resouces	91,768	47,935	139,703
FUND BALANCES			
Nonspendable	648	355	1,003
Restricted		245,015	245,015
Committed		98,806	98,806
Assigned	13,209	3	13,212
Unassigned	75,891		75,891
Total fund balances	89,748	344,179	433,927
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 224,693	$ 531,001	

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.	1,021,364
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	80,940
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.	(766,776)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net position.	9,620
Net position of governmental activities	$ 779,075

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, 2013

(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Income taxes	$ 295,758	$ 37,601	$ 333,359
Property taxes	32,705	17,035	49,740
State local government funds	28,439		28,439
Other taxes	37,764		37,764
Other shared revenues	19,212	40,695	59,907
Licenses and permits	13,614	2,420	16,034
Charges for services	33,447	5,850	39,297
Fines, forfeits and settlements	20,543	6,477	27,020
Investment earnings	515	350	865
Grants	2,701	113,150	115,851
Contributions		15,948	15,948
Miscellaneous	14,741	13,029	27,770
Total revenues	499,439	252,555	751,994
EXPENDITURES:			
Current:			
General Government	75,834	9,804	85,638
Public Works	62,444	24,132	86,576
Public Safety	295,028	8,206	303,234
Community Development	168	42,509	42,677
Building and Housing	8,874	8,570	17,444
Public Health	4,419	10,564	14,983
Economic Development	1,472	16,558	18,030
Other	11,877		11,877
Capital outlay	13	115,157	115,170
Inception of capital lease		5,046	5,046
Debt service:			
Principal retirement	250	46,002	46,252
Interest		30,380	30,380
General Government		615	615
Other		1,176	1,176
Total expenditures	460,379	318,719	779,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	39,060	(66,164)	(27,104)
OTHER FINANCING SOURCES (USES):			
Transfers in	2,444	54,072	56,516
Transfers out	(23,507)	(34,959)	(58,466)
Issuance of debt		35,840	35,840
Premium on bonds		4,415	4,415
Payment to refund bonds		(25,360)	(25,360)
Sale of City assets	1	4,424	4,425
Issuance of refunding bonds		25,360	25,360
Loans		2,786	2,786
Capital leases		6,535	6,535
Total other financing sources (uses)	(21,062)	73,113	52,051
NET CHANGE IN FUND BALANCES	17,998	6,949	24,947
FUND BALANCES AT BEGINNING OF YEAR	71,750	337,230	408,980
FUND BALANCES AT END OF YEAR	$ 89,748	$ 344,179	$ 433,927

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

CITY OF CLEVELAND, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in 000's)

Amounts reported for governmental activities in the statement of activities (pages 54 and 55) are different because:	
Net change in fund balances - total governmental funds (page 57)	$ 24,947
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.	96,550
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,783)
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.	474
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.	630
The net revenue of certain activities of internal service funds is reported with governmental activities.	(2,857)
Change in net position of governmental activities (pages 54 and 55)	$ 117,961

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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual*	Variance-Positive (Negative)
REVENUES:				
Income taxes	$ 290,654	$ 290,654	$ 300,648	$ 9,994
Property taxes	31,911	31,911	32,705	794
State local government funds	28,586	28,586	28,180	(406)
Other taxes	34,940	34,940	37,710	2,770
Other shared revenues	16,865	16,865	17,244	379
Licenses and permits	11,301	11,301	13,521	2,220
Charges for services	32,437	32,437	32,954	517
Fines, forfeits and settlements	21,627	21,627	20,174	(1,453)
Investment earnings	250	250	467	217
Grants	2,361	2,361	2,903	542
Miscellaneous	18,124	23,518	24,747	1,229
Total revenues	489,056	494,450	511,253	16,803
EXPENDITURES:				
Current:				
General Government	87,476	87,868	81,317	6,551
Public Works	71,234	69,552	63,827	5,725
Public Safety	311,720	311,224	301,076	10,148
Community Development	296	296	172	124
Building and Housing	10,338	10,353	9,035	1,318
Public Health	5,517	5,528	5,057	471
Economic Development	1,644	1,644	1,456	188
Other	15,433	20,633	20,122	511
Capital outlay	3,600	3,600	3,600	-
Principal retirement	250	250	250	-
Total expenditures	507,508	510,948	485,912	25,036
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,452)	(16,498)	25,341	41,839
OTHER FINANCING SOURCES (USES):				
Transfers in	2,782	2,782	2,444	(338)
Transfers out	(31,433)	(31,593)	(29,682)	1,911
Sale of City assets			1	1
Total other financing sources (uses)	(28,651)	(28,811)	(27,237)	1,574
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCINC SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(47,103)	(45,309)	(1,896)	43,413
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			640	640
NET CHANGE IN FUND BALANCE	(47,103)	(45,309)	(1,256)	44,053
FUND BALANCE AT BEGINNING OF YEAR	50,559	50,559	50,559	-
FUND BALANCE AT END OF YEAR	$ 3,456	$ 5,250	$ 49,303	$ 44,053

***** 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, 2013
(Amounts in 000's)

	Business Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 212,524	$ 47,862	$ 89,887	$ 54,471	$ 404,744	$ 15,755
Restricted cash and cash equivalents	11,282	1,415	10,006		22,703	
Investments	10,021		4,008		14,029	
Receivables:						
Accounts	61,514	17,484	4,263	89,146	172,407	
Recoverable costs of purchased power		10,063			10,063	
Unbilled revenue	31,171	2,346	3,860	2,830	40,207	
Accrued interest	1				1	
Less: Allowance for doubtful accounts	(15,727)	(10,522)	(1,296)	(2,316)	(29,861)	
Receivables, net	76,959	19,371	6,827	89,660	192,817	-
Due from other funds	15,599	2,655		1,309	19,563	10,299
Due from other governments			1,801		1,801	
Inventory of supplies	4,669	7,814	2,079	510	15,072	1,220
Prepaid expenses and other assets	1,198	167	68		1,433	12
Total current assets	332,252	79,284	114,676	145,950	672,162	27,286
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	169,569	46,456	258,765	9,291	484,081	
Investments				5,952	5,952	
Accrued interest receivable	48		2		50	
Accrued passenger facility charges			2,214		2,214	
Total restricted assets	169,617	46,456	260,981	15,243	492,297	-
Capital assets:						
Land	5,463	5,029	167,457	13,728	191,677	663
Land improvements	16,549	305	75,655	7,869	100,378	146
Utility plant	1,543,875	512,756		141,783	2,198,414	
Buildings, structures and improvements	262,087	21,348	335,589	107,238	726,262	3,843
Furniture, fixtures, equipment and vehicles	598,431	82,193	47,242	20,877	748,743	11,245
Infrastructure			996,934		996,934	
Construction in progress	212,426	48,087	42,844	13,902	317,259	560
Less: Accumulated depreciation	(927,668)	(328,697)	(769,366)	(169,185)	(2,194,916)	(12,020)
Total capital assets, net	1,711,163	341,021	896,355	136,212	3,084,751	4,437
Total noncurrent assets	1,880,780	387,477	1,157,336	151,455	3,577,048	4,437
TOTAL ASSETS	2,213,032	466,761	1,272,012	297,405	4,249,210	31,723
DEFERRED OUTFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	17,206				17,206	
Loss on refunding	23,338	12,459	24,482	1,884	62,163	
Total deferred outflows of resources	40,544	12,459	24,482	1,884	79,369	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,253,576	$ 479,220	$ 1,296,494	$ 299,289	$ 4,328,579	$ 31,723

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	$ 9,975	$ 12,171	$ 6,327	$ 2,241	$ 30,714	$ 2,808
Accrued wages and benefits	8,281	3,370	3,229	1,782	16,662	1,974
Due to other funds	3,374	4,656	1,653	12,591	22,274	148
Due to other governments			5,861	91,179	97,040	1,002
Accrued interest payable	14,742	1,205	17,442	434	33,823	
Current payable from restricted assets	11,282	1,415	10,006		22,703	
Current portion of long-term obligations	46,922	13,195	32,400	3,190	95,707	
Total current liabilities	94,576	36,012	76,918	111,417	318,923	5,932
Long-term liabilities:						
Accrued wages and benefits	1,395	495	577	204	2,671	15,503
Construction loans payable	105,547			1,268	106,815	
Accreted interest payable		9,686			9,686	
Revenue bonds payable	747,088	221,127	848,314	27,510	1,844,039	
Other		3,498			3,498	
Total noncurrent liabilities	854,030	234,806	848,891	28,982	1,966,709	15,503
Total liabilities	948,606	270,818	925,809	140,399	2,285,632	21,435
DEFERRED INFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	17,206			367	17,573	
Total deferred inflows of resources	17,206	-	-	367	17,573	-
NET POSITION						
Net investment in capital assets	916,392	162,124	119,552	109,335	1,307,403	4,437
Restricted for capital projects	99	473		178	750	
Restricted for debt service	96,756	4,041	126,799	5,526	233,122	
Restricted for passenger facility charges			10,324		10,324	
Unrestricted	274,517	41,764	114,010	43,484	473,775	5,851
Total net position	1,287,764	208,402	370,685	158,523	2,025,374	10,288
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 2,253,576	$ 479,220	$ 1,296,494	$ 299,289		$ 31,723
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					668	
NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 2,026,042	

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

(Concluded)

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 272,674	$ 170,342	$ 113,244	$ 34,130	$ 590,390	$ 44,353
Total operating revenue	272,674	170,342	113,244	34,130	590,390	44,353
OPERATING EXPENSES:						
Operations	98,865	21,338	63,348	18,254	201,805	44,189
Maintenance	56,082	18,849	3,816	8,192	86,939	3,001
Purchased power		100,929			100,929	
Depreciation	74,217	18,171	50,865	7,822	151,075	682
Total operating expenses	229,164	159,287	118,029	34,268	540,748	47,872
OPERATING INCOME (LOSS)	43,510	11,055	(4,785)	(138)	49,642	(3,519)
NON-OPERATING REVENUES (EXPENSES):						
Investment income (loss)	1,650	59	257	125	2,091	33
Interest expense	(28,413)	(10,023)	(33,105)	(1,821)	(73,362)	
Passenger facility charges			17,716		17,716	
Sound insulation program			(2,197)		(2,197)	
Loss on disposal of capital assets	(84)	(2,224)	(491)	(14)	(2,813)	
Other revenues (expenses)	5,681	604	(1,461)	298	5,122	
Total non-operating revenues (expenses)	(21,166)	(11,584)	(19,281)	(1,412)	(53,443)	33
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	22,344	(529)	(24,066)	(1,550)	(3,801)	(3,486)
Capital contributions	11,099	386	17,248	471	29,204	534
Transfers in				1,527	1,527	423
Change in net position	33,443	(143)	(6,818)	448	26,930	(2,529)
NET POSITION AT BEGINNING OF YEAR (as restated)	1,254,321	208,545	377,503	158,075		12,817
NET POSITION AT END OF YEAR	$ 1,287,764	$ 208,402	$ 370,685	$ 158,523		$ 10,288
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					328	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 27,258	

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, 2013
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 271,954	$ 171,139	$ 110,526	$ 33,430	$ 587,049	$ 43,516
Cash payments to suppliers for goods or services	(73,222)	(15,350)	(32,333)	(10,415)	(131,320)	(27,166)
Cash payments to employees for services	(76,436)	(19,172)	(28,683)	(13,889)	(138,180)	(18,965)
Cash payments for purchased power		(106,074)			(106,074)	
Agency activity on behalf of other sewer authorities				(1,216)	(1,216)	
Other	195	(5,407)			(5,212)	
Net cash provided by (used for) operating activities	122,491	25,136	49,510	7,910	205,047	(2,615)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Cash payments for sound insulation of homes			(1,860)		(1,860)	
Cash received through transfers from other funds				1,527	1,527	423
Cash receipts (payments) from/to other governments		883			883	
Cash received (payments) for other non-operating activity		101	(2,484)	200	(2,183)	
Net cash provided by (used for) noncapital financing activities	-	984	(4,344)	1,727	(1,633)	423
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash receipts for passenger facility charges			17,746		17,746	
Proceeds from sale of revenue bonds, loans and notes	11,950		58,000		69,950	
Acquisition and construction of capital assets	(77,308)	(22,255)	(47,943)	(6,972)	(154,478)	(239)
Principal paid on long-term debt	(37,895)	(12,710)	(16,285)	(3,045)	(69,935)	
Interest paid on long-term debt	(36,561)	(9,767)	(35,560)	(1,691)	(83,579)	
Cash paid to escrow agent for refunding			(58,000)		(58,000)	
Capital grant proceeds	69		19,002	52	19,123	
Net cash provided by (used for) capital and related financing activities	(139,745)	(44,732)	(63,040)	(11,656)	(259,173)	(239)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(69,929)	(39,987)	(64,994)	(5,952)	(180,862)	
Proceeds from sale and maturity of investment securities	59,982	43,726	61,000		164,708	
Interest received on investments	1,685	77	242	127	2,131	33
Net cash provided by (used for) investing activities	(8,262)	3,816	(3,752)	(5,825)	(14,023)	33
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,516)	(14,796)	(21,626)	(7,844)	(69,782)	(2,398)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	418,891	110,529	380,284	71,606	981,310	18,153
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 393,375	$ 95,733	$ 358,658	$ 63,762	$ 911,528	$ 15,755

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	$ 43,510	$ 11,055	$ (4,785)	$ (138)	$ 49,642	$ (3,519)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	74,217	18,171	50,865	7,822	151,075	682
Noncash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	3,450	(10,537)	4,765	(507)	(2,829)	
Due from other funds	(937)	658	34	(763)	(1,008)	(1,097)
Inventory of supplies	45	1,012	264	(8)	1,313	1
Prepaid expenses and other assets	(20)	(77)	255		158	
Accounts payable	1,377	1,894	255	495	4,021	560
Accrued wages and benefits	(1,772)	(489)	(868)	(252)	(3,381)	567
Due to other funds	744	157	241	1,007	2,149	246
Due to other governments			(107)	254	147	(55)
Accrued expenses and other liabilities	1,877	3,292	1,980		7,149	
Total adjustments	78,981	14,081	54,295	8,048	155,405	904
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 122,491	$ 25,136	$ 49,510	$ 7,910	$ 205,047	$ (2,615)
NONCASH OPERATING ACTIVITY:						
Rental income			$ 3,389			
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:						
Contributions of capital assets	$ 11,030			$ 471		

(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, 2013
(Amounts in 000's)

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 29,861
Taxes receivable	19,978
Due from other governments	1,373
Total assets	$ 51,212
LIABILITIES	
Due to other governments	26,278
Due to others	24,934
Total liabilities	$ 51,212

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, 2013 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies:

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

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

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

Basic Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. ***Financial Reporting Presentation***

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

D. ***Budgetary Procedures***

The City is required by State law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds), Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve Funds) and Proprietary Operating Funds. Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits) and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from "personnel" to "other" or vice versa, or between divisions. City Council adopted five appropriation amendments during 2013 which reallocated appropriations and increased the budget by less than 3% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

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

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

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

A reconciliation of the General Fund's results of operations for 2013 reported on the budget basis versus the GAAP basis is as follows:

	(Amounts in 000's)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses (Budget Basis)	$ (1,896)
Adjustments:	
Revenue Accruals	(11,814)
Expenditure and other financing sources (uses) Accruals	20,686
Encumbrances and Pre-Encumbrances	11,022
Net Change in Fund Balance	$ 17,998

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

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

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

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

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

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

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

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The City applies guidance provided by the Governmental Accounting Standards Board. 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 Revenue Bonds, Public Power Revenue Bonds and Airport Revenue Bonds.

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

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

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

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

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

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

***Long-Term Obligations*:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities and proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Losses on advance refundings are deferred and amortized over the life of the new debt, or the life of the advance 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, 2013, one for its Subordinated Income Tax Variable Rate Refunding Bonds, one on the Parking Facilities Refunding Revenue Bonds and two associated with the 2008 Water Revenue Bonds Series Q and 2010 Water Revenue Bonds Series U and V.

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

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

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

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

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

F. *Accounting Pronouncements*

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the City has implemented GASB Statement No. 65 as of December 31, 2013.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The City has determined that GASB Statements No. 61 has no impact on its financial statements as of December 31, 2013.

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 $766.8 million difference are as follows:

		(Amounts in 000's)
Bonds payable	$	(642,280)
Interest rate swap		(454)
Unamortized bond premium		(22,006)
Accrued interest payable		(4,290)
Capital leases payable		(19,185)
Loans payable		(2,390)
Claims and adjustments		(4,144)
Loss on refunding		8,241
Compensated absences		(80,268)
Net adjustments to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(766,776)

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 $93.8 million difference are as follows:

		(Amounts in 000's)
Capital outlay	$	114,042
Contributed Capital		40,701
Depreciation expense		(52,989)
Capital asset disposal		(5,204)
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities*	$	96,550

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

		(Amounts in 000's)
Reversal of prior year deferred inflows of resources	$	(82,723)
Current year deferred inflows of resources		80,940
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(1,783)

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences, including accrued interest and in the treatment of long-term debt is $3.3 million which is detailed as follows:

		(Amounts in 000's)
Debt issued or incurred:		
Issuance of general obligation bonds and other obligations	$	(74,936)
Accrued interest		3,702
Interest rate swap		(215)
Principal repayments:		
General obligation debt and other obligations		42,977
Payment on capital lease		3,586
Refunding of general obligation bonds and other obligations		25,360
Net adjustment to increase *net changes in fund balances - total* governmental funds to arrive at *changes in net position of governmental activities*	$	474

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 $630,000 difference are as follows:

		(Amounts in 000's)
Compensated absences	$	1,541
Claims judgements		(911)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	630

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 a restrictive arrangement for certain segregated monies held in escrow at 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 $335,694,000 and the actual bank balance totaled $349,078,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $349,078,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

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

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

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

Credit Risk: The City's investments as of December 31, 2013 include U.S. Agency Obligations, U.S. Treasury Notes, U.S. Treasury Bills, STAROhio, commercial paper, money market mutual funds, guaranteed investment contracts, manuscript debt and other investments. The City maintains the highest ratings for its investments. The investments in U.S. Agencies carry a Moody's rating of Aaa. Investments in Dreyfus Government Cash Management, First American Government Obligations Fund, First American Treasury Obligations Fund, Victory Money Market Fund, PNC Government Money Market Fund (A) and STAROhio carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+. The City has no investment policy that would further limit its investment choices.

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

Type of Investment	Fair Value	Cost	Investment Maturities: Less than One Year	Investment Maturities: 1 - 5 Years	Investment Maturities: 5 Years or More
			(Amounts in 000's)		
U.S. Agency Obligations	$ 19,991	$ 19,991	$	$ 19,991	$
U.S. Treasury Notes	20,042	19,968		20,042	
U.S. Treasury Bills	3,853	3,853	3,853		
STAROhio	283,569	283,569	283,569		
Commercial Paper	188,865	188,865	188,865		
Mutual Funds	396,231	396,231	396,231		
Guaranteed Investment Contracts	16,850	16,850	16,850		
Manuscript Debt	6,213	6,213			6,213
Other	48,422	48,422	48,422		
Total Investments	984,036	983,962	937,790	40,033	6,213
Total Deposits	335,694	335,694	335,694		
Total Deposits and Investments	$ 1,319,730	$ 1,319,656	$ 1,273,484	$ 40,033	$ 6,213

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

Concentration of Credit Risk: The City places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. As of December 31, 2013, the investments in U. S. Agency Obligations, U.S. Treasury Notes, U.S. Treasury Bills, STAROhio, commercial paper, mutual funds, guaranteed investment contracts, manuscript debt and other are approximately 2.0%, 2.1%, 0.4%, 28.8%, 19.2%, 40.3%, 1.7%, 0.6% and 4.9%, respectively, of the City's total investments.

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

Government-Wide Financial Statements

	(Amounts in 000's)
Unrestricted:	
Cash and cash equivalents	$ 760,104
Investments	17,029
Restricted:	
Cash and cash equivalents	506,784
Investments	5,952
Total	$ 1,289,869

Fund Financial Statements

		(Amounts in 000's)
Balance Sheet – Governmental Funds:		
Unrestricted:		
Cash and cash equivalents	$	339,605
Investments		3,000
		342,605
Statement of Net Position – Proprietary Funds:		
Enterprise Funds:		
Unrestricted:		
Cash and cash equivalents		404,744
Investments		14,029
Restricted:		
Cash and cash equivalents		506,784
Investments		5,952
Internal Service Funds:		
Unrestricted:		
Cash and cash equivalents		15,755
Subtotal		947,264
Statement of Fiduciary Assets and Liabilities:		
Unrestricted:		
Cash and cash equivalents		29,861
Total	$	1,319,730

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, 2013, are as follows:

	Balance January 1, 2013	Additions	(Reductions)	Balance December 31, 2013	Due Within One Year
		(Amounts in 000's)			
Governmental Long-Term Obligations and Notes					
General Obligation Bonds due through 2033	$ 308,700	$	$ (26,150)	$ 282,550	$ 24,985
Other Obligations:					
Urban Renewal Bonds due through 2018, 6.75%	4,270		(600)	3,670	640
Subordinated Income Tax Refunding Bonds due through 2024, 5.00% to 5.25%	50,020		(3,105)	46,915	3,265
Subordinate Lien Income Tax Bonds due through 2037, 2.00% to 6.34%	92,380	35,840	(3,730)	124,490	5,355
Non-Tax Revenue Bonds:					
Stadium due through 2020, 3.75% to 5.13%	10,575		(1,130)	9,445	1,170
Taxable Economic and Community Dev. (Core City Bonds) due through 2033, 0.17% to 5.40%	38,955	25,360	(26,865)	37,450	1,570
Lower Euclid Ave. TIF 2003A due through 2032, 2.00% to 4.00%	6,364		(151)	6,213	155
Annual Appropriation Bonds - Flats East Bank due through 2035, 2.85% to 6.00%	10,765		(240)	10,525	245
Certificates of Participation-Stadium due through 2028, 1.90% to 5.70%	123,605		(5,935)	117,670	5,890
State Infrastructure Bank Loan		1,677	(118)	1,559	241
West 150th Street Improvement Loan		1,109	(63)	1,046	63
Capital Lease Obligations, due through 2020, 1.39% to 3.22%	16,236	6,535	(3,586)	19,185	3,874
Gateway Note Payable, due through 2016	1,000		(250)	750	250
Accrued wages and benefits	48,199	14,419	(12,259)	50,359	28,959
Police and fire overtime	45,724	1,166	(3,640)	43,250	610
Fire deferred vacation	2,925	277	(416)	2,786	227
Estimated claims payable	3,772	2,613	(1,929)	4,456	4,456
	763,490	88,996	(90,167)	762,319	81,955
Unamortized (discount)/premium - net	20,725	4,415	(3,134)	22,006	
Total Governmental Activities, Net	$ 784,215	$ 93,411	$ (93,301)	$ 784,325	$ 81,955

(Continued)

	Balance January 1, 2013	Additions	(Reductions)	Balance December 31, 2013	Due Within One Year
	(Amounts in 000's)				
Business-Type Activities (Enterprise Funds)					
Airport System Revenue Bonds:					
Series 2000 due through 2031, 4.00% to 5.00%	$ 149,000	$	$	$ 149,000	$ 5,200
Series 2006 due through 2024, 5.00% to 5.25%	115,025		(1,310)	113,715	7,160
Series 2007B due through 2027, 4.00% to 5.00%	9,645		(550)	9,095	570
Series 2008D&F due through 2033, Variable Rate	63,975		(58,000)	5,975	
Series 2009A-B due through 2027, Variable Rate	35,860		(1,255)	34,605	1,280
Series 2009C-D due through 2027, 0.04% to 5.00%	180,890		(10,290)	170,600	10,590
Series 2011A due through 2024, 3.00% to 5.00%	74,385		(2,880)	71,505	7,320
Series 2012A due through 2031, 5.00%	235,150			235,150	
Series 2013A due through 2033, Variable Rate		58,000		58,000	
	863,930	58,000	(74,285)	847,645	32,120
Public Power System Revenue Bonds:					
Series 1994 due through 2013, Zero Coupon	7,325		(7,325)	-	
Series 2006 due through 2024, 4.25% to 5.00%	107,560			107,560	
Series 2008 due through 2038, 3.75% to 5.40%	92,803		(940)	91,863	975
Series 2008 Accreted Interest Payable	7,768	1,918		9,686	
Series 2010 due through 2017, 3.00% to 5.00%	23,915		(445)	23,470	8,145
Series 2012 due through 2016, 2.00%	13,510		(4,000)	9,510	4,075
	252,881	1,918	(12,710)	242,089	13,195
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	66,860		(310)	66,550	330
Series N 2005 due through 2023, 3.50% to 5.00%	28,015		(5,280)	22,735	870
Series O 2007 due through 2037, 4.25% to 5.00%	130,610			130,610	2,950
Series P 2007 due through 2028, 4.50% to 5.00%	113,280			113,280	9,290
Series Q 2008 due through 2033, Variable Rate	90,800			90,800	
Series T 2009 due through 2021, 2.50% to 5.00%	71,330		(6,180)	65,150	8,130
Series U 2010 due through 2033, Variable Rate	54,935			54,935	
Series V 2010 due through 2033, Variable Rate	26,495			26,495	
Series W 2011 due through 2026, 2.00% to 5.00%	82,090		(19,330)	62,760	18,340
Series X 2012 due through 2042, 3.63% to 5.00%	44,410			44,410	
Second Lien Series A 2012 due through 2027, 4.00% to 5.00%	76,710			76,710	
	785,535	-	(31,100)	754,435	39,910
Ohio Water Development Authority and Public Works					
Commission Loans due through 2033, 0.00% to 4.18%	109,742	11,950	(7,320)	114,372	7,558
Parking Facilities Refunding Revenue Bonds:					
Series 2006 due through 2022, 4.00% to 5.25%	31,625		(2,520)	29,105	2,645
Public Power System Other (See Note 8)		3,747		3,747	249
Deferred Payment Obligation	3,510		(3,230)	280	280
Accrued wages and benefits	10,078	1,818	(1,796)	10,100	7,312
Estmated claims payable	221	1,503	(721)	1,003	1,003
	2,057,522	78,936	(133,682)	2,002,776	104,272
Unamortized (discount)/premium - net	77,524		(9,203)	68,321	
Total Business-Type Activities, Net	$ 2,135,046	$ 78,936	$ (142,885)	$ 2,071,097	$ 104,272
Total Debt and Other Long-Term Obligations	$ 2,919,261	$ 172,347	$ (236,186)	$ 2,855,422	$ 186,227

(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, 2013, $1,073,733 of the Internal Service Funds, except for Utilities Administration Fund, compensated absences were included in the governmental activities accrued wages and benefits. Long-term liabilities for the Utilities Administration Fund are included as part of the totals for business-type activities in the government-wide statements. At December 31, 2013, $438,723 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

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

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

A detailed summary of principal due for General Obligation Bonds and business-type activities debt by purpose is as follows for 2013:

	Original Issue Amount	Balance January 1, 2013	Additions (Amounts in 000's)	(Reductions)	Balance December 31, 2013
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	$ 95,790	$ 52,025	$	$ (4,950)	$ 47,075
Convention Center	1,010	930		(40)	890
Residential Redevelopment	23,225	9,475		(1,080)	8,395
Bridges and Roadways	136,695	71,380		(6,590)	64,790
Parks & Recreation	48,970	27,850		(2,170)	25,680
Refunding Bonds	201,045	130,785		(10,840)	119,945
Revitalization	6,020	5,280		(165)	5,115
Judgments/Settlements	12,140	10,975		(315)	10,660
Total Governmental Activities	$ 524,895	$ 308,700	$ -	$ (26,150)	$ 282,550
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	$ 971,530	$ 863,930	$ 58,000	$ (74,285)	$ 847,645
Public Power	459,618	245,113		(12,710)	232,403
Waterworks	1,031,695	785,535		(31,100)	754,435
Parking Facilities	57,520	31,625		(2,520)	29,105
Loans					
Waterworks	153,828	107,404	11,950	(6,795)	112,559
Water Pollution Control	8,378	2,338		(525)	1,813
Total Business-Type Activities	$ 2,682,569	$ 2,035,945	$ 69,950	$ (127,935)	$ 1,977,960

The following is a summary of the City's future debt service requirements as of December 31, 2013:

Governmental Activities

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Urban Renewal Bonds Principal	Urban Renewal Bonds Interest	Subordinated Income Tax Bonds Principal	Subordinated Income Tax Bonds Interest
			(Amounts in 000's)			
2014	$ 24,985	$ 13,378	$ 640	$ 226	$ 8,620	$ 7,822
2015	24,820	12,378	685	181	8,920	7,514
2016	24,355	11,261	730	134	9,255	7,191
2017	24,170	10,058	780	83	9,610	6,820
2018	23,200	8,926	835	28	9,990	6,409
2019-2023	90,260	29,610			55,895	24,528
2024-2028	53,680	11,527			45,065	11,783
2029-2033	17,080	1,594			20,680	2,572
2034-2038					3,370	296
2039-2042						
	$ 282,550	$ 98,732	$ 3,670	$ 652	$ 171,405	$ 74,935

Year Ending December 31	Non-Tax Revenue Bonds Principal	Non-Tax Revenue Bonds Interest	City Annual Appropriation Bonds Principal	City Annual Appropriation Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest
			(Amounts in 000's)			
2014	$ 2,895	$ 2,275	$ 245	$ 626	$ 5,890	$ 4,397
2015	2,954	2,149	260	612	6,185	4,103
2016	3,206	2,013	275	597	6,495	3,793
2017	3,373	1,877	290	582	6,800	3,487
2018	3,529	1,741	310	565	7,140	3,147
2019-2023	15,531	6,245	1,830	2,534	40,090	10,870
2024-2028	9,413	3,362	2,445	1,918	45,070	4,047
2029-2033	12,207	1,524	3,270	1,092		
2034-2038			1,600	146		
2039-2042						
	$ 53,108	$ 21,186	$ 10,525	$ 8,672	$ 117,670	$ 33,844

Year Ending December 31	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Note/Loans Payable Principal	Note/Loans Payable Interest	Governmental Activities Total Principal	Governmental Activities Total Interest
			(Amounts in 000's)			
2014	$ 3,874	$ 329	$ 554	$ 53	$ 47,703	$ 29,106
2015	3,957	247	561	46	48,342	27,230
2016	4,010	163	569	38	48,895	25,190
2017	2,981	93	326	30	48,330	23,030
2018	2,488	44	334	22	47,826	20,882
2019-2023	1,875	17	598	14	206,079	73,818
2024-2028			318		155,991	32,637
2029-2033			95		53,332	6,782
2034-2038					4,970	442
2039-2042						
	$ 19,185	$ 893	$ 3,355	$ 203	$ 661,468	$ 239,117

Year Ending December 31	Business-Type Activities: Revenue Bonds / Notes Principal	Revenue Bonds / Notes Interest	Construction Loans Principal	Construction Loans Interest
	(Amounts in 000's)			
2014	$ 87,870	$ 86,058	$ 7,558	$ 3,514
2015	90,230	82,163	7,751	3,268
2016	92,290	77,952	7,951	3,016
2017	100,920	73,216	7,886	2,759
2018	99,190	68,358	7,982	2,507
2019-2023	534,350	264,538	42,323	8,571
2024-2028	467,369	159,644	28,962	2,304
2029-2033	313,162	70,462	5,021	159
2034-2038	66,272	36,680		
2039-2042	11,935	1,231		
	$ 1,863,588	$ 920,302	$ 115,434	$ 26,098

Year Ending December 31	Deferred Payment Obligations (Note 6) Principal	Deferred Payment Obligations (Note 6) Interest	Business-Type Activities Total Principal	Business-Type Activities Total Interest
	(Amounts in 000's)			
2014	$ 280	$ 2	$ 95,708	$ 89,574
2015			97,981	85,431
2016			100,241	80,968
2017			108,806	75,975
2018			107,172	70,865
2019-2023			576,673	273,109
2024-2028			496,331	161,948
2029-2033			318,183	70,621
2034-2038			66,272	36,680
2039-2042			11,935	1,231
	$ 280	$ 2	$ 1,979,302	$ 946,402

The schedule of minimum principal and interest payments for construction loans includes the amortization on sixteen loans provided to the Division of Water and the Division of Water Pollution Control by the Ohio Water Development Authority (OWDA) and two loans to the Division of Water Pollution Control by the Ohio Public Works Commission (OPWC). This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water and the Division of Water Pollution Control have received all the loan proceeds. Therefore, at December 31, 2013, the amount financed on these OWDA loan projects, which is reflected in the amortization schedule, less the principal payments made to date, exceeds the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by $1,062,000.

General Obligation Bonds

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

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue $267,782,239 of additional unvoted debt at December 31, 2013.

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 Rock and Roll Hall of Fame and Museum opened in September 1995. The Urban Renewal Bonds are not general obligations of the City and are not secured by the full faith and credit of the City nor are they payable from the general revenues or assets of the City. The Urban Renewal Bonds are secured solely by pledged receipts, consisting of payments to be made in lieu of real property taxes pursuant to Development Agreements between the City and certain property owners and interest income on those payments.

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

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

Interest Rate Swap Transaction:

Terms: On February 7, 2003, the City sold an option to JPMorgan Chase Bank (JPM) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City's Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The swaption is now associated with the Series 2008 Bonds. Under the swap agreement, the City will be the fixed rate receiver, receiving the fixed rate of 4.88%, and JPM will be the floating rate receiver, receiving interest on what would have been the outstanding notional amount of the original 1994 Bonds of $45,000,000 at December 31, 2013, at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) index. If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the "General Bond Ordinance" securing the City's General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the Subordinate Lien Unrestricted Income Tax Bonds, Series 2008, and the periodic floating rate payments under the swap agreement.

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

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

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

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

Fair Value: The fair value of the swaption at December 31, 2013 as reported by JPM was $454,000 which would be payable by the City.

***Subordinate Lien Income Tax Bonds*:** Effective May 30, 2013, the City issued $35,840,000 of Subordinate Lien Income Tax Bonds, Series 2013A. The proceeds of the bonds will be used to pay costs of various public improvements to roads and bridges, public facilities, and parks and recreation facilities as well as the costs of issuing the bonds. Effective November 29, 2012, the City issued $15,180,000 of Subordinate Lien Income Tax Bonds, Series 2012. These bonds were issued to provide funds for the construction of a new police station and city-wide communications center.

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 issued from 2008 through 2013 from the Restricted Income Tax collections.

***Non-Tax Revenue Bonds – Stadium*:** Effective December 16, 2004, the City issued $14,835,000 Non-Tax Revenue Bonds, Series 2004 (Cleveland Stadium Project) to refund the Non-Tax Revenue Stadium Bonds, Series 1999A&B. 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 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 are 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. At the expiration of the PNC letter of credit, the City elected to refund the Series 2008 Bonds with $25,360,000 Taxable Economic and Community Development Bonds, Series 2013A effective May 30, 2013. The bonds remain variable rate bonds and were privately placed with KeyBank National Association for a period of five years. The Bonds are payable from the City's non-tax revenues and net project revenues.

On November 10, 2004, the City issued Taxable Economic and Community Development Revenue Bonds, Series 2004 (Core City). The Series 2004 Bonds were issued in the amount of $19,280,000 to pay the costs of certain economic and community development projects. These Series 2004 Bonds were issued as fixed rate securities and are special obligations of the City, payable from non-tax revenues and net project revenues.

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

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

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

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

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

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

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

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

The assets recorded by the City under Capital Leases were as follows as of December 31, 2013:

	Governmental Activities (Amounts in 000's)
Furniture, fixtures and equipment	$ 40,057
Less – accumulated depreciation	(17,440)
Net book value	$ 22,617

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

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

West 150th Street Improvement Loan: The Ohio Public Works Commission (OPWC) approved a loan to the City to finance a portion of the West 150th Street Improvement project. OPWC committed up to $1,949,332 at a zero percent interest rate for twenty years. The City and the City 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.

***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, 2013, follow:

	Overtime		Deferred Vacation	
Division	**Hours**	**Dollars**	**Hours**	**Dollars**
		(Amounts in 000's)		
Police	1,188	$ 37,103		$
Fire	188	6,147	86	2,786
Total	1,376	$ 43,250	86	$ 2,786

Business-Type (Enterprise Fund) Obligations

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

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

Effective February 23, 2012, the City issued $235,150,000 Airport System Revenue Bonds, Series 2012A. Proceeds of the bonds were used to refund the outstanding $249,445,000 Airport System Revenue Bonds, Series 2000A and to pay the costs of issuing the bonds. Net proceeds of the Series 2012A Bonds, amounts on hand in the Series 2000 interest account and an amount released from the debt service reserve fund totaling $252,378,809 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on March 26, 2012. As a result, the refunded bonds were defeased and the liability for the 2000A Bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $25.1 million or an economic gain (the difference between the present values of the old and new debt service) of approximately $15.12 million or 6.06%.

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

Effective February 24, 2012, the City issued $15,325,000 Public Power System Revenue Refunding Bonds, Series 2012, to refund all of the outstanding $15,980,000 Public Power System Refunding Revenue Bonds, Series 2001. Net proceeds of the Series 2012 Bonds and amounts on deposit in the Series 2001 Bond Fund together totaling $16,293,627 were placed in an irrevocable trust account to pay the principal and interest on the refunded Series 2001 Bonds on March 26, 2012. As a result, the refunded bonds were defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $1,169,000 or an economic gain (the difference between the present values of the old and new debt service) of approximately $1,148,000 or 7.18%. These bonds were sold through a private sale to Wells Fargo Bank, National Association.

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

Upon the mandatory tender by the direct purchasers of the Water Revenue Bonds, Series U, 2010 and the Water Revenue Bonds, Series V, 2010, the City entered into new direct purchase agreements on both series of bonds.

Effective November 1, 2013, the $54,935,000 Water Series U Bonds were directly purchased by PNC Bank, National Association and subsequently, on December 2, 2013, the $26,495,000 Water Series V Bonds were also directly purchased by PNC Bank. The City will be paying an interest rate equal to 65.001% of one month LIBOR plus a spread for the next three years.

Effective October 24, 2012, the City issued $44,410,000 of Senior Lien Water Revenue Bonds, Series X, 2012, and $76,710,000 of Water Revenue Bonds, Second Lien Series A, 2012. Proceeds of the Series X Bonds will be used to pay costs of improvements to the Waterworks System and to pay costs of issuing the bonds. From the proceeds of the Series A Bonds, $42,000,000 is being used to fund the final phase of the automated meter reading project while the remainder was used to refund all of the outstanding $50,000,000 Water Revenue Subordinated Notes, Series 2012, and to pay issuance costs.

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

Interest Rate Swap Transactions:

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

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

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

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

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

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

for periods of time. In addition, a reduction in federal income tax rates might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of financing.

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

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

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2013 as reported by JPM and Morgan Stanley totaled $17,206,000, which would be payable by the City.

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

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

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

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

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

Interest Rate Swap Transaction:

Terms: Simultaneously with the issuance of the City's $57,520,000 Parking Facilities Refunding Revenue Bonds, Series 2006 on August 15, 2006, the City entered into a floating-to-floating rate basis swap agreement with a notional amount equal to the total declining balance of the Series 2006 Bonds. UBS was the counterparty on the transaction. As stated above, the basis swap was transferred to PNC Bank, National Association in 2013. Under the swap agreement for the Series 2006 Bonds, the City is the floating rate payor, paying a floating rate based on the SIFMA index. The counterparty is also a floating rate payor, paying the City 67% of one month LIBOR. The City also received an upfront payment in the amount of $1,606,000. Net payments are exchanged semi-annually each

March 15 and September 15. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the parking revenues and additional pledged revenues as defined in the trust indenture securing the Parking Facilities Refunding Revenue Bonds, Series 2006, on parity with the pledge and lien securing the payment of debt service on the bonds.

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

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

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

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

Fair Value: The fair value of the swap at December 31, 2013 as reported by PNC totaled $367,000, 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 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, 2013 is as follows:

Bond Issue	(Amounts in 000's)	Bond Issue	(Amounts in 000's)
Parking Facilities Bonds:		Unvoted Tax Supported GO:	
Series 2006	$ 13,800	Series 2004	$ 9,235
		Series 2005A	13,275

Airport Special Facilities 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 leased to Continental Airlines at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999 totaling $71,440,000. Additional Airport Special 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 $847,645,000 in various Airport System Revenue Bonds issued in various years since 2001. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 78% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $1,262,929,000. Principal and interest paid for the current year and total net revenues (including other available funds) were $67,489,000 and $87,452,000 respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay $232,403,000 in various Public Power System Revenue Bonds issued in various years since 2006. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 77% of net revenues. The total principal and interest remaining to be paid on the various Power System Revenue Bonds is $383,369,000. Principal and interest paid for the current year and total net revenues were $22,477,000 and $29,267,000, respectively.

The City has pledged future Water System revenues, net of specified operating expenses, to repay $754,435,000 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 60% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $1,100,416,000. Principal and interest paid for the current year on the Senior Lien Bonds and total net revenues were $70,646,000 and $119,377,000, respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $29,105,000 in Parking Facilities Refunding Revenue Bonds issued in 2006. Proceeds from the bonds initially issued provided financing for the construction of parking facilities. The bonds are payable from parking facilities net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require the full amount of net pledged revenues. The total principal and interest remaining to be paid on the Parking Facilities Revenue Bonds is $37,177,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,129,000 and $4,221,000 respectively.

In 2013, no additional pledged revenue was required to meet the debt service on the Parking Facilities Refunding Revenue Bonds. The trust indenture requires, among other things, that the Division will fix parking rates and will charge and collect fees for the use of the parking facilities and will restrict operating expenses. As of December 31, 2013, the Division of Parking Facilities was in compliance with the terms and requirements of the trust indenture.

Derivative Instruments

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

The table below presents the fair value balances and notional amounts of the City's derivative instruments outstanding at December 31, 2013, classified by type, and the changes in fair value of these derivatives during fiscal year 2013 as reported in the 2013 financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2013 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, 2013		
	Classification	Amount	Classification	Amount	Notional
			(Amounts in 000's)		
Investment Derivatives:					
Governmental Activities:					
Fixed to floating interest rate swap					
2003 Subordinated Income Tax Swaption	Investment Loss	$ (215)	Investment	$ (454)	$ 45,000
Business-Type Activities:					
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Loss	(2)	Investment	(367)	29,105
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred inflow	3,316	Debt	(6,253)	69,880
2010 U Water Swap	Deferred inflow	4,793	Debt	(7,303)	54,735
2010 V Water Swap	Deferred inflow	2,384	Debt	(3,650)	26,295

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2013, 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	$ 45,000,000	2/7/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa3/A+/A+
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 45,860,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 24,020,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A
2006 Parking Bonds	Basis Swap - Pay Floating/Receive Floating	Exchange floating rate payments on Series 2006 Parking System Bonds	$ 29,105,000	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, 2013. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2013 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented below.

Aggregate Cash Flows on Hedging Derivative Instruments

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(Amounts in 000's)		
2014	$	$ 763	$ 4,558	$ 5,321
2015		763	4,277	5,040
2016		763	4,219	4,982
2017		763	4,180	4,943
2018		763	3,853	4,616
2019-2023	32,415	3,387	12,658	48,460
2024-2028	80,240	860	2,243	83,343
2029-2033	59,575	125	169	59,869
Total	$ 172,230	$ 8,187	$ 36,157	$ 216,574

NOTE 6 – DEFERRED PAYMENT OBLIGATION / I-X CENTER

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

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

Rental income recognized by the City under this agreement totaled $3,389,000 in 2013. Of this amount $159,000 was offset against interest expense and $3,230,000 was offset against the principal balance of the deferred obligation.

NOTE 7 – RISK MANAGEMENT

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

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

Changes in the estimated claims payable for all funds during the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
	(Amounts in 000's)	
Estimated claims payable, January 1	$ 3,993	$ 2,528
Current year claims (including IBNRs) and changes in estimates	4,116	4,713
Claim payments	(2,650)	(3,248)
Estimated claims payable, December 31	$ 5,459	$ 3,993

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 with 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 2013. There was no significant decrease in any insurance coverage in 2013. In addition, there were no insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage.

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, 2013 was $23,818,045. Of this amount, $8,765,242 was recorded as a fund liability within each respective fund. The remaining $15,052,803 is due in future years and is recorded as a liability in the Workers' Compensation Reserve Internal Service Fund. This liability is funded by charging the appropriate funds their proportionate share of this liability and recording the associated due to or due from as appropriate.

NOTE 8 – CONTINGENCIES

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

As of December 31, 2013, the City had $3,153,000 in claims for which an unfavorable outcome is deemed to be reasonably possible.

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

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

The City intends to recover these costs and repay AMP over the next 15 years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a recoverable cost of purchased power, as allowed by GASB Statement No. 65.

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

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

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

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES

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

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

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

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

For the year ended December 31, 2013, transfers consisted of the following:

	Transfers In					
Transfers Out	**Total**	**General Fund**	**Other Govern-mental Funds**	**Total Govern-mental Funds**	**Enterprise Funds**	**Internal Service Funds**
	(Amounts in 000's)					
Governmental Funds:						
General	$ 23,507	$	$ 21,557	$ 21,557	$ 1,527	$ 423
Other Governmental	34,959	2,444	32,515	34,959		
Total Governmental Funds	58,466	2,444	54,072	56,516	1,527	423
Total	$ 58,466	$ 2,444	$ 54,072	$ 56,516	$ 1,527	$ 423

Interfund Balances: Interfund balances at December 31, 2013 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2013 are as follows:

		Due From							
Due To	Total	General Fund	Other Govern-mental Funds	Total Govern-mental Funds	Division of Water Fund	Cleveland Public Power Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
					(Amounts in 000's)				
Governmental Funds:									
General	$ 7,029	$	$	$ -	$	$ 1,387	$ 63	$ 1,450	$ 5,579
Other Governmental	9,041	860	7,316	8,176		10	24	34	831
Total Governmental	$ 16,070								
Enterprise Funds:									
Division of Water	$ 3,374	18	13	31		1,167	791	1,958	1,385
Cleveland Public Power	4,656	12	1	13	3,837		1	3,838	805
Department of Port Control	1,653	232		232		20	305	325	1,096
Other Enterprise	12,591	173		173	11,762	63	116	11,941	477
Total Enterprise	$ 22,274								
Internal Service Funds	148	5		5		8	9	17	126
Total Due To/Due From	$ 38,492	$ 1,300	$ 7,330	$ 8,630	$ 15,599	$ 2,655	$ 1,309	$ 19,563	$ 10,299

NOTE 10 – INCOME TAXES

During 2013, the City income tax rate remained at 2% and the credit provided to City residents for income taxes paid to other municipalities remained at 50% and the maximum credit is limited to 1%. A portion of the City income tax is restricted in its use to capital expenditures and debt service and is included in the Restricted Income Tax Special Revenue Fund. All other income tax proceeds are included in the General Fund.

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

NOTE 11 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. The 2013 levy was based upon an assessed valuation of approximately $4.869 billion. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 4.4 mills, of which 4.35 mills is dedicated to debt service and .05 mills is dedicated to the payment of fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last reappraisal was completed in 2012. Assessed values are established by the Cuyahoga County (County) Auditor. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

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

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

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

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

NOTE 12 – DEFERRED INFLOWS / DEFERRED OUTFLOWS OF RESOURCES

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

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

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

	Governmental Type Funds		
	General	Other Governmental Funds	Totals
		(Amounts in 000's)	
Income taxes receivable	$ 14,917	$ 1,938	$ 16,855
Property taxes receivable	55,828	29,084	84,912
Special assessments receivable	4,476	7,396	11,872
Local government receivable	9,884		9,884
Estate tax receivable	112		112
Homestead rollback	3,390	1,767	5,157
Emergency medical service receivable	660		660
Motor vehicle taxes receivable		1,352	1,352
Municipal gas tax receivable		1,023	1,023
State gasoline tax receivable		1,998	1,998
Grant receivable		2,938	2,938
Due from other governments	2,490	439	2,929
Other taxes receivable	11		11
Total deferred inflows of resources	$ 91,768	$ 47,935	$ 139,703

NOTE 13 – DEFINED BENEFIT PENSION PLANS

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

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The City's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were $32,743,188, $25,369,016 and $25,558,982 each year, respectively. The required payments due in 2013, 2012 and 2011 have been made.

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

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

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.00% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, Employers were required to contribute 19.50% and 24.00% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 were $26,565,919, $22,183,185 and $22,213,372, respectively. The required payments due in 2013, 2012 and 2011 have been made.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 1.00% for members of the Traditional Plan in 2013 and 4.00% in 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions to OPERS to fund postemployment benefits were $2,517,622 in 2013, $10,146,896 in 2012 and $10,222,877 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

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

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by provisions of Sections 115 and 401(h). The OP&F Board of Trustees is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions to the OP&F that was allocated to the health care plan was $5,390,151 for the year ending December 31, 2013 $10,424,190 for 2012 and $10,399,050 for 2011. The required payments due in 2013, 2012, and 2011 have been made.

NOTE 15 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
		(Amount in 000's)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 66,188	$	$	$ 66,188
Construction in progress	115,380	83,737	(40,252)	158,865
Total capital assets, not being depreciated	181,568	83,737	(40,252)	225,053
Capital assets, being depreciated:				
Land improvements	157,551	4,898		162,449
Buildings, structures and improvements	622,782	10,310		633,092
Furniture, fixtures, equipment and vehicles	191,229	11,341	(3,410)	199,160
Infrastructure	559,464	86,773	(7,915)	638,322
Total capital assets, being depreciated	1,531,026	113,322	(11,325)	1,633,023
Less accumulated depreciation for:				
Land improvements	(101,342)	(6,025)		(107,367)
Buildings, structures and improvements	(292,965)	(14,521)		(307,486)
Furniture, fixtures, equipment and vehicles	(144,441)	(12,807)	3,081	(154,167)
Infrastructure	(244,384)	(21,876)	2,747	(263,513)
Total accumulated depreciation	(783,132)	(55,229)	5,828	(832,533)
Total capital assets being depreciated, net	747,894	58,093	(5,497)	800,490
Governmental activities capital assets, net	$ 929,462	$ 141,830	$ (45,749)	$ 1,025,543

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
		(Amount in 000's)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 191,898	$	$ (221)	$ 191,677
Construction in progress	293,093	133,351	(109,185)	317,259
Total capital assets, not being depreciated	484,991	133,351	(109,406)	508,936
Capital assets, being depreciated:				
Land improvements	97,735	6,703	(4,060)	100,378
Utility plant	2,130,840	74,528	(6,954)	2,198,414
Buildings, structures and improvements	700,400	33,053	(7,191)	726,262
Furniture, fixtures, equipment and vehicles	731,493	32,653	(14,209)	749,937
Infrastructure	975,801	21,133		996,934
Total capital assets, being depreciated	4,636,269	168,070	(32,414)	4,771,925
Less accumulated depreciation for:				
Land improvements	(46,304)	(1,842)	3,561	(44,585)
Utility plant	(596,176)	(61,750)	4,612	(653,314)
Buildings, structures and improvements	(383,487)	(15,532)	7,191	(391,828)
Furniture, fixtures, equipment and vehicles	(583,275)	(39,732)	14,084	(608,923)
Infrastructure	(456,312)	(40,890)		(497,202)
Total accumulated depreciation	(2,065,554)	(159,746)	29,448	(2,195,852)
Total capital assets being depreciated, net	2,570,715	8,324	(2,966)	2,576,073
Business-Type activities capital assets, net	$ 3,055,706	$ 141,675	$ (112,372)	$ 3,085,009

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

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

		(Amounts in 000's)
Governmental Activities:		
General Government	$	29,820
Public Works		12,329
Public Safety		8,683
Building and Housing		144
Community Development		1,523
Public Health		371
Economic Development		119
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets		492
Total depreciation expense charged to governmental activities	$	53,481
Business-Type Activities:		
Water	$	74,217
Electricity		18,171
Airport Facilities		50,865
Nonmajor activities		7,822
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		190
Total depreciation expense charged to business-type activities	$	151,265

Capital Commitments: Significant commitments of the City as of December 31, 2013 are composed of the following:

Project Description		**Spent-to-Date**		**Remaining Commitment**
		(Amounts in 000's)		
Governmental Activities:				
Lorain Avenue W150-W117	$		$	7,903
Fleet Avenue		526		7,029
Cedar Avenue (E55 to E89)		346		5,483
Puritas Avenue				4,662
Financial Management System		127		3,983
Fire Station #36 Design		172		3,463
W73 St. Extension		3,707		3,293
MLK Buckingham to Cedar				3,249
New Financial Management System		7,286		3,194
Tree Roots and Sidewalk Program		51		2,722
Tremont Valley Playfield				2,700
Waste Collection Vehicles				2,484
Recycling Carts		4,985		2,437

Project Description	Spent-to-Date	Remaining Commitment
	(Amounts in 000's)	
Business-Type Activities:		
Crown Water Plant	$ 13,170	$ 10,809
Suburban Water Main Renewal Program	6,565	10,477
Meter Automation & Replace Prg	72,752	9,085
Terminal Exterior Façade	344	8,911
Southern Transmission Line	41	8,659
Harvard Substation	386	6,950
Sound Insulation of Homes	92,932	5,309
Wetlands & Stream Mitigation	21,476	4,577
Ridge Road Substation		4,089
MS1/MS2 Tie-In	1,396	4,085
CMF IIIB-Chemical Storage		3,514
General Engineering Services Phase VIII		3,500
Terminal Ticketing Renovations	162	3,254

Capital Grant Programs: The City participates in the State Issue 2 program and the Local Transportation Improvement Program. Through these programs, the State of Ohio (State) provides financial assistance to the City for its various road and bridge improvements and storm water detention facilities. The Ohio Public Works Commission (OPWC) is the State agency which oversees the allocation of State bond proceeds and tax revenue to selected projects which have met funding requirements. Upon approval of the OPWC, the City and the State create project agreements establishing each entity's financial contribution toward each project. Through December 31, 2013, the State funded $179,163,000 of road and bridge improvement projects and $6,974,000 for storm water detention facilities.

Capitalized Interest: Interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest income earned on invested debt proceeds. For 2013, interest expense incurred for the Enterprise Funds was $91,020,000 of which $17,553,000 was capitalized net of $105,000 of interest income capitalized.

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

NOTE 16 – SERVICE CONCESSION ARRANGEMENTS

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

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

The City reports the golf courses and related equipment as a capital asset with a carrying amount of $3,326,000 at year end.

NOTE 17 – SEGMENT INFORMATION

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

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

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

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

Condensed Statement of Net Position Information	**Municipal Parking Lots (Amounts in 000's)**
Assets:	
Current assets	$ 5,802
Restricted assets	8,733
Capital assets, net	35,316
Total assets	49,851
Deferred outflows of resources:	
Loss on refunding	1,884
Total assets and deferred outflows of resources	$ 51,735
Liabilities:	
Current liabilities	$ 3,887
Long-term liabilities	27,532
Total liabilities	31,419
Deferred inflows of resources:	
Derivative instruments-interest rate swaps	367
Total liabilities	367
Net position:	
Net investment in capital assets	10,252
Restricted for debt service	5,526
Unrestricted	4,171
Total net position	19,949
Total liabilities, deferred inflows of resources and net position	$ 51,735

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

	Municipal Parking Lots (Amounts in 000's)
Charges for services	$ 7,875
Depreciation (expense)	(1,376)
Other operating (expenses)	(3,819)
Operating income (loss)	2,680
Nonoperating revenues (expenses):	
Investment income	13
Interest expense	(1,739)
Other revenue (expenses)	70
Capital Contibutions	34
Change in net position	1,058
Net position at beginning of year (restated)	18,891
Net position at end of year	$ 19,949

Condensed Statement of Cash Flows Information

	Municipal Parking Lots (Amounts in 000's)
Net cash provided by (used for):	
Operating activities	$ 4,141
Noncapital financing activities	70
Capital and related financing activities	(4,129)
Investing activities	15
Net increase (decrease) in cash and cash equivalents	97
Beginning cash and cash equivalents	14,211
Ending cash and cash equivalents	$ 14,308

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

Purpose	Division of Water	Cleveland Public Power	Department of Port Control	Municipal Parking Lots	Cemeteries	Water Pollution Control
			(Amounts in 000's)			
Construction activities	$ 84,095	$ 43,821	$ 83,373	$ 3,207	$	$ 558
Debt retirement	96,756	4,041	126,799	5,526		
Accrued passenger facility charges			10,324			
Other	48	9	50,491		5,952	
Total	$ 180,899	$ 47,871	$ 270,987	$ 8,733	$ 5,952	$ 558

NOTE 18 – RESTATEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. The Statement changed the treatment of bond issuance costs. Previously, the costs were recorded as assets and amortized over the life of the related debt issue. The GASB evaluated these costs and concluded that with the exception of prepaid insurance, the costs relate to services provided in the current period and thus they should be expensed in the current period. As a result, the following restatements are necessary:

	Net Position January 1, 2013	Restatement	Restated Net Position January 1, 2013
		(Amounts in 000's)	
Government-Wide Governmental	$ 682,318	$ (21,204)	$ 661,114
Government-Wide Business-Type	2,024,366	(25,582)	1,998,784
Water Enterprise Fund	1,259,472	(5,151)	1,254,321
Cleveland Public Power Enterprise Fund	211,191	(2,646)	208,545
Port Control Enterprise Fund	394,000	(16,497)	377,503
Nonmajor Enterprise Funds	159,363	(1,288)	158,075

NOTE 19 – FUND BALANCES / NET POSITION

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

Below are the fund balance classifications for the governmental funds at December 31, 2013:

	General Fund	Other Governmental	Total Governmental
		(Amounts in 000's)	
Fund Balances			
Nonspendable			
Inventory	$ 648	$ 355	$ 1,003
Nonspendable Total	648	355	1,003
Restricted			
General Government		25,087	25,087
Public Works		28,645	28,645
Public Safety		7,953	7,953
Community Development		6,603	6,603
Public Health		424	424
Building and Housing		210	210
Economic Development		43,601	43,601
Debt Service		16,276	16,276
Capital Projects		116,216	116,216
Restricted Total	-	245,015	245,015
Committed			
General Government		8,516	8,516
Public Safety		174	174
Public Works		300	300
Community Development		1,354	1,354
Public Health		64	64
Economic Development		88,398	88,398
Committed Total	-	98,806	98,806
Assigned			
General Government	5,403		5,403
Public Works	3,329		3,329
Public Safety	1,959		1,959
Community Development	3		3
Public Health	367		367
Building and Housing	411		411
Other	1,737		1,737
Debt Service		3	3
Assigned Total	13,209	3	13,212
Unassigned	75,891		75,891
Total Fund Balances	$ 89,748	$ 344,179	$ 433,927

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

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

NOTE 20 – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

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

In 2013, net revenues generated by the one remaining Gateway garage were less than the debt service payments attributed to that garage by $1,527,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $46,765,000 at December 31, 2013. 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, 2013, the City pledged $2,300,844.

NOTE 21 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2013, the Telephone Exchange Fund had a net position deficiency of $15,000. This deficiency will be eliminated by increasing the rates charged to user departments during 2014.

NOTE 22 – SUBSEQUENT EVENTS

Pursuant to Amendment Number One to Lease Agreement, entered into on November 21, 2008 between the City and I-X Center Corporation, commencing February 1, 2014, I-X Center Corporation is to begin paying annual rent of $2,000,000. This will be paid in monthly installments during the duration of the lease extension which primary term expires on January 31, 2019.

On February 3, 2014, United Airlines announced a 60% reduction in average daily departures from Cleveland and a reduction of regional departures from Cleveland by over 70%. United Airlines will no longer offer hub-level connecting service in Cleveland, Ohio. United Airlines will go from 166 average annual daily departures to about 65, a decrease of 61% and will reduce average daily seats by 46%. United Airlines will go from 7,400,000 available seat miles (ASM's) to 4,800,000 ASM's, a reduction of 36% and will go from 58 peak-day destinations to 20, a reduction of 66%.

As a result of the announcement by United Airlines that it would be cutting its daily departures from Cleveland Hopkins Airport and would no longer maintain a hub at the airport, Fitch Ratings announced on February 5, 2014 that it had downgraded its rating on the City's Airport System Revenue Bonds from A- (negative outlook) to BBB+ (negative outlook). In addition, on February 13, 2014, Standard & Poor's Ratings Services placed its A- rating on the Airport's bonds on CreditWatch with negative implications.

On February 11, 2014, the City issued $31,460,000 Subordinate Lien Income Tax Bonds, Series 2014A. Proceeds of these bonds will be used to fund improvements to various public facilities (including the City's contribution to a proposed County-owned convention center hotel), to parks and recreation facilities and to cemeteries. The City expects to pay the principal and interest on these bonds from the General Fund.

Effective February 12, 2014, the City issued $24,255,000 Airport System Revenue Bonds, Series 2014A and $9,070,000 Airport System Revenue Bonds, Series 2014B. The Series 2014A Bonds refunded the outstanding $24,255,000 Airport System Revenue Bonds, Series 2009A while the 2014B Bonds refunded the outstanding $9,070,000 Airport System Revenue Bonds, Series 2009B. These refundings were done as a result of the expiration of the existing letters of credit on the bonds. The 2014A & B Bonds were directly purchased by U.S. Bank National Association as variable rate bonds. The City expects to realize $5.4 million or 22.6% of aggregated net present value savings on the Series 2014A Bonds and $635,000 or 7.0% net present value savings on the Series 2014B Bonds.

On March 18, 2014, Standard & Poor's Ratings Services raised its rating on Assured Guaranty Municipal Corp. to AA (stable outlook) from AA- (stable outlook). Assured Guaranty is the insurer of the Series 2006 Parking Facilities Refunding Revenue Bonds. The Division has no ratings on its bonds based solely on its own credit.

On May 19, 2014, City Council approved legislation authorizing the issuance of one or more series of bonds to refund outstanding public power system revenue bonds for the purpose of restructuring the Cleveland Public Power debt.

City Council approved Ordinance Number 1354-13 on November 11, 2013 and subsequently became law on December 11, 2013. The Ordinance authorized the Division of Water to recoup stranded costs and cost to cure other communities still in the water system from communities that exit the system. On February 7, 2014, the Court of Common Pleas, Cuyahoga County issued a preliminary injunction that prevents the Division from imposing said costs on the City of Westlake and shall remain in effect pending further order from the Court.

Effective June 11, 2014, the City issued $37,740,000 Subordinate Lien Income Tax Bonds, Series 2014B. These bonds were issued to provide funds to pay the costs of various public improvements to roads and bridges, public facilities and parks and recreation facilities throughout the City.

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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 290,654	$ 290,654	$ 300,648	$ 9,994
Property taxes	31,911	31,911	32,705	794
State local government funds	28,586	28,586	28,180	(406)
Other taxes	34,940	34,940	37,710	2,770
Other shared revenues	16,865	16,865	17,244	379
Licenses and permits	11,301	11,301	13,521	2,220
Charges for services	32,437	32,437	32,954	517
Fines, forfeits and settlements	21,627	21,627	20,174	(1,453)
Investment earnings	250	250	467	217
Grants	2,361	2,361	2,903	542
Miscellaneous	18,124	23,518	24,747	1,229
TOTAL REVENUES	489,056	494,450	511,253	16,803
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	5,204	5,162	5,133	29
Other	1,966	2,008	1,834	174
Total council and clerk of council	7,170	7,170	6,967	203
Municipal court-judicial division:				
Personnel	19,149	19,149	18,347	802
Other	2,625	2,625	2,516	109
Total municipal court-judicial division	21,774	21,774	20,863	911
Municipal court-clerks division:				
Personnel	9,240	9,240	8,996	244
Other	5,045	5,045	4,674	371
Total municipal court-clerks division	14,285	14,285	13,670	615
Municipal court-housing division:				
Personnel	3,339	3,339	3,116	223
Other	148	148	143	5
Total municipal court-housing division	3,487	3,487	3,259	228
Office of the mayor:				
Personnel	2,471	2,471	2,216	255
Other	115	115	97	18
Total office of the mayor	2,586	2,586	2,313	273
Office of capital projects:				
Personnel	4,065	4,065	3,972	93
Other	593	593	388	205
Total office of capital projects	4,658	4,658	4,360	298

(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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Landmarks commission:				
Personnel	$ 191	$ 191	$ 184	$ 7
Other	5	5	4	1
Total landmarks commission	196	196	188	8
Board of building standards and appeals:				
Personnel	119	119	118	1
Other	12	12	9	3
Total board of building standards and appeals	131	131	127	4
Board of zoning appeals:				
Personnel	200	200	196	4
Other	15	15	12	3
Total board of zoning appeals	215	215	208	7
Civil service commission:				
Personnel	628	628	586	42
Other	706	706	599	107
Total civil service commission	1,334	1,334	1,185	149
Community relations board:				
Personnel	1,183	1,183	1,044	139
Other	51	51	36	15
Total community relations board	1,234	1,234	1,080	154
City planning commission:				
Personnel	1,475	1,475	1,321	154
Other	83	83	82	1
Total city planning commission	1,558	1,558	1,403	155
Boxing and wrestling commission:				
Personnel	8	8	5	3
Total boxing and wrestling commission	8	8	5	3
Office of equal opportunity:				
Personnel	485	485	455	30
Other	21	21	18	3
Total office of equal opportunity	506	506	473	33
Office of budget and management:				
Personnel	785	785	650	135
Other	30	30	25	5
Total office of budget and management	815	815	675	140

(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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Department of aging:				
Personnel	$ 866	$ 866	$ 776	$ 90
Other	249	249	243	6
Total department of aging	1,115	1,115	1,019	96
Office of personnel:				
Personnel	1,347	1,347	1,251	96
Other	721	728	706	22
Total office of personnel	2,068	2,075	1,957	118
Department of law:				
Personnel	6,705	6,205	6,003	202
Other	2,731	3,601	3,589	12
Total department of law	9,436	9,806	9,592	214
Finance administration:				
Personnel	966	966	729	237
Other	290	290	273	17
Total finance administration	1,256	1,256	1,002	254
Division of accounts:				
Personnel	1,393	1,393	1,245	148
Other	637	637	582	55
Total division of accounts	2,030	2,030	1,827	203
Division of assessments and licenses:				
Personnel	2,464	2,464	2,131	333
Other	1,655	1,655	973	682
Total division of assessments and licenses	4,119	4,119	3,104	1,015
Division of treasury:				
Personnel	481	491	484	7
Other	95	100	87	13
Total division of treasury	576	591	571	20
Division of purchases and supplies:				
Personnel	679	679	594	85
Other	41	41	28	13
Total division of purchases and supplies	720	720	622	98
Bureau of internal audit:				
Personnel	547	547	377	170
Other	555	555	250	305
Total bureau of internal audit	1,102	1,102	627	475

(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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Division of financial reporting and control:				
Personnel	$ 1,296	$ 1,296	$ 1,092	$ 204
Other	22	22	16	6
Total division of financial reporting and control	1,318	1,318	1,108	210
Division of information system services:				
Personnel	1,995	1,995	1,636	359
Other	1,784	1,784	1,476	308
Total division of information system services	3,779	3,779	3,112	667
TOTAL GENERAL GOVERNMENT	87,476	87,868	81,317	6,551
Public Health:				
Public health administration:				
Personnel	616	627	616	11
Other	334	334	331	3
Total public health administration	950	961	947	14
Division of health:				
Personnel	1,876	1,876	1,574	302
Other	1,259	1,259	1,189	70
Total division of health	3,135	3,135	2,763	372
Division of environment:				
Personnel	829	829	761	68
Other	208	208	196	12
Total division of environment	1,037	1,037	957	80
Division of air quality:				
Personnel	114	114	114	-
Other	281	281	276	5
Total division of air quality	395	395	390	5
TOTAL PUBLIC HEALTH	5,517	5,528	5,057	471

(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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Safety:				
Public safety administration:				
Personnel	$ 3,001	$ 3,001	$ 2,630	$ 371
Other	1,427	1,427	1,301	126
Total public safety administration	4,428	4,428	3,931	497
Division of police:				
Personnel	171,391	170,361	166,173	4,188
Other	9,348	9,348	8,492	856
Total division of police	180,739	179,709	174,665	5,044
Division of fire:				
Personnel	83,499	83,499	81,917	1,582
Other	3,483	3,483	3,445	38
Total division of fire	86,982	86,982	85,362	1,620
Division of emergency medical services:				
Personnel	21,548	21,048	19,292	1,756
Other	2,742	2,742	2,543	199
Total division of emergency medical services	24,290	23,790	21,835	1,955
Division of animal control services:				
Personnel	960	994	952	42
Other	407	407	380	27
Total division of animal control services	1,367	1,401	1,332	69
Division of correction:				
Personnel	10,806	10,806	9,996	810
Other	3,108	4,108	3,955	153
Total division correction	13,914	14,914	13,951	963
TOTAL PUBLIC SAFETY	311,720	311,224	301,076	10,148

(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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Works:				
Division of public works administration:				
Personnel	$ 2,850	$ 2,850	$ 2,679	$ 171
Other	203	203	200	3
Total division of public works administration	3,053	3,053	2,879	174
Division of recreation:				
Personnel	8,452	8,452	7,870	582
Other	3,865	3,865	3,656	209
Total division of recreation	12,317	12,317	11,526	791
Division of parking facilities:				
Personnel	1,187	1,187	1,092	95
Other	41	41	38	3
Total division of parking facilities	1,228	1,228	1,130	98
Division of property management:				
Personnel	5,790	5,790	5,501	289
Other	6,522	4,555	2,639	1,916
Total division of property management	12,312	10,345	8,140	2,205
Division of park maintenance and properties:				
Personnel	8,671	8,671	7,835	836
Other	4,534	4,819	4,816	3
Total division of park maintenance and properties	13,205	13,490	12,651	839
Division of waste collection and disposal:				
Personnel	14,284	14,284	13,394	890
Other	11,093	11,093	11,019	74
Total division of waste collection and disposal	25,377	25,377	24,413	964
Division of traffic engineering:				
Personnel	2,771	2,771	2,392	379
Other	971	971	696	275
Total division of traffic engineering	3,742	3,742	3,088	654
TOTAL PUBLIC WORKS	71,234	69,552	63,827	5,725

(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, 2013
(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Community Development:				
Director's office:				
Personnel	$ 283	$ 283	$ 160	$ 123
Other	13	13	12	1
Total director's office	296	296	172	124
TOTAL COMMUNITY DEVELOPMENT	296	296	172	124
Building and Housing:				
Director's office:				
Personnel	1,664	1,614	1,464	150
Other	953	1,018	920	98
Total director's office	2,617	2,632	2,384	248
Division of code enforcement:				
Personnel	5,937	5,922	5,237	685
Other	202	217	204	13
Total division of code enforcement	6,139	6,139	5,441	698
Division of construction permitting:				
Personnel	1,566	1,541	1,173	368
Other	16	41	37	4
Total division of construction permitting	1,582	1,582	1,210	372
TOTAL BUILDING AND HOUSING	10,338	10,353	9,035	1,318
Economic Development:				
Economic development administration:				
Personnel	1,629	1,629	1,441	188
Other	15	15	15	-
Total economic development administration	1,644	1,644	1,456	188
TOTAL ECONOMIC DEVELOPMENT	1,644	1,644	1,456	188
Non-Departmental Expenditures:				
Other	15,433	20,633	20,122	511
TOTAL NON-DEPARTMENTAL EXPENDITURES	15,433	20,633	20,122	511
Capital outlay	3,600	3,600	3,600	-
Principal retirement	250	250	250	-
TOTAL EXPENDITURES	507,508	510,948	485,912	25,036

(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, 2013

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(18,452)	(16,498)	25,341	41,839
OTHER FINANCING SOURCES (USES):				
Transfers in	2,782	2,782	2,444	(338)
Transfers out	(31,433)	(31,593)	(29,682)	1,911
Sale of City assets			1	1
TOTAL OTHER FINANCING SOURCES (USES)	(28,651)	(28,811)	(27,237)	1,574
DECERTIFICATION OF PRIOR YEAR				
ENCUMBRANCES AND PRE-ENCUMBRANCES			640	640
NET CHANGE IN FUND BALANCE	(47,103)	(45,309)	(1,256)	44,053
FUND BALANCE AT BEGINNING OF YEAR	50,559	50,559	50,559	-
FUND BALANCE AT END OF YEAR	$ 3,456	$ 5,250	$ 49,303	$ 44,053

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CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

SPECIAL REVENUE FUNDS (Continued)

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

SPECIAL REVENUE FUNDS (for budgetary purposes only)

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

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

DEBT SERVICE FUNDS

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

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

DEBT SERVICE FUNDS (Continued)

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

CAPITAL PROJECT FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
ASSETS				
Cash and cash equivalents	$ 2,393	$ 7,767	$ 18,244	$ 28,404
Investments				-
Receivables:				
Taxes		5,506		5,506
Grants				-
Loans				-
Accrued interest			2	2
Assessments				-
Receivables, net	-	5,506	2	5,508
Due from other funds	1	3,804		3,805
Due from other governments	6,411	10		6,421
Inventory of supplies	355			355
TOTAL ASSETS	$ 9,160	$ 17,087	$ 18,246	$ 44,493
LIABILITIES				
Accounts payable	$ 555	$ 451	$	$ 1,006
Accrued wages and benefits	1,273			1,273
Due to other governments			330	330
Unearned revenue				-
Due to other funds	826			826
Total liabilities	2,654	451	330	3,435
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	4,373	1,865		6,238
Total deferred inflows of resouces	4,373	1,865	-	6,238
FUND BALANCES				
Nonspendable	355			355
Restricted	1,778	14,771	17,916	34,465
Committed				-
Assigned				-
Total fund balances	2,133	14,771	17,916	34,820
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 9,160	$ 17,087	$ 18,246	$ 44,493

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
$	$ 3,096	$	$ 15,469	$ 13,339	$	$	$ 19,043
	1,491	96		329	337	575	1,624
9,336	8,535		43,214	58,829			
749	1,440	1,235					9
10,085	11,466	1,331	43,214	59,158	337	575	1,633
767	10	2,078					145
				7,514			943
$ 10,852	$ 14,572	$ 3,409	$ 58,683	$ 80,011	$ 337	$ 575	$ 21,764
$ 93	$	$ 101	$ 104	$ 78	$	$ 19	$ 1,524
256	41					40	58
116	1,519		29	53,631			187
8,218	1,922	18		802			586
1,551	1,981	1,869	4		337	516	112
10,234	5,463	1,988	137	54,511	337	575	2,467
618	1,152	1,211		7,353			465
618	1,152	1,211	-	7,353	-	-	465
	6,603	210		10,004			10,316
	1,354		58,546	8,143			8,516
-	7,957	210	58,546	18,147	-	-	18,832
$ 10,852	$ 14,572	$ 3,409	$ 58,683	$ 80,011	$ 337	$ 575	$ 21,764

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Cleveland Stadium Debt Service Fund
ASSETS				
Cash and cash equivalents	$ 1,664	$ 8,696	$ 2,011	$ 8,155
Investments				
Receivables:				
Taxes				
Grants	58	2,205	418	
Loans	23			
Accrued interest				1
Assessments				
Receivables, net	81	2,205	418	1
Due from other funds	75		381	
Due from other governments				
Inventory of supplies				
TOTAL ASSETS	$ 1,820	$ 10,901	$ 2,810	$ 8,156
LIABILITIES				
Accounts payable	$ 69	$ 259	$ 108	$
Accrued wages and benefits		86	308	
Due to other governments	261	28	112	
Unearned revenue	371	2,368	1,710	
Due to other funds	24	33	84	
Total liabilities	725	2,774	2,322	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow				
Total deferred inflows of resouces	-	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	795	7,953	424	8,156
Committed	300	174	64	
Assigned				
Total fund balances	1,095	8,127	488	8,156
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,820	$ 10,901	$ 2,810	$ 8,156

Special Revenue Funds - Non-Budgeted					
Gateway Shared Income Tax Funds	Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$ 1,633	$ 5,021	$ 5,572	$ 1,258	$ 84,957	$ 113,361
				-	-
				-	5,506
				7,133	7,133
	16,688	28,025	42,841	207,491	207,491
				1	3
				3,433	3,433
-	16,688	28,025	42,841	218,058	223,566
				3,456	7,261
88				8,545	14,966
				-	355
$ 1,721	$ 21,709	$ 33,597	$ 44,099	$ 315,016	$ 359,509
$	$	$	$	$ 2,355	$ 3,361
				789	2,062
862			42,245	98,990	99,320
			1,854	17,849	17,849
812				7,323	8,149
1,674	-	-	44,099	127,306	130,741
47				10,846	17,084
47	-	-	-	10,846	17,084
				-	355
		33,597		78,058	112,523
	21,709			98,806	98,806
				-	-
-	21,709	33,597	-	176,864	211,684
$ 1,721	$ 21,709	$ 33,597	$ 44,099	$ 315,016	$ 359,509

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Debt Service Funds - Budgeted			
	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Lower Euclid Avenue TIF
ASSETS				
Cash and cash equivalents	$ 3,426	$ 3	$ 2,594	$ 492
Investments				
Receivables:				
Taxes	29,085			
Grants				
Loans				
Accrued interest				
Assessments				
Receivables, net	29,085	-	-	-
Due from other funds				
Due from other governments	1,766			
Inventory of supplies				
TOTAL ASSETS	$ 34,277	$ 3	$ 2,594	$ 492
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	30,851			
Total deferred inflows of resouces	30,851	-	-	-
FUND BALANCE				
Nonspendable				
Restricted	3,426		2,594	492
Committed				
Assigned		3		
Total fund balances	3,426	3	2,594	492
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 34,277	$ 3	$ 2,594	$ 492

			Debt Service Funds	Non-Budgeted		
Core City Bonds	Subordinate Lien Income Tax Fund	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
$ 3,599	$ 2,837	$ 12,951	$ 328	$	$ 328	$ 13,279
		-	798	2,202	3,000	3,000
		29,085			-	29,085
		-			-	-
		-			-	-
		-			-	-
		-			-	-
-	-	29,085	-	-	-	29,085
		-			-	-
		1,766			-	1,766
		-			-	-
$ 3,599	$ 2,837	$ 43,802	$ 1,126	$ 2,202	$ 3,328	$ 47,130
$	$	$ -	$	$	$ -	$ -
		-			-	-
		-			-	-
		-			-	-
		-			-	-
-	-	-	-	-	-	-
		30,851			-	30,851
-	-	30,851	-	-	-	30,851
		-			-	-
3,599	2,837	12,948	1,126	2,202	3,328	16,276
		-			-	-
		3			-	3
3,599	2,837	12,951	1,126	2,202	3,328	16,279
$ 3,599	$ 2,837	$ 43,802	$ 1,126	$ 2,202	$ 3,328	$ 47,130

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Capital Projects Funds Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
ASSETS			
Cash and cash equivalents	$ 104,785	$	$ 6,464
Investments			
Receivables:			
Taxes			
Grants		1,311	
Loans			
Accrued interest	5		
Assessments			
Receivables, net	5	1,311	-
Due from other funds	69		
Due from other governments			
Inventory of supplies			
TOTAL ASSETS	$ 104,859	$ 1,311	$ 6,464
LIABILITIES			
Accounts payable	$ 2,066	$	$ 3,654
Accrued wages and benefits			
Due to other governments	277		5
Unearned revenue		419	12
Due to other funds		892	
Total liabilities	2,343	1,311	3,671
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow			
Total deferred inflows of resouces	-	-	-
FUND BALANCE			
Nonspendable			
Restricted	102,516		2,793
Committed			
Assigned			
Total fund balances	102,516	-	2,793
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 104,859	$ 1,311	$ 6,464

Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$ 7,859	$ 3,869	$ 122,977	$ 249,617
		-	3,000
		-	34,591
		1,311	8,444
		-	207,491
		5	8
		-	3,433
-	-	1,316	253,967
		69	7,330
		-	16,732
		-	355
$ 7,859	$ 3,869	$ 124,362	$ 531,001
$ 663	$ 158	$ 6,541	$ 9,902
		-	2,062
		282	99,602
		431	18,280
		892	9,041
663	158	8,146	138,887
		-	47,935
-	-	-	47,935
		-	355
7,196	3,711	116,216	245,015
		-	98,806
		-	3
7,196	3,711	116,216	344,179
$ 7,859	$ 3,869	$ 124,362	$ 531,001

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in 000's)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
REVENUES:				
Income taxes	$	$ 37,601	$	$ 37,601
Property taxes				-
Other shared revenues	13,037		13,378	26,415
Licenses and permits	866			866
Charges for services	15		250	265
Fines, forfeits and settlements				-
Investment earnings	2	35	10	47
Grants				-
Contributions				-
Miscellaneous	128			128
Total revenues	14,048	37,636	13,638	65,322
EXPENDITURES:				
Current:				
General Government				-
Public Works	19,139		786	19,925
Public Safety				-
Community Development				-
Building and Housing				-
Public Health				-
Economic Development				-
Capital outlay		5,610		5,610
Debt service:				
Principal retirement		3,696		3,696
Interest		1,020		1,020
General Government				-
Other		1,155		1,155
Total expenditures	19,139	11,481	786	31,406
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,091)	26,155	12,852	33,916
OTHER FINANCING SOURCES (USES):				
Transfers in	5,865		7,250	13,115
Transfers out		(23,863)	(6,655)	(30,518)
Issuance of debt				-
Premium on bonds				-
Payment to refund bonds				-
Sale of City assets				-
Issuance of refunding bonds				-
Loans				-
Capital leases				-
Total other financing sources (uses)	5,865	(23,863)	595	(17,403)
NET CHANGE IN FUND BALANCES	774	2,292	13,447	16,513
FUND BALANCES AT BEGINNING OF YEAR	1,359	12,479	4,469	18,307
FUND BALANCES AT END OF YEAR	$ 2,133	$ 14,771	$ 17,916	$ 34,820

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
$	$	$	$	$	$	$	$
				6,485			1,748
2,538	425						2,622
				275			3,288
8	2			13			36
23,197	14,153	8,570		3,021	2,836	1,757	3,288
							25
155		4	2,877	1,204	11		
25,898	14,580	8,574	2,877	10,998	2,847	1,757	11,007
						1,757	8,036
25,834	13,828				2,847		
		8,570					
			4,442	10,634			
64			234				
25,898	13,828	8,570	4,676	10,634	2,847	1,757	8,036
-	752	4	(1,799)	364	-	-	2,971
							139
			(1,532)	(437)			
-	-	-	(1,532)	(437)	-	-	139
-	752	4	(3,331)	(73)	-	-	3,110
	7,205	206	61,877	18,220			15,722
$ -	$ 7,957	$ 210	$ 58,546	$ 18,147	$ -	$ -	$ 18,832

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted				
	Public Works Funds	Public Safety Funds	Public Health Funds	Cleveland Stadium Debt Service Fund	Gateway Shared Income Tax Funds
REVENUES:					
Income taxes	$	$	$	$	$
Property taxes					
Other shared revenues					
Licenses and permits	190		1,364		
Charges for services					
Fines, forfeits and settlements		2,914			
Investment earnings	2	5	2	13	
Grants	2,019	6,688	9,249		
Contributions		14			
Miscellaneous	7	26	21		
Total revenues	2,218	9,647	10,636	13	-
EXPENDITURES:					
Current:					
General Government					
Public Works	4,043			164	
Public Safety		8,206			
Community Development					
Building and Housing					
Public Health			10,564		
Economic Development					
Capital outlay					
Debt service:					
Principal retirement				5,935	
Interest				6,115	
General Government					
Other					
Total expenditures	4,043	8,206	10,564	12,214	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,825)	1,441	72	(12,201)	-
OTHER FINANCING SOURCES (USES):					
Transfers in				6,255	
Transfers out					
Issuance of debt					
Premium on bonds					
Payment to refund bonds					
Sale of City assets					
Issuance of refunding bonds					
Loans					
Capital leases					
Total other financing sources (uses)	-	-	-	6,255	-
NET CHANGE IN FUND BALANCES	(1,825)	1,441	72	(5,946)	-
FUND BALANCES AT BEGINNING OF YEAR	2,920	6,686	416	14,102	
FUND BALANCES AT END OF YEAR	$ 1,095	$ 8,127	$ 488	$ 8,156	$ -

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$	$	$	$ -	$ 37,601
			-	-
252	325		8,810	35,225
			1,554	2,420
			5,585	5,850
			6,477	6,477
14	111		206	253
		24	74,802	74,802
			39	39
1,278	5,642		11,225	11,353
1,544	6,078	24	108,698	174,020
			9,793	9,793
			4,207	24,132
			8,206	8,206
			42,509	42,509
			8,570	8,570
			10,564	10,564
1,429	29	24	16,558	16,558
	10		308	5,918
			5,935	9,631
			6,115	7,135
			-	-
			-	1,155
1,429	39	24	112,765	144,171
115	6,039	-	(4,067)	29,849
			6,394	19,509
	(2,467)		(4,436)	(34,954)
			-	-
			-	-
			-	-
	4,424		4,424	4,424
			-	-
			-	-
			-	-
-	1,957	-	6,382	(11,021)
115	7,996	-	2,315	18,828
21,594	25,601		174,549	192,856
$ 21,709	$ 33,597	$ -	$ 176,864	$ 211,684

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in 000's)

	Debt Service Funds - Budgeted				
	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Lower Euclid Avenue TIF	Core City Bonds
REVENUES:					
Income taxes	$	$	$	$	$
Property taxes	17,035				
Other shared revenues	5,177				
Licenses and permits					
Charges for services					
Fines, forfeits and settlements					
Investment earnings	10	1	2		1
Grants					
Contributions					
Miscellaneous					
Total revenues	22,222	1	2	-	1
EXPENDITURES:					
Current:					
General Government					
Public Works					
Public Safety					
Community Development					
Building and Housing					
Public Health					
Economic Development					
Capital outlay					
Debt service:					
Principal retirement	26,150	1,130	3,105	151	1,505
Interest	14,465	502	2,495	152	846
General Government					232
Other					
Total expenditures	40,615	1,632	5,600	303	2,583
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,393)	(1,631)	(5,598)	(303)	(2,582)
OTHER FINANCING SOURCES (USES):					
Transfers in	15,603	1,632	5,681	436	2,548
Transfers out				(2)	
Issuance of debt					
Premium on bonds					
Payment to refund bonds					(25,360)
Sale of City assets					
Issuance of refunding bonds					25,360
Loans					
Capital leases					
Total other financing sources (uses)	15,603	1,632	5,681	434	2,548
NET CHANGE IN FUND BALANCES	(2,790)	1	83	131	(34)
FUND BALANCES AT BEGINNING OF YEAR	6,216	2	2,511	361	3,633
FUND BALANCES AT END OF YEAR	$ 3,426	$ 3	$ 2,594	$ 492	$ 3,599

Debt Service Funds					
		Non-Budgeted			
Subordinate Lien Income Tax Fund	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
$	$ -	$	$	$ -	$ -
	17,035			-	17,035
	5,177			-	5,177
	-			-	-
	-			-	-
	-			-	-
3	17			-	17
	-			-	-
	-			-	-
522	522	1,154		1,154	1,676
525	22,751	1,154	-	1,154	23,905
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
	-			-	-
3,730	35,771	600		600	36,371
4,517	22,977	268		268	23,245
	232			-	232
	-			-	-
8,247	58,980	868	-	868	59,848
(7,722)	(36,229)	286	-	286	(35,943)
8,263	34,163			-	34,163
	(2)			-	(2)
	-			-	-
	-			-	-
	(25,360)			-	(25,360)
	-			-	-
	25,360			-	25,360
	-			-	-
	-			-	-
8,263	34,161	-	-	-	34,161
541	(2,068)	286		286	(1,782)
2,296	15,019	840	2,202	3,042	18,061
$ 2,837	$ 12,951	$ 1,126	$ 2,202	$ 3,328	$ 16,279

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in 000's)

	Capital Projects Funds		
	Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
REVENUES:			
Income taxes	$	$	$
Property taxes			
Other shared revenues			293
Licenses and permits			
Charges for services			
Fines, forfeits and settlements			
Investment earnings	58		7
Grants		38,348	
Contributions			15,909
Miscellaneous			
Total revenues	58	38,348	16,209
EXPENDITURES:			
Current:			
General Government	11		
Public Works			
Public Safety			
Community Development			
Building and Housing			
Public Health			
Economic Development			
Capital outlay	50,863	38,348	19,127
Inception of capital lease			
Debt service:			
Principal retirement			
Interest			
General Government	383		
Other			
Total expenditures	51,257	38,348	19,127
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(51,199)	-	(2,918)
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out	(3)		
Issuance of debt	35,840		
Premium on bonds	4,415		
Payment to refund bonds			
Sale of City assets			
Issuance of refunding bonds			
Loans			2,786
Capital leases			
Total other financing sources (uses)	40,252	-	2,786
NET CHANGE IN FUND BALANCES	(10,947)	-	(132)
FUND BALANCES AT BEGINNING OF YEAR	113,463		2,925
FUND BALANCES AT END OF YEAR	$ 102,516	$ -	$ 2,793

Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$	$ -	$ 37,601
		-	17,035
		293	40,695
		-	2,420
		-	5,850
		-	6,477
11	4	80	350
		38,348	113,150
		15,909	15,948
		-	13,029
11	4	54,630	252,555
		11	9,804
		-	24,132
		-	8,206
		-	42,509
		-	8,570
		-	10,564
		-	16,558
526	375	109,239	115,157
5,046		5,046	5,046
		-	46,002
		-	30,380
		383	615
21		21	1,176
5,593	375	114,700	318,719
(5,582)	(371)	(60,070)	(66,164)
	400	400	54,072
		(3)	(34,959)
		35,840	35,840
		4,415	4,415
		-	(25,360)
		-	4,424
		-	25,360
		2,786	2,786
6,535		6,535	6,535
6,535	400	49,973	73,113
953	29	(10,097)	6,949
6,243	3,682	126,313	337,230
$ 7,196	$ 3,711	$ 116,216	$ 344,179

(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, 2013

(Amounts in 000's)

	Division of Streets			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues	12,823	12,823	12,976	153
Licenses and permits	1,402	1,402	886	(516)
Charges for services	6,580	6,580	5,610	(970)
Investment earnings			2	2
Miscellaneous				-
Total revenues	20,805	20,805	19,474	(1,331)
EXPENDITURES:				
Public Works:				
Personnel	15,545	15,795	15,216	579
Other	11,733	11,483	11,176	307
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	27,278	27,278	26,392	886
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,473)	(6,473)	(6,918)	(445)
OTHER FINANCING SOURCES (USES):				
Transfers in	6,467	6,467	5,865	(602)
Transfers out				-
Total other financing sources (uses)	6,467	6,467	5,865	(602)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(6)	(6)	(1,053)	(1,047)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			242	242
FUND BALANCES AT BEGINNING OF YEAR	827	827	827	-
FUND BALANCES AT END OF YEAR	$ 821	$ 821	$ 16	$ (805)

Restricted Income Tax				Rainy Day Reserve Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$ 36,329	$ 36,329	$ 37,581	$ 1,252	$	$	$	$ -
			-				-
			-				-
			-				-
15	15	34	19	25	25	47	22
			-				-
36,344	36,344	37,615	1,271	25	25	47	22
			-				-
			-				-
8,039	8,939	8,827	112				-
6,275	5,023	4,931	92				-
986	986	1,020	(34)				-
15,300	14,948	14,778	170	-	-	-	-
21,044	21,396	22,837	1,441	25	25	47	22
			-	5,000	5,000	5,000	-
(23,511)	(23,863)	(23,863)	-				-
(23,511)	(23,863)	(23,863)	-	5,000	5,000	5,000	-
(2,467)	(2,467)	(1,026)	1,441	5,025	5,025	5,047	22
111	111	27	(84)				-
2,356	2,356	2,356	-	13,576	13,576	13,576	-
$ -	$ -	$ 1,357	$ 1,357	$ 18,601	$ 18,601	$ 18,623	$ 22

(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, 2013

(Amounts in 000's)

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

Cleveland Stadium Operations				Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$ 36,329	$ 36,329	$ 37,581	$ 1,252
13,500	13,500	13,378	(122)	26,323	26,323	26,354	31
			-	1,402	1,402	886	(516)
250	250	250	-	6,830	6,830	5,860	(970)
		10	10	40	40	93	53
			-				
13,750	13,750	13,638	(112)	70,924	70,924	70,774	(150)
			-	15,545	15,795	15,216	579
782	782	781	1	13,690	13,440	13,132	308
			-	8,039	8,939	8,827	112
			-	6,275	5,023	4,931	92
			-	986	986	1,020	(34)
782	782	781	1	44,535	44,183	43,126	1,057
12,968	12,968	12,857	(111)	26,389	26,741	27,648	907
7,250	7,250	7,250	-	19,892	19,892	19,290	(602)
(6,655)	(6,655)	(6,655)	-	(30,166)	(30,518)	(30,518)	-
595	595	595	-	(10,274)	(10,626)	(11,228)	(602)
13,563	13,563	13,452	(111)	16,115	16,115	16,420	305
		90	90	111	111	359	248
4,702	4,702	4,702	-	21,461	21,461	21,461	-
$ 18,265	$ 18,265	$ 18,244	$ (21)	$ 37,687	$ 37,687	$ 38,240	$ 553

(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, 2013

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Property taxes	$ 16,612	$ 16,612	$ 17,035	$ 423
Other shared revenues	5,065	5,065	5,177	112
Investment earnings	13	13	10	(3)
Miscellaneous				-
Total revenues	21,690	21,690	22,222	532
EXPENDITURES:				
Principal retirement	26,150	26,150	26,150	-
Interest	14,465	14,468	14,465	3
General Government				-
Total expenditures	40,615	40,618	40,615	3
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,925)	(18,928)	(18,393)	535
OTHER FINANCING SOURCES (USES):				
Transfers in:				
From other subfunds			3	3
Restricted income tax fund	15,500	15,500	15,600	100
Transfers out:				
To other subfunds				-
Proceeds from the Sale of Debt				-
Payment to refund bonds and notes				-
Total other financing sources (uses)	15,500	15,500	15,603	103
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,425)	(3,428)	(2,790)	638
FUND BALANCES AT BEGINNING OF YEAR	6,216	6,216	6,216	-
FUND BALANCES AT END OF YEAR	$ 2,791	$ 2,788	$ 3,426	$ 638

Stadium Bond Fund				Subordinated Income Tax Fund			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
$	$	$	$ -	$	$	$	$ -
			-				-
1	1	1	-	4	4	2	(2)
			-				-
1	1	1	-	4	4	2	(2)
1,130	1,130	1,130	-	3,105	3,105	3,105	-
502	502	502	-	2,495	2,496	2,495	1
			-				-
1,632	1,632	1,632	-	5,600	5,601	5,600	1
(1,631)	(1,631)	(1,631)	-	(5,596)	(5,597)	(5,598)	(1)
1,632	1,632	1,632	-	5,681	5,681	5,681	-
			-				-
			-				-
			-				-
			-				-
1,632	1,632	1,632	-	5,681	5,681	5,681	-
1	1	1	-	85	84	83	(1)
2	2	2	-	2,511	2,511	2,511	-
$ 3	$ 3	$ 3	$ -	$ 2,596	$ 2,595	$ 2,594	$ (1)

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in 000's)

	Lower Euclid Avenue TIF				Core City Bonds			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	$	$	$	$ -	$	$	$	$ -
Other shared revenues				-				-
Investment earnings				-	1	1	1	-
Miscellaneous				-				-
Total revenues	-	-	-	-	1	1	1	-
EXPENDITURES:								
Principal retirement	151	151	151	-	1,505	1,505	1,505	-
Interest	152	152	152	-	958	876	846	30
General Government				-	375	329	312	17
Total expenditures	303	303	303	-	2,838	2,710	2,663	47
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(303)	(303)	(303)	-	(2,837)	(2,709)	(2,662)	47
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	303	303	436	133	2,580	2,580	2,548	(32)
Restricted income tax fund				-				-
Transfers out:								
To other subfunds		(2)	(2)	-				-
Proceeds from the Sale of Debt				-		25,360	25,360	-
Payment to refund bonds and notes				-		(25,360)	(25,360)	-
Total other financing sources (uses)	303	301	434	133	2,580	2,580	2,548	(32)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(2)	131	133	(257)	(129)	(114)	15
FUND BALANCES AT BEGINNING OF YEAR	361	361	361	-	3,713	3,713	3,713	-
FUND BALANCES AT END OF YEAR	$ 361	$ 359	$ 492	$ 133	$ 3,456	$ 3,584	$ 3,599	$ 15

	Subordinate Lien Income Tax Bonds				Totals			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
	$	$	$	$ -	$ 16,612	$ 16,612	$ 17,035	$ 423
				-	5,065	5,065	5,177	112
	6	6	3	(3)	25	25	17	(8)
	546	546	522	(24)	546	546	522	(24)
	552	552	525	(27)	22,248	22,248	22,751	503
	3,730	3,730	3,730	-	35,771	35,771	35,771	-
	4,730	4,520	4,517	3	23,302	23,014	22,977	37
				-	375	329	312	17
	8,460	8,250	8,247	3	59,448	59,114	59,060	54
	(7,908)	(7,698)	(7,722)	(24)	(37,200)	(36,866)	(36,309)	557
				-	10,196	10,196	10,300	104
	8,011	8,011	8,263	252	23,511	23,511	23,863	352
				-	-	(2)	(2)	-
				-	-	25,360	25,360	-
				-	-	(25,360)	(25,360)	-
	8,011	8,011	8,263	252	33,707	33,705	34,161	456
	103	313	541	228	(3,493)	(3,161)	(2,148)	1,013
	2,296	2,296	2,296	-	15,099	15,099	15,099	-
	$ 2,399	$ 2,609	$ 2,837	$ 228	$ 11,606	$ 11,938	$ 12,951	$ 1,013

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CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
ASSETS			
Current assets:			
Cash and cash equivalents	$ 47,167	$ 56	$ 1,407
Receivables:			
Accounts	88,925	206	
Unbilled revenue	2,830		
Less: Allowance for doubtful accounts	(2,269)	(47)	
Receivables, net	89,486	159	-
Due from other funds	1,229	9	2
Inventory of supplies	363		
Total current assets	138,245	224	1,409
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	558		
Investments			
Total restricted assets	558	-	-
Capital assets:			
Land	297	4,261	198
Land improvements			
Utility plant	141,783		
Buildings, structures and improvements	8,963	21,191	13,002
Furniture, fixtures, equipment and vehicles	15,046	1,152	1,722
Construction in progress	4,701	4,095	226
Less: Accumulated depreciation	(102,138)	(21,303)	(7,877)
Total capital assets, net	68,652	9,396	7,271
Total noncurrent assets	69,210	9,396	7,271
TOTAL ASSETS	207,455	9,620	8,680
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding			
Total deferred outflows of resources	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 207,455	$ 9,620	$ 8,680

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 42	$ 5,575	$ 111	$ 113	$ 54,471
	13	2		89,146
				2,830
				(2,316)
-	13	2	-	89,660
	69			1,309
	145	2		510
42	5,802	115	113	145,950
	8,733			9,291
		5,952		5,952
-	8,733	5,952	-	15,243
413	5,478	1,259	1,822	13,728
484	1,256	2,096	4,033	7,869
				141,783
2,400	53,719	6,148	1,815	107,238
450	1,290	738	479	20,877
	474	4,398	8	13,902
(2,464)	(26,901)	(3,671)	(4,831)	(169,185)
1,283	35,316	10,968	3,326	136,212
1,283	44,049	16,920	3,326	151,455
1,325	49,851	17,035	3,439	297,405
	1,884			1,884
-	1,884	-	-	1,884
$ 1,325	$ 51,735	$ 17,035	$ 3,439	$ 299,289

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
LIABILITIES			
Current liabilities:			
Accounts payable	$ 1,578	$ 88	$ 129
Accrued wages and benefits	1,390	90	49
Due to other funds	12,299	24	63
Due to other governments	90,953		
Accrued interest payable			
Current portion of long-term obligations	545		
Total current liabilities	106,765	202	241
Long-term liabilities:			
Accrued wages and benefits	138	18	5
Construction loans payable	1,268		
Revenue bonds payable			
Total liabilities	108,171	220	246
DEFERRED INFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps			
Total deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	66,839	9,396	7,271
Restricted for capital projects	178		
Restricted for debt service			
Unrestricted	32,267	4	1,163
Total net position	99,284	9,400	8,434
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 207,455	$ 9,620	$ 8,680

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 3	$ 283	$ 160	$	$ 2,241
	108	129	16	1,782
	191	11	3	12,591
	226			91,179
	434			434
	2,645			3,190
3	3,887	300	19	111,417
	22	21		204
				1,268
	27,510			27,510
3	31,419	321	19	140,399
	367			367
-	367	-	-	367
1,283	10,252	10,968	3,326	109,335
				178
	5,526			5,526
39	4,171	5,746	94	43,484
1,322	19,949	16,714	3,420	158,523
$ 1,325	$ 51,735	$ 17,035	$ 3,439	$ 299,289

(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, 2013

(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
OPERATING REVENUES:			
Charges for services	$ 22,549	$ 940	$ 1,268
Total operating revenue	22,549	940	1,268
OPERATING EXPENSES:			
Operations	9,232	2,425	1,111
Maintenance	8,091	27	19
Depreciation	5,221	67	683
Total operating expenses	22,544	2,519	1,813
OPERATING INCOME (LOSS)	5	(1,579)	(545)
NON-OPERATING REVENUE (EXPENSES):			
Investment income	58		4
Interest expense	(82)		
Gain (Loss) on disposal of capital assets			
Other revenues (expenses)	99		
Total non-operating revenues (expenses)	75	-	4
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	80	(1,579)	(541)
Capital contributions		80	66
Transfers in		1,527	
CHANGE IN NET POSITION	80	28	(475)
NET POSITION AT BEGINNING OF YEAR (as restated)	99,204	9,372	8,909
NET POSITION AT END OF YEAR	$ 99,284	$ 9,400	$ 8,434

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 7,875	$ 1,498	$	$ 34,130
-	7,875	1,498	-	34,130
30	3,764	1,654	38	18,254
	55			8,192
60	1,376	279	136	7,822
90	5,195	1,933	174	34,268
(90)	2,680	(435)	(174)	(138)
	13	50		125
	(1,739)			(1,821)
		(14)		(14)
	70	73	56	298
-	(1,656)	109	56	(1,412)
(90)	1,024	(326)	(118)	(1,550)
	34	283	8	471
				1,527
(90)	1,058	(43)	(110)	448
1,412	18,891	16,757	3,530	158,075
$ 1,322	$ 19,949	$ 16,714	$ 3,420	$ 158,523

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 21,462	$ 940	$ 1,274
Cash payments to suppliers for goods or services	(4,938)	(1,224)	(740)
Cash payments to employees for services	(10,063)	(1,261)	(363)
Agency activity on behalf of other sewer authorities	(1,216)		
Net cash provided by (used for) operating activities	5,245	(1,545)	171
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds		1,527	
Cash received (payments) for other non-operating activity			
Net cash provided by (used for) noncapital financing activities	-	1,527	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(6,239)	(12)	
Principal paid on long-term debt	(525)		
Interest paid on long-term debt	(82)		
Capital grant proceeds	52		
Net cash provided by (used for) capital and related financing activities	(6,794)	(12)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities			
Interest received on investments	58		4
Net cash provided by (used for) investing activities	58	-	4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,491)	(30)	175
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	49,216	86	1,232
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 47,725	$ 56	$ 1,407

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 8,256	$ 1,498	$	$ 33,430
(26)	(3,042)	(432)	(13)	(10,415)
	(1,073)	(1,092)	(37)	(13,889)
				(1,216)
(26)	4,141	(26)	(50)	7,910
				1,527
	70	74	56	200
-	70	74	56	1,727
		(721)		(6,972)
	(2,520)			(3,045)
	(1,609)			(1,691)
				52
-	(4,129)	(721)	-	(11,656)
		(5,952)		(5,952)
	15	50		127
-	15	(5,902)	-	(5,825)
(26)	97	(6,575)	6	(7,844)
68	14,211	6,686	107	71,606
$ 42	$ 14,308	$ 111	$ 113	$ 63,762

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

	Water Pollution Control	Public Auditorium	West Side Market
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 5	$ (1,579)	$ (545)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	5,221	67	683
Changes in assets and liabilities:			
Receivables, net	(521)	7	
Due from other funds	(734)	(9)	(2)
Inventory of supplies	(1)		
Accounts payable	291		(22)
Accrued wages and benefits	(165)	(20)	11
Due to other funds	900	(11)	46
Due to other governments	249		
Total adjustments	5,240	34	716
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 5,245	$ (1,545)	$ 171
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of capital assets	$	$ 80	$ 66

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ (90)	$ 2,680	$ (435)	$ (174)	$ (138)
60	1,376	279	136	7,822
	5	(2)	4	(507)
	(18)			(763)
	(6)	(1)		(8)
4	70	152		495
	(45)	(20)	(13)	(252)
	74	1	(3)	1,007
	5			254
64	1,461	409	124	8,048
$ (26)	$ 4,141	$ (26)	$ (50)	$ 7,910
$	$ 34	$ 283	$ 8	$ 471

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INTERNAL SERVICE FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,440	$ 706	$ 40	$ 1,125
Due from other funds	1,641	154	39	
Inventory of supplies	1,099	121		
Prepaid expenses and other assets				12
Total current assets	5,180	981	79	1,137
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	2,847	884		
Furniture, fixtures, equipment and vehicles	8,582	1,167		1,194
Construction in progress	560			
Less: Accumulated depreciation	(9,692)	(1,208)		(936)
Total capital assets, net	3,106	843	-	258
Total noncurrent assets	3,106	843	-	258
TOTAL ASSETS	$ 8,286	$ 1,824	$ 79	$ 1,395

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Total
$ 109	$ 1,706	$ 431	$ 1,328	$ 7,870	$ 15,755
25		982	275	7,183	10,299
					1,220
					12
134	1,706	1,413	1,603	15,053	27,286
					663
					146
			112		3,843
	160	117	25		11,245
					560
	(40)	(117)	(27)		(12,020)
-	120	-	110	-	4,437
-	120	-	110	-	4,437
$ 134	$ 1,826	$ 1,413	$ 1,713	$ 15,053	$ 31,723

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2013
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities:				
Accounts payable	$ 890	$ 184	$	$ 35
Accrued wages and benefits	587	85	6	568
Due to other funds	35	31		6
Due to other governments				
Total current liabilities	1,512	300	6	609
Long-term liabilities:				
Accrued wages and benefits	165	22	2	118
Total liabilities	1,677	322	8	727
NET POSITION				
Net investment in capital assets	3,106	843		258
Unrestricted	3,503	659	71	410
Total net position	6,609	1,502	71	668
TOTAL LIABILITIES AND NET POSITION	$ 8,286	$ 1,824	$ 79	$ 1,395

Sinking Fund Administration		Municipal Income Tax Administration		Telephone Exchange		Radio Communications		Workers' Compensation Reserve		Total	
$	2	$	144	$	1,260	$	293	$		$	2,808
	19		531		130		48				1,974
			73				3				148
			998				4				1,002
	21		1,746		1,390		348		-		5,932
	7		80		38		18		15,053		15,503
	28		1,826		1,428		366		15,053		21,435
			120				110				4,437
	106		(120)		(15)		1,237				5,851
	106		-		(15)		1,347		-		10,288
$	134	$	1,826	$	1,413	$	1,713	$	15,053	$	31,723

(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, 2013

(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
OPERATING REVENUES:				
Charges for services	$ 16,745	$ 2,108	$ 522	$ 6,751
Total operating revenue	16,745	2,108	522	6,751
OPERATING EXPENSES:				
Operations	17,886	1,991	492	6,169
Maintenance	1,066	96		67
Depreciation	362	95		190
Total operating expenses	19,314	2,182	492	6,426
OPERATING INCOME (LOSS)	(2,569)	(74)	30	325
NON-OPERATING REVENUES (EXPENSES):				
Investment income	12	2		3
Total non-operating revenues (expenses)	12	2	-	3
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,557)	(72)	30	328
Capital contributions	534			
Transfers in				
CHANGE IN NET POSITION	(2,023)	(72)	30	328
NET POSITION AT BEGINNING OF YEAR	8,632	1,574	41	340
NET POSITION AT END OF YEAR	$ 6,609	$ 1,502	$ 71	$ 668

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Total
$ 155	$ 8,588	$ 6,237	$ 2,111	$ 1,136	$ 44,353
155	8,588	6,237	2,111	1,136	44,353
622	8,476	6,399	1,018	1,136	44,189
	95	449	1,228		3,001
	26		9		682
622	8,597	6,848	2,255	1,136	47,872
(467)	(9)	(611)	(144)	-	(3,519)
	9	2	5		33
-	9	2	5	-	33
(467)	-	(609)	(139)	-	(3,486)
					534
423					423
(44)	-	(609)	(139)	-	(2,529)
150		594	1,486		12,817
$ 106	$ -	$ (15)	$ 1,347	$ -	$ 10,288

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 16,794	$ 2,197	$ 520
Cash payments to suppliers for goods or services	(13,829)	(1,291)	(438)
Cash payments to employees for services	(5,293)	(787)	(86)
Net cash provided by (used for) operating activities	(2,328)	119	(4)
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		(13)	
Net cash provided by (used for) capital and related financing activities	-	(13)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	12	2	
Net cash provided by investing activities	12	2	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,316)	108	(4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,756	598	44
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,440	$ 706	$ 40
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (2,569)	$ (74)	$ 30
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	362	95	
Change in assets and liabilities:			
Due from other funds	49	90	(2)
Inventory of supplies	(20)	21	
Accounts payable	22	(3)	(1)
Accrued wages and benefits	(150)	(15)	(31)
Due to other funds	(22)	5	
Due to other governments			
Total adjustments	241	193	(34)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (2,328)	$ 119	$ (4)

Utilities Administration	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Total
$ 6,750	$ 280	$ 8,850	$ 6,126	$ 1,999		$ 43,516
(909)	(456)	(3,241)	(5,130)	(1,872)		(27,166)
(5,470)	(181)	(5,600)	(1,109)	(439)		(18,965)
371	(357)	9	(113)	(312)	-	(2,615)
	423					423
-	423	-	-	-	-	423
(19)		(95)		(112)		(239)
(19)	-	(95)	-	(112)	-	(239)
3		9	2	5		33
3	-	9	2	5	-	33
355	66	(77)	(111)	(419)	-	(2,398)
770	43	1,783	542	1,747	7,870	18,153
$ 1,125	$ 109	$ 1,706	$ 431	$ 1,328	$ 7,870	$ 15,755
$ 325	$ (467)	$ (9)	$ (611)	$ (144)	$	$ (3,519)
190		26		9		682
	125		(111)	(113)	(1,135)	(1,097)
						1
10	(15)	(18)	609	(44)		560
(154)		(212)		(6)	1,135	567
		262		1		246
		(40)		(15)		(55)
46	110	18	498	(168)	-	904
$ 371	$ (357)	$ 9	$ (113)	$ (312)	$ -	$ (2,615)

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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, 2013
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	$ 3,722	$ 17,426	$ 17,905	$ 3,243
Total assets	$ 3,722	$ 17,426	$ 17,905	$ 3,243
LIABILITIES				
Due to others	$ 3,722	$ 17,426	$ 17,905	$ 3,243
Total liabilities	$ 3,722	$ 17,426	$ 17,905	$ 3,243
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	$ 5,622	$ 4,927	$ 5,622	$ 4,927
Taxes receivable	19,699	19,978	19,699	19,978
Due from other governments	1,171	1,373	1,171	1,373
Total assets	$ 26,492	$ 26,278	$ 26,492	$ 26,278
LIABILITIES				
Due to other governments	$ 26,492	$ 26,278	$ 26,492	$ 26,278
Total liabilities	$ 26,492	$ 26,278	$ 26,492	$ 26,278

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	$ 13,770	$ 326,537	$ 318,616	$ 21,691
Total assets	$ 13,770	$ 326,537	$ 318,616	$ 21,691
LIABILITIES				
Due to others	$ 13,770	$ 326,537	$ 318,616	$ 21,691
Total liabilities	$ 13,770	$ 326,537	$ 318,616	$ 21,691
TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 23,114	$ 348,890	$ 342,143	$ 29,861
Taxes receivable	19,699	19,978	19,699	19,978
Due from other governments	1,171	1,373	1,171	1,373
Total assets	$ 43,984	$ 370,241	$ 363,013	$ 51,212
LIABILITIES				
Due to other governments	$ 26,492	$ 26,278	$ 26,492	$ 26,278
Due to others	17,492	343,963	336,521	24,934
Total liabilities	$ 43,984	$ 370,241	$ 363,013	$ 51,212

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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, 2013
(Amounts in 000's)

Governmental Funds Capital Assets:	
Land	$ 65,525
Land improvements	162,303
Buildings, structures and improvements	629,249
Furniture, fixtures, equipment and vehicles	189,109
Infrastructure	638,322
Construction in progress	158,305
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,842,813

* 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, 2013
(Amounts in 000's)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Construction In Progress
General Government:							
General government	$ 342,285	$ 208	$ 1,484	$ 305,601	$ 24,819	$ 3,890	$ 6,283
City Hall	28,402	877		22,969		1,347	3,209
Engineering and construction	522,297		26,647		1,867	450,628	43,155
Justice Center	29,776			28,922	846		8
Research, planning and development	49,025	903	39,786	4,326	61	2,997	952
Charles V. Carr Municipal Center	647		15	632			
Total general government	972,432	1,988	67,932	362,450	27,593	458,862	53,607
Public Works:							
Waste collection	32,804	499		8,337	21,490	1,460	1,018
Streets	227,658	1,540	11,602	14,393	19,504	149,862	30,757
Traffic engineering	5,191			813	2,161	2,200	17
Park maintenance and properties	115,597	36,852	24,635	18,796	16,471	316	18,527
Recreation	129,405	976	49,702	72,367	2,472		3,888
Other	49,753	2,669		33,386	950		12,748
Total public works	560,408	42,536	85,939	148,092	63,048	153,838	66,955
Public Safety:							
Police	141,478	4,805	573	59,646	50,763	162	25,529
Fire	65,775	1,663		29,527	33,030		1,555
Emergency medical service	16,976			1,090	10,183	5,614	89
Correction	7,560	264		6,570	703	23	
Dog pound	1,167			868	296		3
Total public safety	232,956	6,732	573	97,701	94,975	5,799	27,176
Public Health:							
Health and environment	13,795	1,112	208	10,562	1,673	56	184
Total public health	13,795	1,112	208	10,562	1,673	56	184
Community Development:							
Community development	45,841	7,130	7,376	9,384	1,382	15,807	4,762
Total community development	45,841	7,130	7,376	9,384	1,382	15,807	4,762
Economic Development:							
Economic development	12,992	6,027	275	740		379	5,571
Total economic development	12,992	6,027	275	740	-	379	5,571
Building and Housing:							
Building and housing	4,389			320	438	3,581	50
Total building and housing	4,389	-	-	320	438	3,581	50
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,842,813	$ 65,525	$ 162,303	$ 629,249	$ 189,109	$ 638,322	$ 158,305

* 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, 2013
(Amounts in 000's)

	Balance January 1, 2013	Additions	Deductions	Transfers	Balance December 31, 2013
General Government:					
General government	$ 340,178	$ 2,177	$ (16)	$ (54)	$ 342,285
City Hall	27,360	1,047	(5)		28,402
Engineering and construction	506,442	15,837		18	522,297
Justice Center	29,768	8			29,776
Research, planning and development	49,025				49,025
Charles V. Carr Municipal Center	647				647
Total general government	953,420	19,069	(21)	(36)	972,432
Public Works:					
Waste collection	30,734	3,179	(586)	(523)	32,804
Streets	149,001	86,829	(7,915)	(257)	227,658
Traffic engineering	5,208			(17)	5,191
Park maintenance and properties	98,606	17,424	(175)	(258)	115,597
Recreation	121,656	7,772		(23)	129,405
Other	49,732			21	49,753
Total public works	454,937	115,204	(8,676)	(1,057)	560,408
Public Safety:					
Police	125,086	17,133	(509)	(232)	141,478
Fire	65,118	692	(21)	(14)	65,775
Emergency medical service	15,678	1,329		(31)	16,976
Correction	7,588	11	(39)		7,560
Dog pound	1,136			31	1,167
Total public safety	214,606	19,165	(569)	(246)	232,956
Public Health:					
Health and environment	13,530	278	(13)		13,795
Total public health	13,530	278	(13)	-	13,795
Community Development:					
Community development	45,841				45,841
Total community development	45,841	-	-	-	45,841
Economic Development:					
Economic development	12,740	252			12,992
Total economic development	12,740	252	-	-	12,992
Building and Housing:					
Building and housing	4,339	50			4,389
Total building and housing	4,339	50	-	-	4,389
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,699,413	$ 154,018	$ (9,279)	$ (1,339)	$ 1,842,813

* 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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Cleveland, Ohio

Net Position By Component
Last Ten Years
(Accrual Basis of Accounting)
(Amounts in 000's)

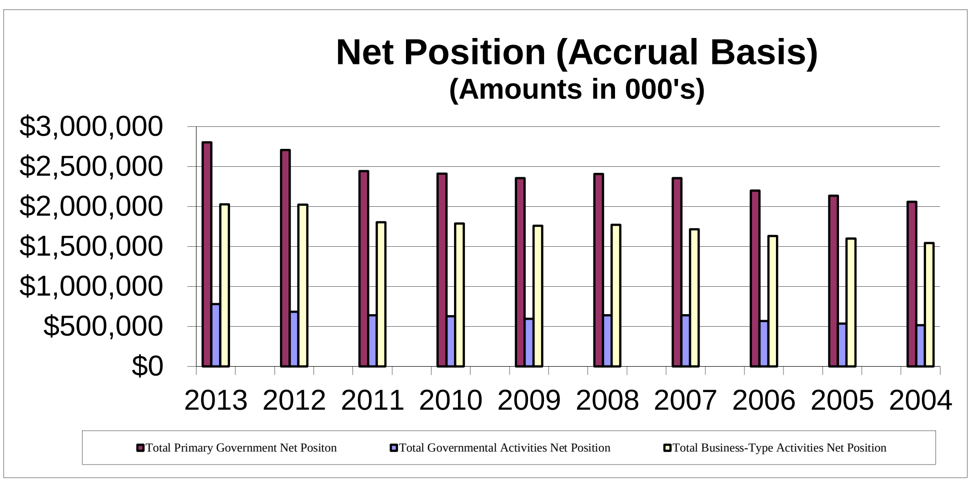
	2013	2012	2011	2010
Governmental Activities				
Net investment in capital assets	$686,794	$572,213	$543,460	$557,804
Restricted	145,729	122,488	117,765	159,942
Unrestricted	(53,448)	(12,383)	(19,771)	(90,565)
Total Governmental Activities Net Position	$779,075	$682,318	$641,454	$627,181
Business-Type Activities				
Net investment in capital assets	$1,307,661	$1,303,584	$1,130,178	$1,080,332
Restricted	244,196	227,826	234,050	243,511
Unrestricted	474,185	492,956	438,767	462,397
Total Business-Type Activities Net Position	$2,026,042	$2,024,366	$1,802,995	$1,786,240
Primary Government				
Net investment in capital assets	$1,994,455	$1,875,797	$1,673,638	$1,638,136
Restricted	389,925	350,314	351,815	403,453
Unrestricted	420,737	480,573	418,996	371,832
Total Primary Government Net Position	$2,805,117	$2,706,684	$2,444,449	$2,413,421

Note:

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

In 2011 Water restated their capital assets due to entering into amended Water agreements with 21 member communities prior to 2011. As part of the agreements, ownership of distribution mains was transferred to the Division of Water. The City did not restate these figures in this statistical table.

2009	2008	2007	2006	2005	2004
$561,586	$555,076	$484,758	$412,430	$395,600	$371,601
166,280	179,318	214,811	211,361	193,529	199,038
(134,033)	(95,968)	(59,630)	(56,318)	(52,676)	(53,281)
$593,833	$638,426	$639,939	$567,473	$536,453	$517,358
$1,016,182	$985,556	$957,587	$886,978	$838,164	$780,436
275,907	272,613	252,514	247,802	287,039	285,256
469,010	512,876	506,745	496,624	474,875	478,229
$1,761,099	$1,771,045	$1,716,846	$1,631,404	$1,600,078	$1,543,921
$1,577,768	$1,540,632	$1,442,345	$1,299,408	$1,233,764	$1,152,037
442,187	451,931	467,325	459,163	480,568	484,294
334,977	416,908	447,115	440,306	422,199	424,948
$2,354,932	$2,409,471	$2,356,785	$2,198,877	$2,136,531	$2,061,279



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

	2013	2012 (2)	2011	2010
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government (1)	$29,983	$30,696	$32,336	$31,570
Public Works (1)	17,561	18,369	16,271	
Public Service (1)				12,024
Public Safety	17,078	15,049	15,034	13,839
Community Development (1)				
Building and Housing	11,734	5,757	18,072	7,327
Public Health	2,917	2,967	2,931	3,033
Parks, Recreation and Properties (1)				8,047
Economic Development	377	100	37	1,469
Subtotal - Charges for Services	79,650	72,938	84,681	77,309
Operating Grants and Contributions:				
General Government (1)	5,601	4,345	3,673	1,348
Public Works (1)	29,770	28,342	27,364	
Public Service (1)				13,821
Public Safety	9,180	13,805	12,497	8,647
Community Development	42,608	69,004	68,887	73,563
Building and Housing	9,133	6,679	5,698	9,064
Public Health	9,249	10,321	13,228	12,693
Parks, Recreation and Properties (1)				13,830
Economic Development	14,046	11,387	4,008	8,156
Subtotal - Operating Grants and Contributions	119,587	143,883	135,355	141,122
Capital Grants and Contributions:				
General Government	56,610	1,330	23	41
Public Works (1)	38,348	24,515	13,982	
Public Service (1)				11,179
Community Development				
Parks, Recreation and Properties (1)				
Subtotal - Capital Grants and Contributions	94,958	25,845	14,005	11,220
Total Governmental Activities Program Revenues	294,195	242,666	234,041	229,651
Business-Type Activities:				
Charges for Services:				
Water	272,674	280,323	236,626	237,270
Electricity	170,342	165,227	168,448	166,665
Airport facilities	113,244	116,694	114,967	106,696
Nonmajor activities	34,135	35,188	34,600	39,358
Subtotal - Charges for Services	590,395	597,432	554,641	549,989
Operating Grants and Contributions:				
Water	5,984	4,567	3,305	3,553
Electricity	656	97	883	566
Airport facilities	132	177		619
Nonmajor activities	86	478	278	4,051
Subtotal - Operating Grants and Contributions	6,858	5,319	4,466	8,789
Capital Grants and Contributions:				
Water	12,446	21,800	2,284	7,645
Electricity	393	964	206	1,035
Airport facilities	35,089	25,025	56,385	57,089
Nonmajor activities	808	5,773	5,716	19,765
Subtotal - Capital Grants and Contributions	48,736	53,562	64,591	85,534
Total Business-Type Activities Program Revenues	645,989	656,313	623,698	644,312
Total Primary Government Program Revenues	$940,184	$898,979	$857,739	$873,963

2009	2008	2007	2006	2005	2004
$34,937	$36,824	$30,470	$32,311	$22,174	$22,143
5,517	5,517	4,490	5,158	6,208	5,030
18,296	21,709	21,087	12,773	15,953	16,046
	5,440	1,203	2		
13,402	12,323	10,528	10,701	10,871	11,948
3,187	2,893	2,979	2,898	2,918	2,262
1,129	1,351	1,160	746	913	692
759	1,057	471	4,496	46	118
77,227	87,114	72,388	69,085	59,083	58,239
1,121	1,789	1,994	1,508	1,876	1,865
13,469	14,317	14,459	14,230	14,234	13,798
13,192	7,448	5,789	9,364	9,153	7,561
41,490	42,129	50,344	56,882	51,848	59,734
11,857	1,106	3,353	3,407		
15,048	12,786	14,079	13,838	10,963	8,778
14,404	16,417	16,123	16,232	354	2,427
23,984	33,121	21,077	40,397	42,164	30,704
134,565	129,113	127,218	155,858	130,592	124,867
	3,057	5,380	23,839	26,899	14,745
11,680	13,094	75,871			
		1,315			
				89	125
11,680	16,151	82,566	23,839	26,988	14,870
223,472	232,378	282,172	248,782	216,663	197,976
228,235	242,872	242,014	209,694	222,635	209,622
155,865	158,237	155,559	146,293	150,263	141,143
98,143	111,402	105,887	105,711	111,087	110,882
43,110	41,950	40,614	33,821	33,843	35,079
525,353	554,461	544,074	495,519	517,828	496,726
4,917	8,384	11,033	8,242		
169	2,118	2,589	1,796		
1,232	3,809	3,718	2,944	7,726	
3,857	5,557	6,399	1,616	100	48
10,175	19,868	23,739	14,598	7,826	48
1,677	3,460	7,906	6,817	12,408	5,448
	2,803	1,485	1,135	2,285	1,079
44,219	54,646	73,358	53,280	40,975	50,377
5,429	3,155	2,591	6,201	5,505	4,698
51,325	64,064	85,340	67,433	61,173	61,602
586,853	638,393	653,153	577,550	586,827	558,376
$810,325	$870,771	$935,325	$826,332	$803,490	$756,352

(Continued)

City of Cleveland, Ohio

Changes in Net Position

Last Ten Years

(Amounts in 000's)

	2013	2012 (2)	2011	2010
Expenses				
Governmental Activities:				
General Government (1)	$115,793	$106,141	$95,833	$81,898
Public Works (1)	130,108	128,276	139,577	
Public Service (1)				93,425
Public Safety	310,246	310,745	308,051	315,900
Community Development (1)	44,337	70,705	75,778	70,589
Building and Housing	17,694	14,729	14,098	17,445
Public Health	15,405	17,385	19,596	19,740
Parks, Recreation and Properties (1)				46,963
Economic Development	18,142	13,845	22,323	24,729
Interest on debt	24,913	26,153	27,686	47,531
Total Governmental Activities Expenses	676,638	687,979	702,942	718,220
Business-Type Activities				
Water	258,014	244,647	232,497	232,862
Electricity	171,669	163,547	167,799	165,330
Airport facilities	155,343	153,627	167,531	158,262
Nonmajor activities	35,235	39,671	46,302	43,443
Total Business-Type Activities Expenses	620,261	601,492	614,129	599,897
Total Primary Government Program Expenses	1,296,899	1,289,471	1,317,071	1,318,117
Net (Expense)/Revenue				
Governmental Activities	(382,443)	(445,313)	(468,901)	(488,569)
Business-Type Activities	25,728	54,821	9,569	44,415
Total Primary Government Net Expense	(356,715)	(390,492)	(459,332)	(444,154)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Income taxes	332,719	330,863	311,492	298,209
Property taxes	45,055	56,086	63,839	88,087
Other taxes	37,765	28,680	27,312	28,450
Shared revenues	34,434	27,338	19,558	23,869
Grants and contributions not restricted to specific programs				
State and local government funds	30,081	25,966	43,821	49,266
Unrestricted investment earnings	683	692	97	654
Other	21,194	18,141	19,086	14,104
Transfers	(1,527)	(1,589)	(2,031)	19,278
Total Governmental Activities	500,404	486,177	483,174	521,917
Business-Type Activities				
Unrestricted investment earnings	3		30	4
Other				
Special items - gain on sale of capital assets			5,125	
Transfers	1,527	1,589	2,031	(19,278)
Total Business-Type Activities Expenses	1,530	1,589	7,186	(19,274)
Total Primary Government General Revenues and Other Changes in Net Position	501,934	487,766	490,360	502,643
Change in Net Position				
Governmental Activities	117,961	40,864	14,273	33,348
Business-Type Activities	27,258	56,410	16,755	25,141
Total Primary Government Change in Net Position	$145,219	$97,274	$31,028	$58,489

Note:

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

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

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

(2)The Govermental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. This statement changed the treatment of bond issuance costs to expense in the period incurred. Previously, the costs were recorded as assets and amoritzed over the life of the related debt issued. The City did not restate prior years in this statisistical table.

2009	2008	2007	2006	2005	2004
$90,311	$101,878	$99,311	$99,187	$97,544	$88,587
85,947	87,154	86,435	81,248	80,888	78,634
329,765	329,922	322,840	301,208	293,242	281,140
59,204	44,550	54,425	62,701	56,413	65,603
20,925	15,831	13,999	13,832	10,650	10,703
22,999	20,351	21,412	27,674	24,950	22,537
58,799	61,628	54,332	45,546	44,840	42,734
38,083	53,944	39,168	44,739	41,030	49,372
30,448	32,896	27,763	32,162	27,557	30,815
736,481	748,154	719,685	708,297	677,114	670,125
224,269	213,335	205,470	204,994	192,187	188,118
158,100	154,426	148,832	141,546	153,676	136,927
168,734	172,274	167,967	157,976	146,807	145,749
46,546	44,507	45,762	42,112	41,526	41,333
597,649	584,542	568,031	546,628	534,196	512,127
1,334,130	1,332,696	1,287,716	1,254,925	1,211,310	1,182,252
(513,009)	(515,776)	(437,513)	(459,515)	(460,451)	(472,149)
(10,796)	53,851	85,122	30,922	52,631	46,249
(523,805)	(461,925)	(352,391)	(428,593)	(407,820)	(425,900)
296,507	329,316	317,268	302,084	288,191	293,387
63,573	65,398	69,313	66,762	64,390	69,483
25,053	25,918	28,567	26,492	25,051	22,011
28,741	28,587	23,805	16,949	22,468	20,470
				1	94
43,420	52,450	51,164	55,905	55,696	57,072
1,740	3,344	5,670	4,273	2,989	1,273
10,207	9,556	14,482	18,460	21,135	18,855
(825)	(306)	(290)	(390)	(375)	(2,283)
468,416	514,263	509,979	490,535	479,546	480,362
25	42	30	14	2,205	1,215
				946	93
825	306	290	390	375	2,283
850	348	320	404	3,526	3,591
469,266	514,611	510,299	490,939	483,072	483,953
(44,593)	(1,513)	72,466	31,020	19,095	8,213
(9,946)	54,199	85,442	31,326	56,157	49,840
($54,539)	$52,686	$157,908	$62,346	$75,252	$58,053

(Concluded)

City of Cleveland, Ohio

Fund Balances, Governmental Funds

Last Ten Years (1)

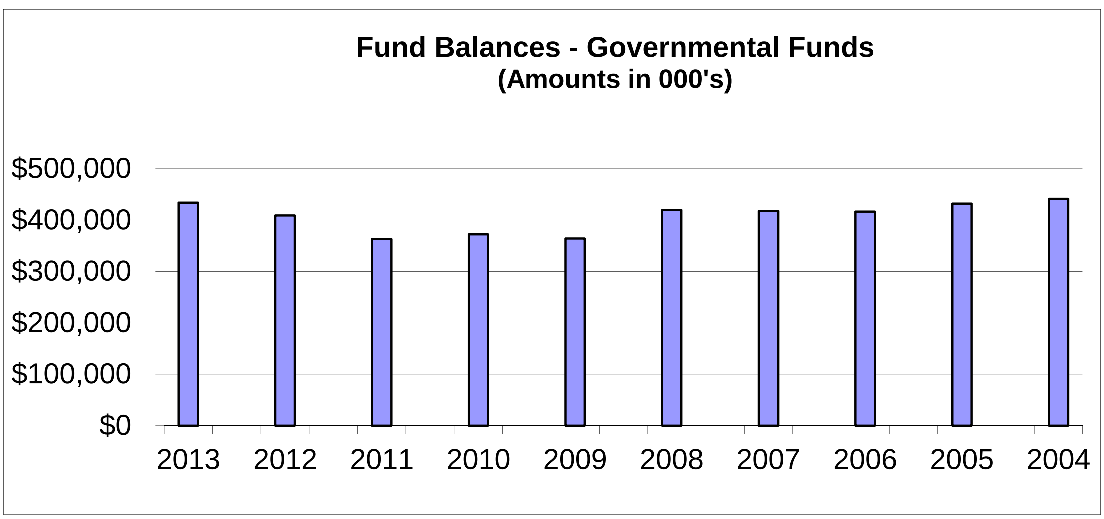
(Modified Accrual Basis of Accounting)

(Amounts in 000's)

	2013	2012	2011	2010
General Fund				
Reserved	$	$	$	$15,070
Unreserved				(2,529)
Nonspendable	648	632	576	
Assigned	13,209	9,239	12,027	
Unassigned	75,891	61,879	38,991	
Total General Fund	89,748	71,750	51,594	12,541
All Other Governmental Funds				
Reserved				257,696
Unreserved reported in:				
Special Revenue funds				64,432
Capital Projects funds				37,753
Nonspendable	355	495	1,172	
Restricted	245,015	233,832	204,590	
Committed	98,806	102,901	105,624	
Assigned	3	2	1	
Unassigned			(96)	
Total All Other Governmental Funds	344,179	337,230	311,291	359,881
Total Governmental Funds	$433,927	$408,980	$362,885	$372,422

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

2009	2008	2007	2006	2005	2004
$15,513	$14,689	$14,455	$13,029	$11,520	$13,258
(9,648)	16,856	17,399	22,502	24,693	21,376
5,865	31,545	31,854	35,531	36,213	34,634
263,059	272,039	277,669	278,984	280,042	272,122
45,781	72,421	77,223	77,287	65,786	89,325
49,556	43,438	31,136	24,458	49,750	45,522
358,396	387,898	386,028	380,729	395,578	406,969
$364,261	$419,443	$417,882	$416,260	$431,791	$441,603



City of Cleveland, Ohio

Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

(Amounts in 000's)

	2013	2012	2011	2010
Revenues				
Income taxes	$333,359	$331,118	$312,508	$300,427
Property taxes	49,740	55,312	55,949	58,660
State and local government funds	28,439	31,821	45,640	47,972
Other taxes and shared revenues (2)		86,084	77,636	79,620
Other taxes (2)	37,764			
Other shared revenues (2)	59,907			
Licenses and permits	16,034	15,070	16,877	13,529
Charges for services	39,297	41,436	39,433	33,779
Fines, forfeits and settlements	27,020	26,830	28,376	28,643
Investment earnings	865	468	518	621
Grants	115,851	129,724	120,119	116,920
Contributions	15,948	1,364	52	72
Miscellaneous	27,770	18,770	15,356	16,490
Total Revenues	751,994	737,997	712,464	696,733
Expenditures				
Current:				
General Government (1)	85,638	85,125	77,792	80,865
Public Works (1)	86,576	85,753	91,926	
Public Service (1)				53,567
Public Safety	303,234	303,767	302,009	308,321
Community Development (1)	42,677	69,238	73,682	70,437
Building and Housing	17,444	14,542	14,031	17,401
Public Health	14,983	16,986	19,160	19,229
Parks, Recreation and Properties (1)				37,822
Economic Development	18,030	12,794	19,348	24,635
Other	11,877	10,992	11,171	11,490
Capital outlay	115,170	69,945	66,575	56,227
Inception of capital lease	5,046	5,648	4,566	3,201
Debt service:				
Principal retirement	46,252	48,115	47,481	48,223
Interest	30,380	33,741	30,628	28,682
General Government	615	1,264	438	18,722
Other	1,176	1,168	315	795
Total Expenditures	779,098	759,078	759,122	779,617
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,104)	(21,081)	(46,658)	(82,884)
Other Financing Sources (Uses)				
Transfers in	56,516	59,830	68,643	106,617
Transfers out	(58,466)	(62,145)	(71,514)	(88,152)
Issuance of debt	35,840	82,945	31,260	171,505
Issuance of refunding bonds	25,360			
Proceeds from sale of debt				
Premium on bonds and notes	4,415	8,770	1,105	1,885
Discount on bonds and notes		(145)	(217)	(237)
Payment to refund bonds and notes	(25,360)	(28,910)		(108,390)
Proceeds from sale of general obligation bonds and notes				
Loan proceeds	2,786			
Sale of City assets	4,425	324	1,229	1,127
Capital leases	6,535	6,507	6,615	6,690
Total Other Financing Sources (Uses)	52,051	67,176	37,121	91,045
Net Change in Fund Balances	$24,947	$46,095	($9,537)	$8,161
Debt Service as a Percentage of Noncapital Expenditures	11.5%	11.8%	11.1%	10.4%

(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.

2009	2008	2007	2006	2005	2004
$298,546	$326,464	$311,784	$303,446	$292,193	$294,200
63,754	65,258	69,254	66,787	66,055	67,999
45,590	52,269	53,506	55,908	55,899	55,808
81,440	81,200	80,789	73,810	59,576	57,213
17,061	15,047	13,802	14,520	14,806	16,033
22,136	26,000	24,388	20,973	23,182	18,707
32,321	34,763	31,246	27,877	19,985	19,611
2,691	8,871	16,875	13,809	8,774	3,758
112,024	94,769	167,125	137,278	126,139	118,228
659	549	549	3,113	3,650	6,131
25,811	27,649	18,581	18,683	14,394	21,462
702,033	732,839	787,899	736,204	684,653	679,150
90,074	91,664	84,578	74,905	71,107	71,291
58,229	60,105	60,700	58,739	60,049	56,044
319,334	318,339	311,606	293,093	282,684	272,752
58,101	43,677	53,668	62,031	55,688	65,034
20,841	15,691	13,892	13,668	10,472	10,497
22,460	19,724	21,014	26,903	24,121	21,862
39,598	42,593	40,494	37,817	35,503	32,934
36,849	51,921	33,787	44,632	40,446	46,966
10,446	10,627	9,206	9,256	11,212	11,510
66,720	60,513	120,680	65,216	84,438	82,780
		3,933	3,302	4,130	9,271
53,048	51,566	44,258	37,648	39,384	40,865
32,942	34,318	30,075	31,462	29,822	32,002
477	5,394				
475	1,868	2,438	662	2,338	1,778
809,594	808,000	830,329	759,334	751,394	755,586
(107,561)	(75,161)	(42,430)	(23,130)	(66,741)	(76,436)
53,414	57,550	61,064	41,853	43,245	47,256
(54,525)	(58,243)	(61,894)	(42,665)	(43,697)	(50,271)
44,580					
13,820					
	266,160			121,395	35,115
2,289	4,042	3,730		13,306	1,504
	(386)	(18)		(54)	(200)
(13,767)	(192,675)	(140,457)		(94,145)	
		181,420			16,760
					11,365
6,568	274	207	8,411	8,454	
				8,425	6,628
52,379	76,722	44,052	7,599	56,929	68,157
($55,182)	$1,561	$1,622	($15,531)	($9,812)	($8,279)
11.5%	11.3%	10.3%	9.8%	10.3%	10.7%

City of Cleveland, Ohio

Assessed Valuation and Estimated Actual Values of Taxable Property
Last Ten Years
(Amounts in 000's)

	Real Property			Tangible Personal Property	
	Assessed Value			Public Utility	
Collection Year	Residential/ Agricultural	Commercial Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value
2013	$2,075,286	$2,526,924	$13,149,171	$266,558	$302,907
2012	2,641,867	2,743,313	15,386,229	246,081	279,638
2011	2,675,681	2,722,417	15,423,137	242,172	275,195
2010	2,693,686	2,585,663	15,083,857	233,870	265,761
2009	3,062,170	2,434,549	15,704,911	220,820	250,932
2008	3,041,791	2,438,801	15,658,834	210,970	239,739
2007	3,056,587	2,532,466	15,968,723	316,899	360,113
2006	2,662,461	2,285,525	14,137,103	314,385	357,256
2005	2,665,935	2,319,194	14,243,226	350,690	398,511
2004	2,666,178	2,232,575	13,996,437	355,889	404,419

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.

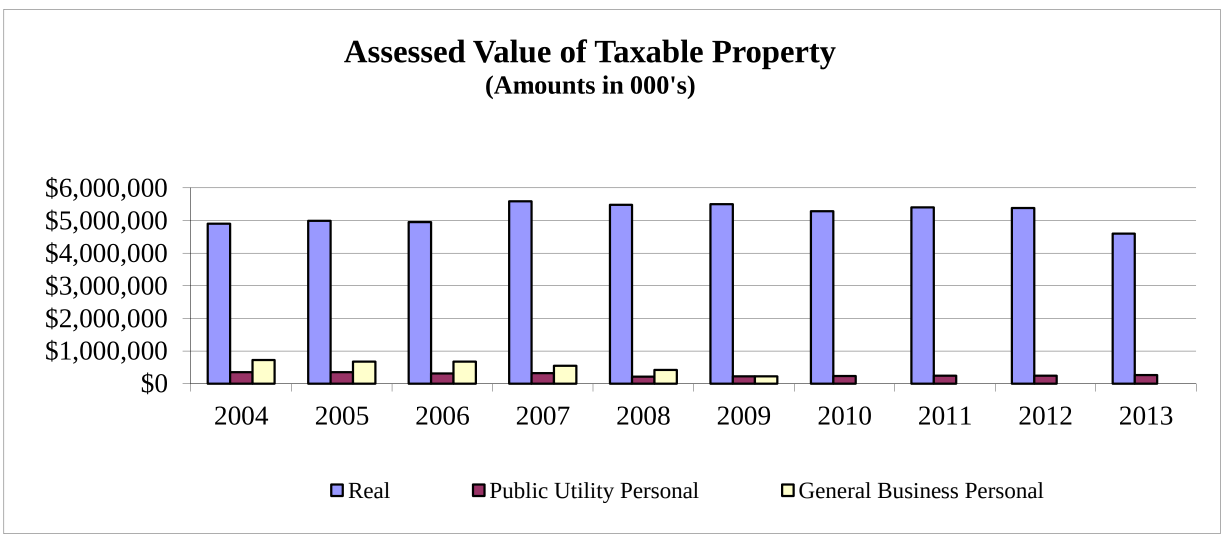
The assessed valuation of personal property constituting "inventory" was 23% of true value, in 2006 it was reduced to 18.75%, in 2007 to 12.50%, and in 2008 to 6.25%. The percentage decreased to 0% in 2009 and remains at 0% in 2013.

Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment was reduced from 100% to 25% of true value, with makeup payments in varying amounts to be made through 2016 to taxing subdivisions by the State of Ohio from State resources. All taxable property remained at 88% true value.

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

Source: Cuyahoga County Auditor's Office.

Tangible Personal Property						
General Business		Total				
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Ratio	
$0	$0	$4,868,768	$13,452,078	12.70	36.2	%
0	0	5,631,261	15,665,867	12.70	35.9	
0	0	5,640,270	15,698,332	12.70	35.9	
0	0	5,513,219	15,349,618	12.70	35.9	
219,920	3,518,720	5,937,459	19,474,563	12.70	30.5	
422,770	6,764,320	6,114,332	22,662,893	12.70	27.0	
551,296	4,410,368	6,457,248	20,739,204	12.70	31.1	
677,333	3,612,443	5,939,704	18,106,802	12.70	32.8	
671,795	2,920,848	6,007,614	17,562,585	12.70	34.2	
722,499	3,141,300	5,977,141	17,542,156	12.70	34.1	



City of Cleveland, Ohio

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

	2013	2012	2011	2010
Unvoted Millage				
Debt	4.350000	4.350000	4.350000	4.350000
Fire Pension	0.050000	0.050000	0.050000	0.050000
Total Unvoted Millage	4.400000	4.400000	4.400000	4.400000
Charter Millage				
Operating	7.750000	7.750000	7.750000	7.750000
Fire Pension	0.250000	0.250000	0.250000	0.250000
Police Pension	0.300000	0.300000	0.300000	0.300000
Total Charter Millage	8.300000	8.300000	8.300000	8.300000
Total Millage	12.700000	12.700000	12.700000	12.700000
Overlapping Rates by Taxing District				
City School District				
Residential/Agricultural Real	52.427248	52.116544	31.674164	31.506887
Commercial/Industrial and Public Utility Real	60.124573	60.128798	44.235815	44.362102
General Business and Public Utility Personal	79.800000	79.800000	64.800000	64.800000
County				
Residential/Agricultural Real	14.050000	13.220000	13.118223	13.186617
Commercial/Industrial and Public Utility Real	13.949465	12.996761	12.784540	12.841251
General Business and Public Utility Personal	14.050000	13.220000	13.220000	13.320000
Special Taxing Districts (1)				
Residential/Agricultural Real	12.298441	11.391842	11.225159	11.207637
Commercial/Industrial and Public Utility Real	12.339767	11.418198	11.232744	11.236434
General Business and Public Utility Personal	12.780000	11.880000	11.880000	11.880000

Note:

The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year. The City's basic property tax rate may be increased only by a majority vote of the City's residents. Charter millage is consistently applied to all types of property. The real property tax rates for the voted levies of the overlapping taxing districts are reduced so that inflationary increases in value do not generate additional revenue. Overlapping rates are those of local and county governments that apply to property owners within the City.

(1) Cleveland Metropolitan Parks District, Cleveland-Cuyahoga County Port Authority, Cleveland Public Library and Cuyahoga Community College. Prior to 2003, Cleveland Metropolitan Parks District and Cleveland Public Library only.

Source: Cuyahoga County Auditor's Office.

2009	2008	2007	2006	2005	2004
4.350000	4.350000	4.350000	4.350000	4.350000	4.350000
0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
4.400000	4.400000	4.400000	4.400000	4.400000	4.400000
7.750000	7.750000	7.750000	7.750000	7.750000	7.750000
0.250000	0.250000	0.250000	0.250000	0.250000	0.250000
0.300000	0.300000	0.300000	0.300000	0.300000	0.300000
8.300000	8.300000	8.300000	8.300000	8.300000	8.300000
12.700000	12.700000	12.700000	12.700000	12.700000	12.700000
31.460074	29.076676	29.050497	29.002818	31.588821	31.586780
44.661412	44.661009	44.592555	44.858685	48.826505	48.636211
64.800000	64.800000	64.800000	64.800000	64.800000	64.800000
13.178886	12.660733	11.868868	11.865485	11.722742	10.975355
12.845700	12.815297	12.453559	12.494099	12.588063	11.984633
13.320000	13.320000	13.420000	13.420000	13.520000	13.520000
10.723710	10.330071	9.059500	9.045800	9.853500	9.851200
10.859248	10.838537	10.191700	10.252900	11.084900	11.011300
11.580000	11.580000	11.580000	11.580000	11.580000	11.580000

City of Cleveland, Ohio

Property Tax Levies and Collections

Last Ten Years

Year	Current Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections To Current Tax Levy	Delinquent Tax Collections	Total Tax Collections
2013	$68,191,726	$57,319,877	84.06 %	$4,664,866	$61,984,743
2012	76,327,893	58,664,824	76.86	6,972,134	65,636,958
2011	74,312,975	59,301,577	79.80	5,104,558	64,406,135
2010	73,818,689	59,078,863	80.03	5,259,959	64,338,822
2009	76,071,934	63,707,028	83.75	5,351,909	69,058,937
2008	77,142,266	66,210,703	85.83	6,416,603	72,627,306
2007	79,578,480	68,823,516	86.49	5,675,616	74,499,132
2006	74,560,517	65,617,123	88.01	5,523,803	71,140,926
2005	77,325,122	67,759,024	87.63	5,428,007	73,187,031
2004	76,856,612	67,571,431	87.92	7,055,068	74,626,499

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

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

Source: Cuyahoga County Auditor's Office.

Total Tax Levy	Percent of Total Tax Collections To Total Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
$104,953,336	59.06 %	$40,343,634	38.44 %
122,143,372	53.74	47,654,232	39.01
109,926,575	58.59	44,679,192	40.64
107,119,066	60.06	39,704,298	37.07
107,873,764	64.02	36,999,445	34.30
107,071,494	67.83	31,984,896	29.87
108,161,761	68.88	22,770,570	21.05
100,452,563	70.82	21,063,311	20.97
100,842,631	72.58	26,330,702	26.11
102,396,067	72.88	24,928,208	24.34

City of Cleveland, Ohio

Principal Taxpayers - Real Estate Tax

2013 and 2004

	2013	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Electric Illuminating Co.	$207,043,050	4.50 %
Cleveland Clinic Foundation	198,883,610	4.32
Cuyahoga County, Ohio	88,117,300	1.91
City of Cleveland, Ohio	81,985,740	1.78
Key Center Properties LLC	80,559,150	1.75
East Ohio Gas Co.	66,267,070	1.44
Cleveland Financial Associates, LLC	51,485,990	1.12
Higbee Mothership LLC	44,484,100	0.97
Hub North Point Properties LLC	35,123,770	0.76
National City Bank	34,413,150	0.75
Total	$888,362,930	19.30 %
Total Real Property Assessed Valuation	$4,602,210,000	

	2004	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	$138,004,710	2.82 %
ZML-Cleve Public Sq LLC	47,232,500	0.96
NPW LTD Partnership	35,560,000	0.73
ISG Cleveland Inc.	34,267,430	0.70
Cleveland Clinic Foundation	29,700,590	0.61
Ohio Bell Telephone	28,464,420	0.58
National City Center LLC	28,000,000	0.57
Bishop James Hickey	22,366,800	0.46
600 Superior Place Partnership	16,275,000	0.33
CG Erieview	10,500,010	0.21
Total	$390,371,460	7.97 %
Total Real Property Assessed Valuation	$4,898,753,740	

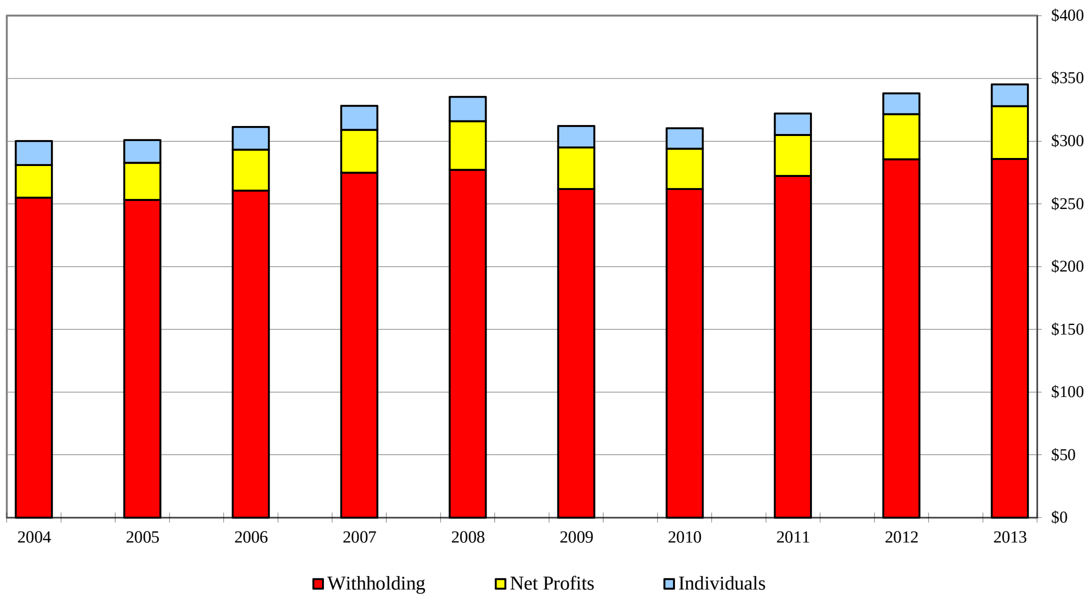
(1) The amounts presented represent the assessed values upon which 2013 and 2004 collections were based.

Source: Cuyahoga County Auditor's Office.

City of Cleveland, Ohio
Income Tax Revenue Base and Collections
Last Ten Years

Tax Year	Tax Rate	Total Tax Collected (1)	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individuals	Percentage of Taxes from Individuals
2013	2.00%	$345,255,736	$285,891,566	82.81%	$41,929,164	12.14%	$17,435,006	5.05%
2012	2.00	338,046,790	285,450,129	84.44	35,946,656	10.63	16,650,005	4.93
2011	2.00	322,072,689	272,209,650	84.52	32,693,730	10.15	17,169,309	5.33
2010	2.00	310,339,588	261,801,977	84.36	32,095,566	10.34	16,442,045	5.30
2009	2.00	312,129,641	261,878,357	83.90	33,065,140	10.59	17,186,144	5.51
2008	2.00	335,310,894	277,203,932	82.67	38,709,596	11.54	19,397,366	5.78
2007	2.00	328,167,945	274,733,506	83.72	34,314,408	10.46	19,120,031	5.83
2006	2.00	311,254,815	260,697,679	83.76	32,469,591	10.43	18,087,545	5.81
2005	2.00	300,836,796	253,082,844	84.13	29,796,387	9.90	17,957,565	5.97
2004	2.00	300,041,379	255,039,437	85.00	25,919,958	8.64	19,081,984	6.36

Income Tax Collections for the Last 10 Years
(Amounts in millions)



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

(1) Gross collections.

Source: Central Collection Agency.

City of Cleveland, Ohio

Ratio of Outstanding Debt to

Total Personal Income and Debt Per Capita

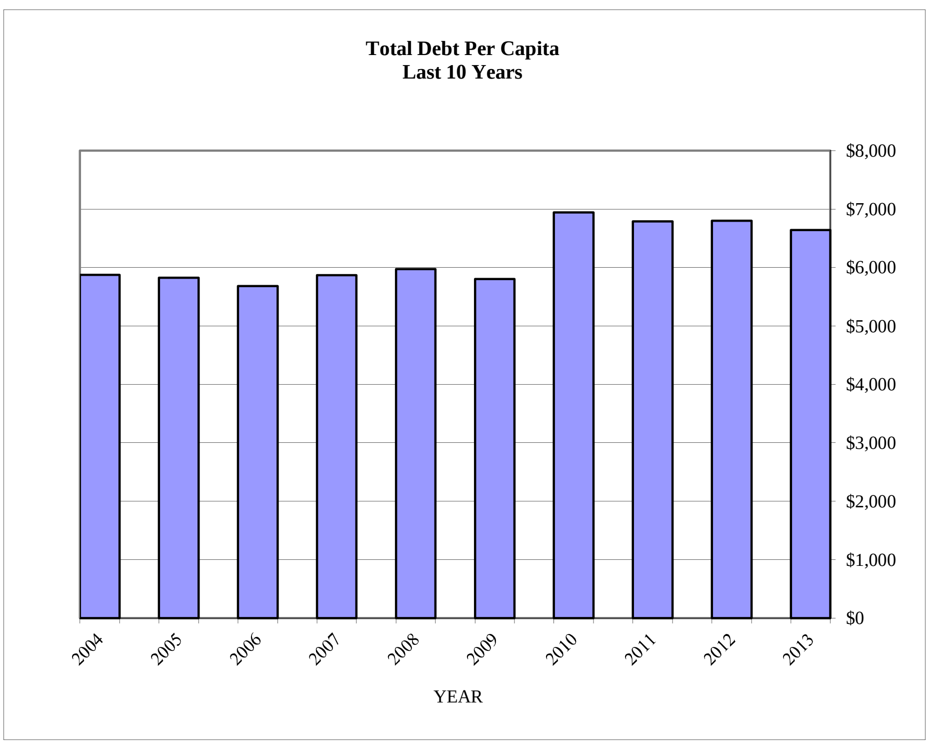
Last Ten Years

	Governmental Activities						
Year	General Obligation Bonds	Urban Renewal Bonds/Notes	Non-Tax Revenue Bonds/Notes	Capital Leases	Subordinated Income Tax Refunding Bonds	Certificates of Participation	Subordinate Lien Income Tax Bonds
2013	$282,550,000	$3,670,000	$53,108,000	$19,185,000	$46,915,000	$117,670,000	$124,490,000
2012	308,700,000	4,270,000	55,894,000	16,236,000	50,020,000	123,605,000	92,380,000
2011	298,660,000	4,835,000	58,591,000	12,908,000	52,975,000	129,547,000	80,505,000
2010	297,115,000	5,365,000	61,795,000	8,937,000	55,785,000	135,537,000	83,025,000
2009	326,230,000	5,860,000	64,956,000	5,320,000	58,460,000	119,016,000	57,630,000
2008	313,630,000	6,325,000	67,617,000	8,604,000	59,960,000	129,949,000	59,560,000
2007	336,990,000	6,760,000	68,091,000	11,786,000	58,900,000	140,714,000	
2006	323,795,000	7,170,000	69,353,000	15,057,000	60,700,000	143,950,000	
2005	353,325,000	7,555,000	70,085,000	18,083,000	62,400,000	146,225,000	
2004	346,700,000	12,215,000	70,715,000	11,750,000	64,000,000	148,485,000	

Note:

Population and Personal Income data are presented on page S20.

	Business-Type Activities				
Annual Appropriation Bonds	Revenue Bonds / Notes	OWDA/ OPWC Loans	Total Debt	Percentage of Personal Income	Per Capita
$10,525,000	$1,863,588,000	$114,372,000	$2,636,073,000	39.51%	$6,643
10,765,000	1,926,203,000	109,742,000	2,697,815,000	41.70	6,799
11,000,000	1,930,163,000	115,523,000	2,694,707,000	41.66	6,791
11,000,000	1,974,828,000	121,335,000	2,754,722,000	48.58	6,942
	2,032,178,000	107,654,000	2,777,304,000	40.62	5,805
	2,100,768,000	112,275,000	2,858,688,000	41.81	5,975
	2,075,755,000	110,070,000	2,809,066,000	41.09	5,872
	1,995,045,000	103,415,000	2,718,485,000	39.76	5,682
	2,049,820,000	78,498,000	2,785,991,000	40.75	5,824
	2,102,986,000	52,616,000	2,809,467,000	41.09	5,873



City of Cleveland, Ohio

Ratio of General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita
Last Ten Years

Year	Population (1)		Assessed Value of Taxable Property (2) (Amount in 000's)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value of Taxable Property	Net Bonded Debt Per Capita
2013	396,815	(a)	$4,868,768	$279,124,000	5.73 %	$703.41
2012	396,815	(a)	5,631,261	302,484,000	5.37	762.28
2011	396,815	(a)	5,640,270	297,172,000	5.27	748.89
2010	396,815	(a)	5,513,219	294,923,000	5.35	743.23
2009	478,403	(b)	5,937,459	323,631,000	5.45	676.48
2008	478,403	(b)	6,114,332	311,134,000	5.09	650.36
2007	478,403	(b)	6,457,248	333,823,000	5.17	697.79
2006	478,403	(b)	5,939,704	320,265,000	5.39	669.45
2005	478,403	(b)	6,007,614	348,004,000	5.79	727.43
2004	478,403	(b)	5,977,141	339,209,000	5.68	709.04

Note:
Net Bonded Debt includes all general obligation bonded debt less balance in debt service fund.

Sources:

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

City of Cleveland, Ohio

Computation of Direct and Overlapping Governmental Activities Debt

December 31, 2013

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	$282,550,000	100.00 %	$282,550,000
Capital Leases	19,185,000	100.00	19,185,000
Urban Renewal Bonds	3,670,000	100.00	3,670,000
Subordinated Income Tax Refunding Bonds	46,915,000	100.00	46,915,000
Subordinate Lien Income Tax Bonds	124,490,000	100.00	124,490,000
Non-tax Revenue Bonds	53,108,000	100.00	53,108,000
Annual Appropriation Bonds	10,525,000	100.00	10,525,000
Total Direct Debt	540,443,000		540,443,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds (1)	128,528,824	96.70	124,287,373
Cuyahoga County			
General Obligation Bonds (1)	314,245,000	17.61	55,338,545
Regional			
Transit Authority (1)	116,450,000	17.61	20,506,845
Total Overlapping Debt	559,223,824		200,132,763
Total	$1,099,666,824		$740,575,763

(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

	2013	2012	2011	2010
Total Assessed Property Value	$4,868,767,980	$5,631,261,380	$5,640,270,380	$5,513,219,400
Overall Legal Debt Limit (10½% of Assessed Valuation)	511,220,638	591,282,445	592,228,390	578,888,037
Debt Outstanding:				
General Obligation Bonds	282,550,000	308,700,000	298,660,000	297,115,000
Revenue Notes/Bonds	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000
Urban Renewal Bonds/Notes	3,670,000	4,270,000	4,835,000	5,365,000
Subordinated Income Tax Refunding Bonds	46,915,000	50,020,000	52,975,000	55,785,000
Subordinate Lien Income Tax Bonds	124,490,000	92,380,000	80,505,000	83,025,000
OWDA/OPWC Loans	114,372,000	109,742,000	115,523,000	121,335,000
Non-tax Revenue Bonds	53,108,000	55,894,000	58,591,000	61,795,000
Annual Appropriation Bonds	10,525,000	10,765,000	11,000,000	11,000,000
Total Gross Indebtedness	2,499,218,000	2,557,974,000	2,552,252,000	2,610,248,000
Less:				
General Obligation Bonds	282,550,000	308,700,000	298,660,000	297,115,000
Revenue Notes/Bonds	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000
Urban Renewal Bonds/Notes	3,670,000	4,270,000	4,835,000	5,365,000
Subordinated Income Tax Refunding Bonds	46,915,000	50,020,000	52,975,000	55,785,000
Subordinate Lien Income Tax Bonds	124,490,000	92,380,000	80,505,000	83,025,000
OWDA/OPWC Loans	114,372,000	109,742,000	115,523,000	121,335,000
Non-tax Revenue Bonds	53,108,000	55,894,000	58,591,000	61,795,000
Annual Appropriation Bonds	10,525,000	10,765,000	11,000,000	11,000,000
General Obligation Bond Retirement Fund Balance	3,426,000	6,216,000	1,488,000	2,192,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	$511,220,638	$591,282,445	$592,228,390	$578,888,037
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation (5½% of Assessed Valuation)	$267,782,239	$309,719,376	$310,214,871	$303,227,067
Total Gross Indebtedness	2,499,218,000	2,557,974,000	2,552,252,000	2,610,248,000
Less:				
General Obligation Bonds	282,550,000	308,700,000	298,660,000	297,115,000
Revenue Notes/Bonds	1,863,588,000	1,926,203,000	1,930,163,000	1,974,828,000
Urban Renewal Bonds/Notes	3,670,000	4,270,000	4,835,000	5,365,000
Subordinated Income Tax Refunding Bonds	46,915,000	50,020,000	52,975,000	55,785,000
Subordinate Lien Income Tax Bonds	124,490,000	92,380,000	80,505,000	83,025,000
OWDA/OPWC Loans	114,372,000	109,742,000	115,523,000	121,335,000
Non-tax Revenue Bonds	53,108,000	55,894,000	58,591,000	61,795,000
Annual Appropriation Bonds	10,525,000	10,765,000	11,000,000	11,000,000
General Obligation Bond Retirement Fund Balance	3,426,000	6,216,000	1,488,000	2,192,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	$267,782,239	$309,719,376	$310,214,871	$303,227,067
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.

2009	2008	2007	2006	2005	2004
$5,937,458,591	$6,114,332,281	$6,457,247,750	$5,939,704,867	$6,007,616,318	$5,977,142,243
623,433,152	642,004,890	678,011,014	623,669,011	630,799,713	627,599,936
326,230,000	313,630,000	336,990,000	323,795,000	353,325,000	346,700,000
2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000	2,102,986,000
5,860,000	6,325,000	6,760,000	7,170,000	7,555,000	12,215,000
58,460,000	59,960,000	58,900,000	60,700,000	62,400,000	64,000,000
57,630,000	59,560,000				
107,654,000	112,275,000	110,070,000	103,415,000	78,498,000	52,616,000
64,956,000	67,617,000	68,091,000	69,353,000	70,085,000	70,715,000
2,652,968,000	2,720,135,000	2,656,566,000	2,559,478,000	2,621,683,000	2,649,232,000
326,230,000	313,630,000	336,990,000	323,795,000	353,325,000	346,700,000
2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000	2,102,986,000
5,860,000	6,325,000	6,760,000	7,170,000	7,555,000	12,215,000
58,460,000	59,960,000	58,900,000	60,700,000	62,400,000	64,000,000
57,630,000	59,560,000				
107,654,000	112,275,000	110,070,000	103,415,000	78,498,000	52,616,000
64,950,000	67,617,000	68,091,000	69,353,000	70,085,000	70,715,000
2,599,000	2,496,000	3,167,000	3,530,000	5,321,000	7,491,000
-	-	-	-	-	-
$623,433,152	$642,004,890	$678,011,014	$623,669,011	$630,799,713	$627,599,936
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
$326,560,223	$336,288,276	$355,148,626	$326,683,768	$330,418,898	$328,742,823
2,652,968,000	2,720,135,000	2,656,566,000	2,559,478,000	2,621,683,000	2,649,232,000
326,230,000	313,630,000	336,990,000	323,795,000	353,325,000	346,700,000
2,032,178,000	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000	2,102,986,000
5,860,000	6,325,000	6,760,000	7,170,000	7,555,000	12,215,000
58,460,000	59,960,000	58,900,000	60,700,000	62,400,000	64,000,000
57,630,000	59,560,000				
107,654,000	112,275,000	110,070,000	103,415,000	78,498,000	52,616,000
64,950,000	67,617,000	68,091,000	69,353,000	70,085,000	70,715,000
2,599,000	2,496,000	3,167,000	3,530,000	5,321,000	7,491,000
-	-	-	-	-	-
$326,560,223	$336,288,276	$355,148,626	$326,683,768	$330,418,898	$328,742,823
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	
2013	$154,616,000	$67,164,000	$87,452,000	$32,120,000	$35,369,367	1.30
2012	152,030,000	68,855,000	83,175,000	16,285,000	33,765,871	1.66
2011	150,112,000	73,310,000	76,802,000	13,660,000	34,940,285	1.58
2010	152,053,000	70,152,000	81,901,000	14,705,000	36,386,915	1.60
2009	167,358,000	68,432,000	98,926,000	22,450,000	37,622,000	1.65
2008	160,455,000	74,885,000	85,570,000	16,830,000	40,497,264	1.49
2007	151,430,000	69,358,000	82,072,000	20,160,000	34,968,361	1.49
2006	135,883,000	62,426,000	73,457,000	17,775,000	39,565,000	1.28
2005	140,157,000	66,957,000	73,200,000	10,895,000	43,026,000	1.36
2004	135,117,000	58,647,000	76,470,000	9,373,000	35,817,000	1.69

(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
2013	$170,383,000	$141,116,000	$29,267,000	$12,710,000	$9,766,869		1.30
2012	165,307,000	136,987,000	28,320,000	10,050,000	9,746,181		1.43
2011	168,599,000	139,952,000	28,647,000	10,495,000	9,987,500	(3)	1.40
2010	166,761,000	138,030,000	28,731,000	8,045,000	9,871,011	(3)	1.60
2009	156,034,000	128,436,000	27,598,000	8,530,000	9,009,810	(3)	1.57
2008	160,224,000	124,161,000	36,063,000	8,335,000	9,054,492	(3)	2.07
2007	159,232,000	120,415,000	38,817,000	8,045,000	9,368,159		2.23
2006	149,276,000	114,942,000	34,334,000	11,025,000	8,144,118		1.79
2005	152,146,000	125,924,000	26,222,000	4,920,000	9,813,126		1.78
2004	142,148,000	109,275,000	32,873,000	9,410,000	10,447,476		1.66

(1) Gross revenues include operating revenues plus 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
2013	$274,324,000	$154,947,000	$119,377,000	$39,910,000	$29,089,797	1.73
2012	282,288,000	149,169,000	133,119,000	31,100,000	26,639,529	2.31
2011	238,975,000	146,232,000	92,743,000	34,000,000	30,275,641	1.44
2010	241,277,000	149,513,000	91,764,000	37,150,000	32,447,214	1.32
2009	232,357,000	147,716,000	84,641,000	31,945,000	33,200,509	1.30
2008	252,660,000	143,833,000	108,827,000	27,285,000	38,139,614	1.66
2007	257,992,000	140,210,000	117,782,000	19,660,000	30,660,206	2.34
2006	223,903,000	132,879,000	91,024,000	17,695,000	35,300,322	1.72
2005	230,354,000	123,931,000	106,423,000	15,485,000	36,763,888	2.04
2004	215,012,000	127,021,000	87,991,000	20,748,333	30,184,582	1.73

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

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

(3) Per indenture, interest expense is reduced by amount released from reserve fund at the start of year.

City of Cleveland, Ohio

Principal Employers

2013 and 2004

2013

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	30,979	21.20%
University Hospitals	12,719	8.71
U.S. Office of Personnel Management	11,939	8.17
Cuyahoga County	7,544	5.16
Cleveland Metropolitan School District	6,875	4.71
City of Cleveland	6,825	4.67
MetroHealth System	5,396	3.69
KeyCorp	4,955	3.39
Case Western Reserve University	4,543	3.11
Sherwin-Williams Co.	3,221	2.21
Total	94,996	65.02%
Total Employment within the City	146,100	

2004

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic Health Systems	24,406	13.80%
University Hospitals Health System	14,504	8.20
Cleveland Municipal School District	10,613	6.00
Cuyahoga County	8,837	5.00
City of Cleveland	8,232	4.65
KeyCorp	6,504	3.68
United States Postal Service	5,508	3.11
MetroHealth System	5,400	3.05
Case Western Reserve University	5,328	3.01
Continental Airlines	3,105	1.75
Total	92,437	52.25%
Total Employment within the City	176,900	

Note:

Largest employers headquartered in the City ranked by FTE employees.

Source:

Number of employees from Crain's Cleveland:
Book of Lists 2014, Largest Northeast Ohio Employers; FTEs as of 6/30/2013
Book of Lists 2005, Largest Cuyahoga County Employers; FTEs as of 01/01/2004

City of Cleveland, Ohio

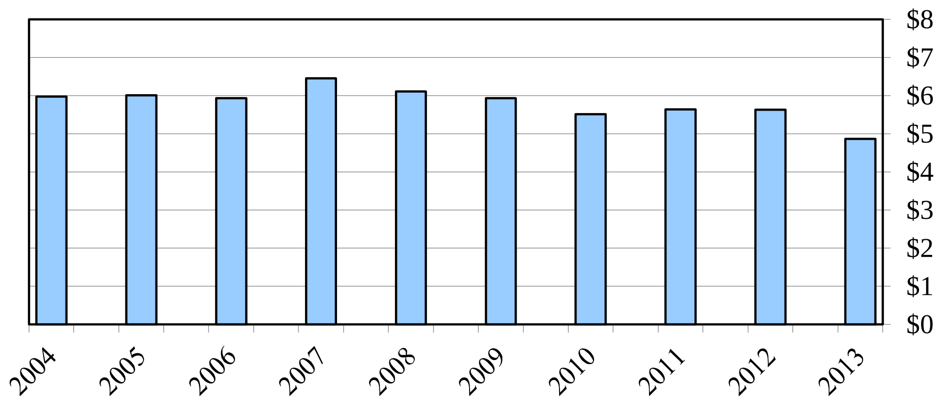
Demographic and Economic Statistics

Last Ten Years

Year	Population		Total Personal Income (6)		Personal Income Per Capita		Median Household Income		Median Age	
2013	396,815	(1)	$6,671,253,780	(6)	$16,812	(7)	$26,556	(7)	35.7	(1)
2012	396,815	(1)	6,468,878,130	(6)	16,302	(1)	27,349	(1)	35.7	(1)
2011	396,815	(1)	6,468,878,130	(6)	16,302	(1)	27,349	(1)	35.7	(1)
2010	396,815	(1)	6,468,878,130	(6)	16,302	(1)	27,349	(1)	35.7	(1)
2009	478,403	(2)	6,836,857,273	(6)	14,291	(2)	25,928	(2)	33	(2)
2008	478,403	(2)	6,836,857,273	(6)	14,291	(2)	25,928	(2)	33	(2)
2007	478,403	(2)	6,836,857,273	(6)	14,291	(2)	25,928	(2)	33	(2)
2006	478,403	(2)	6,836,857,273	(6)	14,291	(2)	25,928	(2)	33	(2)
2005	478,403	(2)	6,836,857,273	(6)	14,291	(2)	25,928	(2)	33	(2)
2004	478,403	(2)	6,836,857,273	(6)	14,291	(2)	25,928	(2)	33	(2)

Total Assessed Property Value

(Amounts in billions)



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

(2) Source: U. S. Census Bureau. 2000 Census

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

(4) Source: Ohio Labor Market Info, Website: "**http://lmi.state.oh.us/laus/LAUS.html**".

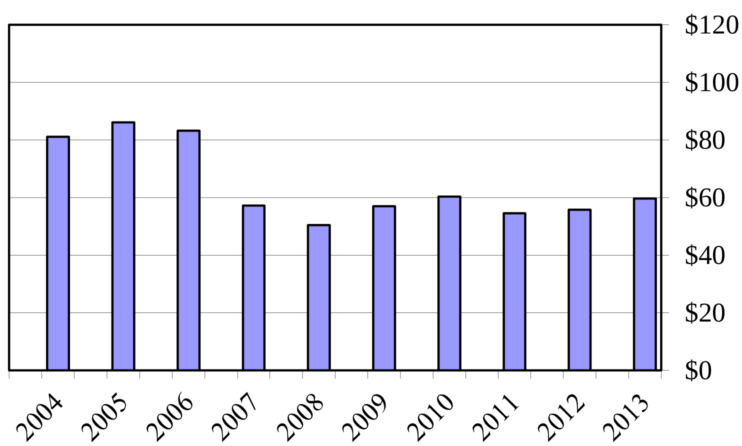
(5) Source: Cuyahoga County Auditor's Office.

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

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

Educational Attainment: Bachelor's Degree or Higher		School Enrollment (3)	City Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value (5) (Amount in 000's)
14.0%	(7)	38,725	9.3%	$59,737	$4,868,768
13.1	(1)	42,883	8.5	55,774	5,631,261
13.1	(1)	45,060	10.0	54,638	5,640,270
13.1	(1)	47,615	11.5	60,398	5,513,219
11.4	(2)	74,615	10.6	57,075	5,937,459
11.4	(2)	50,078	8.8	50,515	6,114,332
11.4	(2)	52,769	7.6	57,230	6,457,248
11.4	(2)	59,586	7.1	83,237	5,939,704
11.4	(2)	65,079	7.7	86,142	6,007,614
11.4	(2)	69,655	8.3	81,185	5,977,141

Average Sales Price of Residential Property
(Amounts in 000's)



City of Cleveland, Ohio

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Years

Function/Program	2013	2012		2011	2010
General Government					
Council	60.00	61.50		63.00	62.00
Mayor's Office	25.50	25.50		24.50	25.50
Office of Capital Projects	49.50	46.00	(3)		
Landmarks Commission	5.00	5.00		5.00	5.50
Building Standards and Appeals	6.00	6.00		6.00	5.50
Board of Zoning Appeals	4.50	4.50		4.50	4.00
Civil Service Commission	10.00	10.00		9.50	11.00
Community Relations Board	22.00	24.00		28.00	30.50
City Planning Commission	20.50	20.50		21.50	24.00
Equal Employment Opportunity	8.50	8.00		8.00	10.00
Court	465.50	461.00		479.50	531.00
Office of Budget Administration	8.00	7.00		7.00	7.00
Aging	22.00	22.00		25.00	24.50
Personnel and Human Resources	19.00	18.00		16.00	16.50
Consumer Affairs	0.00	0.00	(3)	4.00	3.00
Law	77.00	72.50		76.00	87.00
Finance	222.50	232.00		234.00	241.50
Security of Persons and Property					
Administration	42.50	36.50		36.50	40.00
Police	1,913.50	1,873.00		1,869.50	1,983.50
Fire	730.00	729.00		803.00	875.00
EMS	232.00	232.00		214.00	218.00
Dog Pound	17.00	14.50		15.00	16.00
House of Corrections	131.50	133.00		153.00	170.00
Public Health Services	133.00	125.50		140.50	159.50
Leisure Time Activities					
Parks, Recreation and Property Administration	0.00	0.00	(3)	8.00	7.00
Research, Planning and Development	0.00	0.00	(3)	5.00	6.00
Recreation	191.50	190.50		189.00	230.00
Public Auditorium, Westside Market and Cleveland Stadium (4)	54.00	42.50		29.50	27.50
Parking Facilities	40.50	39.50		42.50	42.50
Property Management	72.50	70.50		73.50	81.50
Parks Maintenance	130.00	119.00		126.00	140.00
Community Development	76.00	78.50		76.50	87.00
Building and Housing	117.00	113.00		120.00	134.50
Economic Development	29.00	26.00		28.00	34.00
Public Works					
Public Works Administration	37.00	34.00		5.50	4.50
Architecture	0.00	0.00	(3)	5.00	6.00
Waste Collection and Disposal	199.50	206.50		212.50	238.50
Engineering and Construction	0.00	0.00	(3)	31.50	59.50
Motor Vehicle Maintenance	68.00	68.00		75.00	81.00
Streets	248.00	260.00		285.00	257.50
Traffic Engineering	29.00	29.00		36.00	38.00
Port Control	392.00	404.50		418.00	446.50
Basic Utility Services					
Water	1,042.50	1,093.00		1,157.00	1,164.50
Cleveland Public Power	316.00	335.00		358.00	345.00
Water Pollution Control	135.00	136.00		148.50	158.00
Totals:	7,402.50	7,412.50		7,673.00	8,139.50

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

(1) Building and Housing was moved from Community Development to its own department in 2005.
(2) House of Corrections was moved from Public Health to Public Safety in 2007.
(3) In 2012, a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government.
(4) In 2010, the Convention Center was sold to Cuyahoga County; however, the City continues to maintain and operate the Public Auditorium.
N/A - Information not available.

Source: City Payroll Department.

2009	2008	2007	2006	2005	2004
65.50	64.50	62.50	63.50	65.00	66.00
25.50	27.50	26.00	25.00	29.50	27.00
5.50	5.50	5.50	5.00	4.50	4.50
5.50	5.50	5.50	5.00	6.00	6.00
4.50	4.50	4.50	4.50	5.50	5.50
10.50	10.00	11.50	10.00	10.50	12.50
29.00	27.50	27.00	28.50	23.50	24.50
24.00	23.00	26.00	23.00	26.00	27.00
10.00	11.00	13.00	13.00	14.00	12.00
542.50	541.50	551.00	544.00	541.50	534.50
5.50	7.00	8.00	7.00	7.00	8.00
21.50	21.00	22.50	20.50	18.00	18.00
15.00	17.00	20.00	19.00	18.00	91.50
5.00	6.00	5.00	5.00	3.00	4.00
88.50	86.50	89.50	88.50	89.00	93.00
248.50	250.50	255.00	255.00	255.50	245.50
39.00	39.00	42.50	39.50	39.00	41.50
2,079.00	2,095.50	2,105.00	2,176.50	2,179.00	2,145.50
894.00	883.00	902.00	915.00	916.00	913.00
236.00	252.00	288.00	292.00	297.00	298.00
15.00	14.50	14.50	14.50	13.00	13.00
188.00	176.50	183.50 (2)	N/A	N/A	N/A
168.50	169.50	168.50 (2)	260.00	253.00	261.50
7.00	7.00	8.00	8.00	7.00	9.00
8.00	9.00	9.00	9.00	10.00	10.00
238.00	233.50	238.00	165.00	170.50	176.00
31.00	54.50	59.50	49.50	54.00	49.50
41.00	44.50	49.00	46.50	47.50	56.00
84.50	87.50	89.50	93.00	100.00	99.50
141.00	151.00	164.00	161.00	170.00	167.00
86.00	77.50	78.50	81.00	87.50 (1)	271.50
142.00	147.00	161.00	165.00	170.00 (1)	0.00
68.00	73.00	88.00	94.00	98.00	29.00
4.50	5.00	5.00	5.00	5.00	6.00
6.00	7.00	8.00	9.00	9.00	9.00
253.50	225.50	252.50	244.50	225.50	223.50
61.50	60.50	65.50	65.50	69.50	70.00
85.00	86.00	95.00	102.00	100.00	102.00
271.50	283.50	306.00	288.50	303.00	287.00
39.00	40.00	41.00	44.00	44.00	3.00
447.50	406.50	386.00	369.50	377.50	402.00
1,179.50	1,215.50	1,194.00	1,207.00	1,216.00	1,263.50
343.00	340.00	341.00	337.00	341.00	347.00
157.00	150.00	157.00	144.00	147.00	147.00
8,420.50	8,442.50	8,632.00	8,502.00	8,565.50	8,579.50

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2013	2012	2011	2010
General Government				
Council and Clerk				
Number of ordinances passed	642	631	723	621
Number of resolutions passed	686	739	647	747
Number of planning commission docket items (4)	267	359	262	298
Zoning board of appeals docket items	276	237	241	274
Finance Department				
Number of payments issued	37,257	38,010	38,501	37,944
Total amount of payments	$1,454,825,245	$1,236,189,641	$1,311,830,974	$1,276,014,604
Interest earnings for fiscal year (cash basis)	$2,922,320	$3,283,638	$4,061,090	$7,507,827
Number of receiving warrants (8)	33,006	32,087	30,433	31,497
Number of journal entries issued (8)	176,343	190,554	179,546	192,281
Number of budget adjustments issued	5	4	6	2
Agency ratings - Standard & Poor's (1)	AA	AA	AA	AA
Agency ratings - Moody's Financial Services (1)	A1	A1	A1	A1
Health insurance costs vs. General Fund expenditures %	15%	15%	18%	17%
General Fund receipts (cash basis in thousands)	$511,253	$501,018	$496,086	$480,724
General Fund expenditures (cash basis in thousands)	$485,912	$468,543	$472,883	$482,227
General Fund cash balances (in thousands)	$89,988	$84,869	$54,888	$16,400
Income Tax Department				
Number of individual returns	188,767	192,362	196,457	202,232
Number of business returns	22,601	25,140	26,240	26,881
Number of business withholding accounts	13,914	14,414	14,338	13,835
Amount of penalties and interest collected	$1,880,485	$1,771,088	$2,059,203	$1,754,501
Annual number of corporate withholding forms processed	143,976	147,175	149,537	149,584
Annual number of balance due statements forms processed	39,012	37,642	38,152	36,188
Annual number of estimated payment forms processed	40,932	41,813	41,636	42,767
Annual number of reconciliations of withholdings processed	10,737	11,416	11,376	11,357
Engineer Contracted Services				
Dollar amount of construction overseen by engineer (2)	$30,424,253	$25,400,000	$30,760,000	$34,000,000
Municipal Court				
Number of civil cases (10)	7,534	9,451	11,513	19,280
Number of criminal cases (10)	109,740	110,754	107,711	167,563
Vital Statistics				
Certificates filed (3)				
Number of births	16,448	17,264	16,616	15,528
Number of deaths	13,460	13,016	12,958	12,296
Number of fetal deaths	380	384	459	454
Certificates issued (3)				
Number of births	57,935	57,297	57,542	62,507
Number of deaths	61,717	60,173	61,147	59,689
Civil Service				
Number of police entry tests administered	1	0	0	0
Number of fire entry tests administered	0	0	0	1
Number of police promotional tests administered	0	0	1	0
Number of fire promotional tests administered	4	0	1	0
Number of hires of police officers from certified lists	47	50	42	0
Number of hires of fire/medics from certified lists	33	0	0	0
Number of promotions from police certified lists	36	33	0	0
Number of promotions from fire certified lists	29	42	0	0

2009	2008	2007	2006	2005	2004
772	771	784	846	899	891
776	304	363	361	306	292
309	444	441	768	725	669
267	242	263	265	394	337
44,289	47,670	47,985	49,533	50,541	48,808
$1,307,460,874	$1,251,719,916	$1,287,268,015	$1,284,108,296	$1,266,586,217	$1,211,743,500
$13,219,445	$45,366,880	$63,335,510	$53,988,258	$42,035,213	$38,154,383
16,369	16,141	15,300	14,799	14,485	14,344
41,238	41,217	43,619	43,186	39,839	41,543
2	5	2	3	5	4
AA	AA	A	A	A	A
A2	A2	A2	A2	A2	A2
15%	14%	14%	14%	14%	12%
$487,678	$517,796	$509,616	$490,927	$471,755	$455,775
$501,758	$501,124	$485,410	$465,162	$451,323	$484,856
$12,327	$40,685	$41,885	$30,957	$29,738	$24,058
211,241	232,210	238,319	248,108	267,712	287,904
26,326	29,014	28,335	30,567	25,763	30,584
14,542	14,653	14,469	16,200	14,942	15,503
$1,884,453	$2,357,490	$1,912,554	$1,999,859	$1,990,879	$2,471,464
144,493	151,256	152,334	169,933	136,931	148,779
38,610	44,637	39,767	45,909	47,252	53,458
47,841	51,527	57,092	56,163	55,036	62,115
12,213	12,198	12,488	18,929	9,075	14,723
$32,000,000	$159,540,000	$251,305,000	$141,733,000	$52,741,000	$78,562,000
16,375	19,890	18,569	22,909	21,567	22,418
120,131	120,077	113,661	121,676	121,791	113,822
16,403	16,942	17,235	17,645	17,638	18,191
12,101	12,354	12,086	11,992	12,343	12,296
401	447	399	312	361	294
69,785	77,967	102,140	98,545	101,284	58,452
60,465	65,149	64,436	84,615	66,268	38,684
1	0	1	0	0	0
0	0	0	0	0	0
0	3	0	0	0	0
0	0	0	0	0	0
56	106	73	0	0	0
22	0	0	0	0	0
20	40	0	0	39	19
0	10	49	0	0	0

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2013	2012	2011	2010
Building Department Indicators				
Construction permits issued	15,760	16,245	15,082	6,829
Estimated value of construction	$898,217,589	$1,033,330,550	$1,556,000,000	$729,883,689
Number of other permits issued	4,632	4,854	4,164	8,629
Amount of revenue generated from permits	$8,727,385	$7,867,168	$8,306,423	$6,078,922
Number of contract registrations issued	2,357	2,802	2,822	2,895
Annual apartment/rooming house license fees	$1,382,001	$1,305,182	$1,343,457	$1,571,317
Security of Persons and Property				
Police				
Number of traffic citations issued	111,271	121,474	119,371	75,362
Number of parking citations issued	36,678	42,404	42,763	48,691
Number of criminal arrests	33,742	35,730	37,531	39,657
Number of accident reports completed	15,806	14,549	15,444	14,761
Part 1 offenses (major offenses)	37,125	39,028	40,554	38,003
OVI arrests (14)	779	790	679	729
Prisoners	23,935	35,251	37,235	39,156
Motor vehicle accidents	15,806	14,549	15,412	14,761
Fatalities from motor vehicle accidents	32	31	29	49
Community diversion program youths	98	152	188	196
Fire				
Fire calls - incoming for services (6)	61,728	65,040	65,132	60,076
Fires	2,478	2,846	2,714	2,869
Fires with loss	1,403	1,372	1,398	1,266
Fires with losses exceeding $10K	247	259	256	219
Fire losses $	$9,634,925	$13,128,848	$14,747,291	$12,035,650
Fire safety inspections	10,110	13,380	10,898	13,631
Number of times mutual aid given to fire	2	30	21	29
EMS				
EMS calls - incoming for service	106,385	96,359	94,307	92,230
Ambulance billing collections (net)	$11,589,324	$12,051,964	$11,594,178	$10,832,204
Public Health and Welfare				
Number of health inspections				
Barber shops	303	333	400	238
Food	7,796	7,674	7,369	7,624
Hotels/motels	22	38	42	36
Marinas	0	0	11	11
Mobile home parks	0	5	12	5
Laundries	81	62	87	69
Nuisance	22,375	21,118	19,136	24,130
Pools	132	161	204	120
Schools	547	419	480	390
Day care inspections	188	161	229	223
Maternity inspections	2	0	4	4
Abortion inspections	5	5	6	6
Cemetery burials	0	0	0	0
Cemetery cremations	179	196	177	169

2009	2008	2007	2006	2005	2004
8,334	10,631	8,397	9,163	9,699	10,020
$919,923,776	$814,646,916	$648,592,297	$743,566,106	$652,537,749	$558,278,403
8,290	9,710	8,971	9,157	9,272	9,489
$7,332,522	$7,364,794	$7,112,426	$7,399,513	$7,504,979	$8,661,198
2,847	2,783	2,887	3,077	3,700	2,200
$1,281,530	$1,331,940	$1,427,208	$1,290,830	$1,367,157	$1,433,689
77,037	79,089	62,652	77,003	82,642	77,424
59,598	49,012	49,669	59,311	51,947	54,268
38,613	39,596	39,087	40,678	39,002	38,090
14,804	15,525	16,239	17,374	18,878	20,655
38,586	39,237	41,400	44,018	42,352	39,933
738	695	847	577	705	660
37,864	38,629	38,142	39,851	38,259	37,426
14,804	15,525	16,239	17,374	18,878	20,655
38	52	34	39	38	49
139	169	229	177	155	273
60,306	60,263	63,403	61,702	65,825	56,236
2,794	2,790	3,343	3,296	3,195	3202
843	1,095	1,807	1,708	1,904	1,641
237	362	479	362	379	316
$12,312,407	$11,242,477	$19,115,824	$21,567,578	$18,292,877	$18,140,355
13,982	8,110	9,764	5,901	6,027	6,198
17	11	5	0	87	39
89,632	88,934	88,506	86,010	91,161	87,009
$9,649,887	$12,091,087	$11,394,837	$10,698,730	$10,075,142	$8,830,211
219	227	263	251	237	230
8,684	9,611	7,914	8,143	8,140	8,175
34	37	31	31	27	29
11	11	11	11	11	11
5	5	5	5	5	5
58	62	81	68	59	46
27,544	17,205	23,402	20,057	18,317	18,299
142	127	131	129	146	129
349	195	274	235	376	225
209	98	109	104	95	101
4	4	4	3	4	4
6	6	5	5	5	5
3	17	54	27	49	73
155	149	144	83	45	32

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2013	2012	2011	2010
Leisure Time Activities				
Recreation men and women leagues receipts	$3,407	$9,862	$5,280	$5,145
Economic Development				
Grant amounts received (Amounts in 000's) (13)	$3,045	$5,856	$2,154	$4,564
Public Works				
Street improvements - asphalt overlay (square yards) (9)	297,183	212,032	224,361	0
Crackseal coating program (linear feet) (9)	0	0	3,263	679,450
Street repair (curbs, aprons, berms, asphalt) (hours)	138,034	117,239	83,212	76,000
Guardrail repair (hours) (11)	131	100	40	2,500
Paint striping				
Lane line (miles)	672	661	651	855
Crosswalks (each)	4,227	4,952	5,260	5,172
Arrows (each)	3,928	4,273	4,706	4,210
Street sweeper (hours) (11)	1,132	2,176	3,840	46,000
Cold patch (hours)	9,143	19,271	31,345	22,000
Snow and ice removal regular hours	86,978	87,369	128,000	128,000
Snow and ice removal overtime hours	19,212	18,912	23,117	21,139
Leaf collection (hours) (12)	0	0	0	18,300
Holiday lights setup (hours) (7)	300	500	0	0
Equipment repair/body shop (hours)	2,215	4,196	5,000	5,076
Tons of snow melting salt purchased November-March	57,966	40,236	74,679	53,322
Cost of salt purchased	$1,972,003	$1,834,359	$3,348,606	$2,321,118
Refuse disposal per year (in tons) August through July	214,561	212,367	240,603	232,241
Refuse disposal costs per year August through July	$5,258,741	$5,723,227	$6,556,260	$6,079,532
Annual recycling tonnage (excluding leaf, and compost items)	28,280	22,318	9,197	7,227
Percentage of waste recycled	13.00%	10.06%	3.68%	3.13%
Port Control				
Cleveland Hopkins Airport				
Landed weight (in thousands of pounds)	5,732,142	5,732,148	5,912,394	5,907,546
Total operations	181,340	180,944	188,286	192,683
Total passengers	9,072,045	9,010,077	9,203,740	9,492,455
Total enplaned passengers	4,525,612	4,495,353	4,597,697	4,745,308
Burke Lakefront Airport				
Total operations	68,665	72,916	65,664	64,358
Total passengers	148,294	184,427	176,096	174,598
Total enplaned passengers	74,385	92,160	87,695	87,012
Water Department				
Water rates per 1st 600 cubic feet of water used (5)	$15.51	$13.76	$12.58	$12.58
Average number of water accounts billed monthly (cubic feet)	139,201	139,023	138,002	133,626
Total water collections annually (including P&I)	$250,250,867	$246,046,531	$211,302,881	$210,264,218
Payments to Cleveland for bulk water purchases	$20,194,830	$21,271,504	$19,101,723	$20,660,824
Wastewater Department				
Sewer and sanitary calls for service	4,856	4,035	5,489	7,272
After hours sewer calls (hours)	227	167	204	185

(1) General obligation bond rating.
(2) Amounts are new construction starts. The majority of engineering and construction projects are multi-year projects.
(3) Includes entire area serviced by the Division of Vital Statistics (i.e., Cleveland + suburbs).
(4) Beginning 2007, administratively approved cases no longer included.
(5) This is the rate for the City of Cleveland residents only. In 2012 rates changed from per 1000 cubic feet to per 600 cubic feet.
(6) Fire Calls was changed to "Fire calls-Incoming for service" and all years adjusted beginning 2004 to reflect all calls for service received.
(7) Holiday light setup was contracted to an outside agency in 2009, 2010 and 2011.
(8) The City went "live" on a new financial system in January 2010. The new system creates journal entries at the transaction level instead of at the summary level like the prior financial system.
(9) No program was available for asphalt overlay in 2010 and a new program was implemented for crackseal coating. In 2011, this program ended due to state budget cuts and the asphalt overlay program was again funded.
(10) 2010 data has been changed. Figures included cases from prior years.
(11) Street sweeping was limited in 2011 and 2012 due to state imposed budget cuts.
(12) Beginning in 2011, the City no longer provides an organized leaf collection program.
(13) Economic Development grants received were restated in 2011 for all years shown. They Include Neighborhood Development Investment Fund, Supplemental Empowerment Zone, Economic Development Funds, Urban Development Action Funds, WIA Grants and Core City Program Funds. Beginning in 2011 WIA Grants were moved to General Government.
(14) In 2013, OVI arrests, operating a vehicle impaired, is formerly known as DUI arrests, driving under the influence. They are both counted using the same measures; however the State of Ohio now refers to them as OVI as does the City of Cleveland.

2009	2008	2007	2006	2005	2004
$5,070	$6,825	$6,375	$5,730	$7,140	$10,455
$12,958	$16,837	$16,294	$36,005	$31,625	$29,936
101,000	113,772	65,000	40,000	162,800	101,000
200,640	158,400	126,720	79,200	316,800	211,200
80,000	95,000	95,000	95,000	95,000	95,000
2,500	3,000	1,100	1,600	1,000	800
936	630	650	650	650	633
6,950	5,700	6,000	6,000	6,000	5,900
3,716	2,800	3,000	3,000	3,000	2,800
55,000	49,000	36,000	30,000	30,000	15,000
24,000	31,000	31,000	31,000	31,000	31,000
128,000	132,000	132,000	132,000	132,000	132,000
14,400	15,000	18,000	8,000	30,000	23,000
18,000	20,000	17,000	17,000	17,000	17,000
0	4	5	5	5	5
2,663	1,010	809	1,066	1,179	1,664
67,000	85,000	82,000	64,500	83,000	40,000
$2,700,000	$3,330,000	$2,640,000	$2,128,363	$2,750,034	$1,321,066
236,225	266,035	293,801	303,196	333,497	316,083
$6,928,858	$7,790,729	$7,944,516	$8,662,913	$7,761,318	$7,461,798
6,039	9,000	8,584	16,435	16,088	12,825
4.12%	3.39%	2.93%	5.42%	4.82%	4.06%
6,265,656	7,256,242	7,380,384	7,467,746	7,910,706	8,074,843
200,268	235,975	244,719	249,967	258,926	263,561
9,715,604	11,106,194	11,458,898	11,321,050	11,463,391	11,264,937
4,855,129	5,545,205	5,722,338	5,646,470	5,724,440	5,613,255
68,456	69,231	68,137	77,593	73,064	84,101
166,965	188,171	204,582	214,947	188,381	199,194
83,438	93,772	102,039	107,786	93,941	99,563
$11.59	$10.63	$9.62	$8.71	$8.71	$8.41
135,675	137,528	138,727	139,129	140,166	138,338
$221,967,799	$218,285,825	$214,378,311	$192,386,791	$202,615,763	$190,316,017
$18,093,912	$18,399,096	$20,353,610	$19,632,453	$21,102,439	$19,422,375
8,021	8,275	7,585	6,515	6,188	5,481
103	147	384	448	526	437

(Concluded)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2013	2012	2011	2010
General Government				
Square footage occupied (4)	3,659,100	3,690,000	3,690,000	3,700,000
Administrative vehicles	38	37	36	26
Police				
Stations	5	5	5	5
Square footage of buildings (1)	553,100	553,100	553,100	553,100
Vehicles	823	825	796	808
Fire				
Stations	26	26	26	26
Square footage of buildings	313,224	313,224	313,224	313,224
Vehicles	91	104	104	120
EMS				
Stations (headquarters)	1	1	1	1
Square footage of buildings	33,000	33,000	33,000	33,000
Vehicles	47	45	45	44
Port Control (Hopkins)				
Runways	3	3	3	3
Terminal area (approximate square footage)	935,000	935,000	935,000	935,000
Gates	96	96	96	96
Parking spaces (approximately)				
CLE Smart Park Garage (6)	3,959			
Long-term		2,600	2,600	2,576
Short-term		3,900	3,900	3,895
Surface	1,100	640	640	615
Total parking spaces	5,059	7,140	7,500	7,086
Vehicles	315	335	353	324
Other Public Works				
Streets (miles)	1,300	1,300	1,290	1,319
Service vehicles (5)	1,539	1,906	868	754

2009	2008	2007	2006	2005	2004
3,700,000	3,700,000	3,700,000	2,310,732	2,310,732	2,187,420
28	27	26	28	26	25
5	6	6	6	6	6
553,100	769,536	769,536	769,536	769,536	769,536
830	764	921	958	979	905
26	26	26	26	26	26
313,224	313,224	313,224	313,224	313,224	313,224
127	132	155	153	152	147
1	1	1	1	1	N/A
33,000	33,000	33,000	33,000	33,000	N/A
49	46	49	57	53	47
3	3	3	4	4	4
935,000	935,000	935,000	935,000	935,000	935,000
96	96	96	96	96	96
2,647	2,500	2,500	2,500	2,500	2,500
4,088	4,200	4,200	4,200	4,200	4,200
390	500	500	500	0	0
7,125	7,200	7,200	7,200	6,700	6,700
325	325	326	362	345	321
1,319	1,319	1,319	1,280	1,280	1,240
773	741	760	828	842	859

(Continued)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2013	2012	2011	2010
Recreation				
Number of parks	154	154	154	154
Number of playgrounds	110	110	109	109
Number of baseball diamonds	138	138	132	133
Number of tennis courts	119	119	111	111
Number of basketball courts				
Full	103	103	110	108
Half	10	10	10	10
Number of soccer fields	4	3	9	7
Number of recreation centers	21	21	20	19
Number of pools				
Indoor	19	19	19	18
Outdoor	21	20	23	23
Number of aquatic playgrounds	22	10	10	9
Number of golf courses (3)	2	2	2	2
Number of ice rinks	1	1	1	1
Number of roller rinks	1	1	1	1
Number of fine arts centers	1	1	1	1
Number of greenhouses	1	1	1	1
Number of camps	1	1	1	1
Total park acreage	1,489	1,489	1,495	1,492
Vehicles	91	97	99	156
Wastewater				
Sanitary sewers (miles)	170	170	170	170
Storm sewers (miles)	199	199	199	199
Combined sewers (miles)	1,065	1,065	1,065	1,065
Vehicles	108	116	115	108
Electric Power				
Vehicles	216	284	266	252
Water Department				
Water lines (miles) (2)	3,051	2,839	2,709	2,704
Vehicles	658	736	708	744

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

(2) These are calculated totals of all trunk mains [20" diameter and larger] (439 miles), distribution mains [16" and smaller] within the City of Cleveland (1,266 miles) plus distribution mains within certain suburbs with updated service agreements (1,134 miles) which transferred ownership of the distribution mains within those suburban boundaries to the City of Cleveland. Not included in these totals are the distribution mains in all master meter communities and any direct service suburban community who has not entered into a new service agreement.

(3) In 2011 the City leased Seneca golf course. In 2012 the City leased both golf courses.

(4) Closed Platt Station and Luke Easter Station in 2011. In 2013 square footage occupied decreased due to the demolition of the Miles Broadway building (21,900 sq ft) and the Highland Park Maintenance building (9,000 sq ft).

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

(6) In 2013 Cleveland Hopkins demolished their long-term parking area and created a surface lot. They also changed their short-term parking area into the CLE Smart Park Garage which is for both short and long-term parking.

N/A Information not available.

2009	2008	2007	2006	2005	2004
154	155	154	150	150	146
109	110	110	111	112	111
134	134	138	140	140	141
114	114	120	120	120	131
110	110	111	118	120	123
10	10	10	12	16	18
7	7	7	12	12	12
19	19	19	19	19	19
18	18	18	18	18	18
23	23	23	22	22	22
9	8	8	7	6	6
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1,487	1,491	1,490	1,477	1,477	1,440
160	157	161	163	154	145
170	156	156	171	171	171
199	164	164	199	199	199
1,065	920	920	1,065	1,065	1,065
111	114	128	83	82	81
272	291	308	306	287	269
2,493	2,321	2,321	2,172	2,168	2,042
745	759	811	832	827	814

(Concluded)

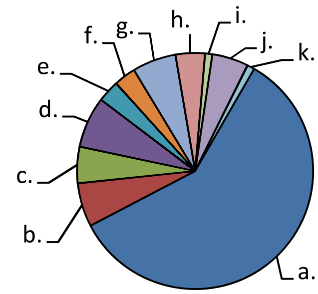
CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

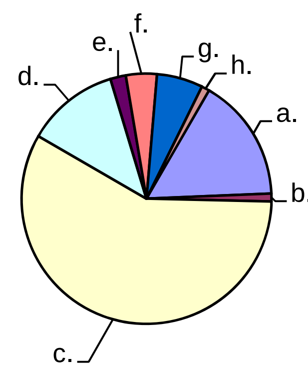
REVENUE DOLLAR BY SOURCE
Where the money came from

a. Income taxes	a.	$0.59
b. Property taxes	b.	0.06
c. State local government funds	c.	0.05
d. Other taxes	d.	0.07
e. Other shared revenues	e.	0.03
f. Licenses and permits	f.	0.03
g. Charges for services	g.	0.06
h. Fines, forfeits and settlements	h.	0.04
i. Grant revenue	i.	0.01
j. Miscellaneous	j.	0.05
k. Transfers in	k.	0.01
		$1.00



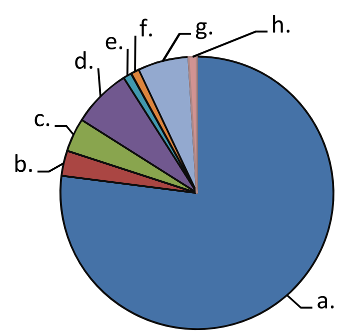
EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. General Government	a.	$0.16
b. Public Health	b.	0.01
c. Public Safety	c.	0.58
d. Public Works	d.	0.12
e. Building and Housing	e.	0.02
f. Economic and Community Development and other	f.	0.04
g. Transfers out	g.	0.06
h. Capital outlay	h.	0.01
		$1.00



EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries, wages and related benefits	a.	$0.77
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.07
e. Materials and supplies	e.	0.01
f. Maintenance	f.	0.01
g. Transfers out	g.	0.06
h. Capital outlay	h.	0.01
		$1.00



SPECIAL THANKS TO:

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Bureau of Photographic Services

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CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY

DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio (the "Agency") as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Agency and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules on pages 26 through 29 are presented for purpose of additional analysis and are not a required part of the Agency's basic financial statements.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Finance, Division of Taxation, Central Collection Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2013 and December 31, 2012. Please read this information in conjunction with the Agency's financial statements and footnotes that begin on page 11.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland's Income Tax Ordinance providing the City's Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide for a central income tax collection facility. The Agency began with 14 member communities and during 2013 provided a full range of tax collection services for 66 member communities throughout 27 Ohio counties. The Agency employs more than 100 individuals to process approximately one million returns, estimated payments and tax assessments.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets and the liabilities of the Agency equal $79,312,096, $85,515,911, and $80,568,081, at December 31, 2013, 2012 and 2011, respectively. The Agency's total assets and liabilities decreased by $6,203,815 in 2013. The Agency's total assets and liabilities increased by $4,947,830 in 2012. Its total assets and liabilities decreased by $633,553 in 2011. The decrease in 2013 was primarily due to decreases in cash and cash equivalents.

- The agency fund total cash receipts were approximately $435 million, $430 million and $410 million in 2013, 2012 and 2011, respectively. In 2013, cash receipts consisted of $345 million of employer withholding, $50 million of business profits, $35 million of individual payments and $5 million of other payments.

- The Agency's total operational cost was $8,597,360, $8,191,396, and $7,929,898 in 2013, 2012 and 2011, respectively. In 2013, operational costs consisted of $5,383,743 of employee's wages and benefits, $1,265,899 of allocated charges and $1,947,718 of other miscellaneous expenses.

- The Agency provides a mechanism for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the operational costs of the Agency to be reduced by interest income. The Agency's member municipalities also benefit by printing and mailing large volumes of income tax forms to their taxpayers.

- The purchase of two vehicles for $42,992 and computer hardware and software upgrades for $52,404 resulted in an increase of $95,396 in capital assets during 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements of the Agency can be found on pages 11-14 of this report.

The notes to the financial statements and accompanying schedules provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements and accompanying schedules can be found on pages 15-29 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the internal service and agency funds of the Agency as of December 31, 2013, 2012 and 2011:

	2013	2012	2011
Assets:			
Cash and cash equivalents	$ 8,107,014	$ 13,993,219	$ 11,253,433
Capital assets, net of accumulated depreciation	120,400	51,264	62,149
Taxes receivable	69,711,462	70,300,395	68,531,863
Due from CCA internal service fund	998,237	736,482	317,108
Due from member municipalities	374,983	434,551	403,528
Total assets	$ 79,312,096	$ 85,515,911	$ 80,568,081
Liabilities:			
Accounts payable	$ 144,211	$ 161,621	$ 139,472
Due to CCA agency fund	998,237	736,482	317,108
Due to the City of Cleveland	51,606,102	57,407,784	54,309,391
Due to member municipalities	25,953,029	26,387,134	25,049,168
Accrued wages and benefits - current	530,851	717,938	653,504
Accrued wages and benefits - long-term	79,666	104,952	99,438
Total liabilities	$ 79,312,096	$ 85,515,911	$ 80,568,081

Assets: The Agency collects and disburses income tax receipts monthly, except for the City of Cleveland which receives collections of tax receipts in advance of the regular monthly distribution date. Assets primarily consist of cash on hand and anticipated income tax receivable. Total assets decreased $6,203,815 during 2013 and increased $4,947,830 during 2012. The decrease in 2013 and the increase in 2012 in assets is primarily attributable to the changes in cash and cash equivalents due to timing differences in the receipt of cash and distribution to member communities and increase in taxes receivable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: The Agency's investment in capital assets as of December 31, 2013 amounted to $120,400 (net of accumulated depreciation). The investment in capital assets include: furniture, fixtures, equipment and vehicles. A summary of the Agency's capital assets during the years ended December 31, 2013 and 2012 are as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
Furniture, fixtures, equipment and vehicles	$ 65,310	$ 95,396	$	$ 160,706
Total	65,310	95,396	-	160,706
Less: Accumulated depreciation	(14,046)	(26,260)		(40,306)
Total capital assets, net	$ 51,264	$ 69,136	$ -	$ 120,400

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
Furniture, fixtures, equipment and vehicles	$ 65,310	$	$	$ 65,310
Total	65,310	-	-	65,310
Less: Accumulated depreciation	(3,161)	(10,885)		(14,046)
Total capital assets, net	$ 62,149	$ (10,885)	$ -	$ 51,264

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2013, the decrease in liabilities was primarily due to a decrease in Due to the City of Cleveland, which is the result of a timing difference between the receipt of cash and distribution During 2012, the increase in liabilities was primarily due to an increase in Due to the City of Cleveland, which reflects the timing differences in the receipt of cash and distribution to the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Provided below is statement of revenue, expenses and changes in net position for the internal service fund of the Agency for the years ended December 31, 2013, 2012 and 2011:

	Internal Service Fund		
	2013	2012	2011
Operating Revenues			
Charges for services	$ 8,588,465	$ 8,183,986	$ 7,923,161
Total operating revenues	8,588,465	8,183,986	7,923,161
Operating Expenses			
Salaries and wages	4,034,156	3,904,075	3,652,130
Employee benefits	1,349,587	1,337,688	1,200,388
Postage and office supplies	213,257	316,428	314,709
Allocation of City of Cleveland costs	1,265,899	1,214,372	1,263,593
Other administrative expenses	1,687,336	1,388,237	1,495,917
Property rental	20,865	19,711	
Depreciation	26,260	10,885	3,161
Total operating expense	8,597,360	8,191,396	7,929,898
Operating loss	(8,895)	(7,410)	(6,737)
Non-operating Revenue			
Interest income	8,895	7,410	6,737
Change in net position	-	-	-
Net position at beginning of year			
Net position at end of year	$ -	$ -	$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

2013:

In 2013 charges for services increased by $404,479 as a result of an increase in the overall expenses of the Agency.

Other administrative expenses increased by $299,099 in 2013 and is primarily due to an increase of more than $180,000 in professional fees and more than $96,000 in new computer software and software maintenance.

2012:

There was an increase in the combined costs for salaries and wages and employee benefits of $389,245 in 2012. This was due to an employee pay increase of 3% and an increase in the cost of benefits.

Other administrative expenses decreased $107,680 in 2012. This was due to a decrease of approximately $100,000 in the professional services account.

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

The continuous but relatively slow pace of the economic recovery has not been strong enough to adequately absorb the relentless rise in the substantial costs of operating the Agency in a meaningful and efficient way. The Agency remains diligent in its efforts to reduce the impact of the ever increasing expenses with its sustained aggressive efforts to collect income taxes due and thus spreading the incremental cost over a larger base. In the first quarter of 2014 the Agency shows a 5.4% increase in collections compared to collections for the same period in 2013. The Agency will continue to focus on increased delinquency collections, while concentrating on incurring only necessary operational expenses to achieve the goals of the Agency.

The operating budget for the Agency, as approved by the Cleveland City Council for 2014, provides for an overall decrease in budgeted expenditures of approximately 0.6%.

ADDITIONAL INFORMATION

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

FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION - ALL FUND TYPES
December 31, 2013 and 2012

	2013		2012	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,705,721	$ 6,401,293	$ 1,782,729	$ 12,210,490
Taxes receivable		69,711,462		70,300,395
Due from CCA internal service fund		998,237		736,482
Due from member municipalities		374,983		434,551
TOTAL CURRENT ASSETS	1,705,721	77,485,975	1,782,729	83,681,918
CAPITAL ASSETS:				
Furniture, fixtures, equipment and vehicles	160,706		65,310	
Less: Accumulated depreciation	(40,306)		(14,046)	
CAPITAL ASSETS, NET	120,400	-	51,264	-
TOTAL ASSETS	$ 1,826,121	$ 77,485,975	$ 1,833,993	$ 83,681,918

(Continued)

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

STATEMENTS OF NET POSITION - ALL FUND TYPES
December 31, 2013 and 2012

	2013		2012	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 144,211	$	$ 161,621	$
Due to CCA agency fund	998,237		736,482	
Due to the City of Cleveland	73,156	51,532,946	113,000	57,294,784
Due to member municipalities		25,953,029		26,387,134
Accrued wages and benefits - current	530,851		717,938	
TOTAL CURRENT LIABILITIES	1,746,455	77,485,975	1,729,041	83,681,918
LONG-TERM LIABILITIES				
Accrued wages and benefits	79,666		104,952	
TOTAL LONG-TERM LIABILITIES	79,666	-	104,952	-
TOTAL LIABILITIES	1,826,121	77,485,975	1,833,993	83,681,918
NET POSITION				
Net investment in capital assets	120,400		51,264	
Unrestricted	(120,400)		(51,264)	
TOTAL NET POSITION	-	-	-	-
TOTAL LIABILITIES AND NET POSITION	$ 1,826,121	$ 77,485,975	$ 1,833,993	$ 83,681,918

(Concluded)

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Charges for services	$ 8,588,465	$ 8,183,986
TOTAL OPERATING REVENUES	8,588,465	8,183,986
OPERATING EXPENSES		
Salaries and wages	4,034,156	3,904,075
Employee benefits	1,349,587	1,337,688
Postage and office supplies	213,257	316,428
Allocation of City of Cleveland costs	1,265,899	1,214,372
Other administrative expenses	1,687,336	1,388,237
Property rental	20,865	19,711
Depreciation	26,260	10,885
TOTAL OPERATING EXPENSES	8,597,360	8,191,396
OPERATING LOSS	(8,895)	(7,410)
NON-OPERATING REVENUE		
Interest income	8,895	7,410
CHANGE IN NET POSITION	-	-
NET POSITION AT BEGINNING OF YEAR		
NET POSITION AT END OF YEAR	$ -	$ -

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

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

STATEMENTS OF CASH FLOWS - INTERNAL SERVICE FUND
For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member municipalities	$ 8,850,220	$ 8,603,360
Cash payments to suppliers of goods and services	(3,240,469)	(2,932,038)
Cash payments for employee services and benefits	(5,600,258)	(5,167,672)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	9,493	503,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(95,396)	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES	(95,396)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	8,895	7,410
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	8,895	7,410
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(77,008)	511,060
Cash and cash equivalents at beginning of year	1,782,729	1,271,669
Cash and cash equivalents at end of year	$ 1,705,721	$ 1,782,729
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS		
Operating income (loss)	$ (8,895)	$ (7,410)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	26,260	10,885
Changes in assets and liabilities:		
Accounts payable	(17,410)	22,149
Due to CCA agency fund	261,755	419,374
Due to City of Cleveland	(39,844)	(11,296)
Accrued wages and benefits	(212,373)	69,948
Total adjustments	18,388	511,060
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 9,493	$ 503,650

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

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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 March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the Agency implemented GASB Statement No. 65 has no impact on its financial statements as of December 31, 2013.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Agency has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

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

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Agency has determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

The Agency's net position is accounted for in the accompanying Statements of Net Position and is divided into amounts in net investment in capital assets and unrestricted. The negative unrestricted amount will be eliminated as depreciation expense is passed along to members of the Agency.

Basis of Accounting: All financial transactions of the Agency are reported on the accrual basis of accounting. Under this accounting method, assets and the related liabilities at the end of the year primarily consist of individual income taxes receivable arising from payroll tax withholdings in December and a receivable for quarterly and annual payments of income taxes pertaining to net profits, self-employment and residents' taxes earned in the prior years. For accounting purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations. Financial transactions for the internal service fund are reported on the accrual basis of accounting; revenues are recognized when earned and measurable 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, to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

Allocation of Interest Income: Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue.

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

The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date, and accordingly, interest income is allocated exclusively to the other members.

***Investments*:** The Agency follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market rates.

The Agency has invested funds in STAROhio during years 2013 and 2012. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Furniture, fixtures, equipment and vehicles	3 to 60 years

Compensated Absences: The Agency accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position.

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

NOTE C—DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2013 and 2012 totaled $4,743,514 and $2,967,406, respectively, and the Agency's bank balances were $4,742,534 and $2,166,208, respectively. The differences represent outstanding warrants payable, positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $4,742,534 and $2,166,208 of the bank balances at December 31, 2013 and 2012, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded in segregated accounts and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the Agency, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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

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

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE C-- DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Agency's investments as of December 31, 2013 and 2012 include STAROhio and mutual funds. Investments in STAROhio and Federated Government Obligation Mutual Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The 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, 2013 and 2012, which include those classified as cash and cash equivalents in the Statements 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	2013 Fair Value	2013 Cost	2012 Fair Value	2012 Cost	Investment Maturities Less Than One Year
STAROhio	$ 2,006,141	$ 2,006,141	$ 10,052,926	$ 10,052,926	$ 2,006,141
Mutual Funds	1,357,359	1,357,359	972,887	972,887	1,357,359
Total Investments	3,363,500	3,363,500	11,025,813	11,025,813	3,363,500
Total Deposits	4,743,514	4,743,514	2,967,406	2,967,406	4,743,514
Total Deposits and Investments	$ 8,107,014	$ 8,107,014	$ 13,993,219	$ 13,993,219	$ 8,107,014

These amounts are monies invested by the City Treasurer on behalf of the Agency and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Monies due to member agencies are disbursed from these funds on a monthly basis.

As of December 31, 2013, the investments in STAROhio and mutual funds are approximately 60% and 40%, respectively, of the Agency's total investments. As of December 31, 2012, the investments in STAROhio and mutual funds are approximately 91% and 9%, respectively, of the Agency's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE D--CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 65,310	$ 95,396	$	$ 160,706
Total capital assets, being depreciated	65,310	95,396	-	160,706
Less: Total accumulated depreciation	(14,046)	(26,260)		(40,306)
Total capital assets, being depreciated, net	51,264	69,136	-	120,400
Capital assets, net	$ 51,264	$ 69,136	$ -	$ 120,400

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 65,310	$	$	$ 65,310
Total capital assets, being depreciated	65,310	-	-	65,310
Less: Total accumulated depreciation	(3,161)	(10,885)		(14,046)
Total capital assets, being depreciated, net	62,149	(10,885)	-	51,264
Capital assets, net	$ 62,149	$ (10,885)	$ -	$ 51,264

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE E--DUE TO AND DUE FROM TRANSACTIONS

During the course of normal operations, the Agency has numerous transactions between its own funds and the municipalities which it serves, including transfers of resources to provide services. Such transactions are generally reflected as due to or due from account balances in the accompanying financial statements.

Individual fund due to and due from and certain payables balances as of December 31, 2013 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 998,237	$ 998,237
Due from member municipalities		374,983	374,983
Total Due From	$ -	$ 1,373,220	$ 1,373,220
Due to the CCA agency fund	$ 998,237	$	$ 998,237
Due to the City of Cleveland	73,156	51,532,946	51,606,102
Due to member municipalities		25,953,029	25,953,029
Total Due To	$ 1,071,393	$ 77,485,975	$ 78,557,368

Individual fund due to and due from and certain payables balances as of December 31, 2012 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 736,482	$ 736,482
Due from member municipalities		434,551	434,551
Total Due From	$ -	$ 1,171,033	$ 1,171,033
Due to the CCA agency fund	$ 736,482	$	$ 736,482
Due to the City of Cleveland	113,000	57,294,784	57,407,784
Due to member municipalities		26,387,134	26,387,134
Total Due To	$ 849,482	$ 83,681,918	$ 84,531,400

NOTE F--DEFINED BENEFIT PENSION PLAN

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

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The Agency's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were $510,000, $381,000 and $363,000 each year, respectively. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTE G-- OTHER POSTEMPLOYMENT BENEFITS

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2013, 2012, and 2011. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 1.00% for members of the Traditional Plan in 2013 and 4.00% in 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Agency's actual contributions to OPERS to fund postemployment benefits were $39,000 in 2013, $152,000 in 2012 and $145,000 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE H--RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. These costs, as reported in the statement of revenues and expenses of the internal service fund for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
City administration	$ 434,533	$ 414,261
Office rent	425,000	425,000
Telephone	90,110	84,184
Utilities	83,621	24,743
Parking Facilities	2,662	2,652
Printing services	215,516	247,724
Motor Vehicle Maintenance	14,457	15,808
Total	$1,265,899	$1,214,372

NOTE I--DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $374,983 at December 31, 2013 and $434,551 at December 31, 2012 as accrued wages and benefits. These amounts are recorded as due from member municipalities in the agency fund.

NOTE J--CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Agency for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Agency's financial position, results of operations or cash flows.

Risk Management: The Agency is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2013 or 2012.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. 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 J--CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Agency is immaterial.

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

SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Years Ended December 31, 2013 and 2012

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
ASSETS				
Cash and cash equivalents	$ 12,210,490	$ 435,339,098	$ (441,148,295)	$ 6,401,293
Taxes receivable	70,300,395	69,711,462	(70,300,395)	69,711,462
Due from the CCA internal service fund	736,482	998,237	(736,482)	998,237
Due from member municipalities	434,551	374,983	(434,551)	374,983
TOTAL ASSETS	$ 83,681,918	$ 506,423,780	$ (512,619,723)	$ 77,485,975
LIABILITIES				
Due to the City of Cleveland	$ 57,294,784	$ 400,242,211	$ (406,004,049)	$ 51,532,946
Due to member municipalities	26,387,134	106,181,569	(106,615,674)	25,953,029
TOTAL LIABILITIES	$ 83,681,918	$ 506,423,780	$ (512,619,723)	$ 77,485,975

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
ASSETS				
Cash and cash equivalents	$ 9,981,764	$ 430,398,251	$ (428,169,525)	$ 12,210,490
Taxes receivable	68,531,863	70,300,395	(68,531,863)	70,300,395
Due from the CCA internal service fund	317,108	736,482	(317,108)	736,482
Due from member municipalities	403,528	434,551	(403,528)	434,551
TOTAL ASSETS	$ 79,234,263	$ 501,869,679	$ (497,422,024)	$ 83,681,918
LIABILITIES				
Due to the City of Cleveland	$ 54,185,095	$ 394,567,927	$ (391,458,238)	$ 57,294,784
Due to member municipalities	25,049,168	107,301,752	(105,963,786)	26,387,134
TOTAL LIABILITIES	$ 79,234,263	$ 501,869,679	$ (497,422,024)	$ 83,681,918

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Members	Balance Collected and Due Members January 1,2013	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31,2013
Ada	$ 138,855.72	$ 1,744,865.04	$ 1,883,720.76	$ 1,696,440.15	$ 48,904.57	$ 1,745,344.72	$ 138,376.04
Alger	(1,035.31)	52,530.51	51,495.20	44,603.69	5,872.23	50,475.92	1,019.28
Akron		452,592.26	452,592.26	426,978.95	51,936.28	478,915.23	(26,322.97)
Athens	(9.28)	220,341.24	220,331.96	203,056.99	12,857.69	215,914.68	4,417.28
Barberton	891,926.35	11,073,605.04	11,965,531.39	10,865,355.15	269,897.21	11,135,252.36	830,279.03
Barnesville		7,679.21	7,679.21	6,522.84	863.62	7,386.46	292.75
Bedford	(314.52)	24,080.95	23,766.43	21,390.59	2,114.90	23,505.49	260.94
Bradner	5,083.58	114,322.52	119,406.10	109,463.48	9,979.10	119,442.58	(36.48)
Bratenahl	170,382.34	2,187,714.34	2,358,096.68	1,901,868.01	43,710.74	1,945,578.75	412,517.93
Burton	27,970.63	464,796.66	492,767.29	436,645.17	26,724.63	463,369.80	29,397.49
Centerville		48,152.65	48,152.65	45,064.63	5,206.19	50,270.82	(2,118.17)
Cleveland	6,693,679.69	340,251,307.28	346,944,986.97	339,557,200.00	5,588,337.97	345,145,537.97	1,799,449.00
Cridersville	13,207.44	288,989.75	302,197.19	280,743.96	21,386.67	302,130.63	66.56
Cuyahoga Falls	(256.78)	13,369.20	13,112.42	12,510.30	3,494.68	16,004.98	(2,892.56)
Dayton	(230.59)	457,742.64	457,512.05	276,146.61	183,176.07	459,322.68	(1,810.63)
Dresden		181,414.96	181,414.96	161,418.52	9,829.51	171,248.03	10,166.93
Eastlake	(162.92)	8,264.36	8,101.44	7,480.15	917.55	8,397.70	(296.26)
Elida	18,024.67	455,020.61	473,045.28	416,317.16	26,613.22	442,930.38	30,114.90
Englewood	(1,149.12)	2,442.09	1,292.97	2,379.47	524.17	2,903.64	(1,610.67)
Franklin		24,360.38	24,360.38	22,791.73	1,448.49	24,240.22	120.16
Frazeysburg		125,464.52	125,464.52	112,273.56	9,256.05	121,529.61	3,934.91
Gates Mills	194,182.69	1,461,217.33	1,655,400.02	1,500,594.90	49,945.15	1,550,540.05	104,859.97
Geneva-on-the-Lake	4,070.14	189,929.24	193,999.38	175,880.56	14,563.58	190,444.14	3,555.24
Grand Rapids	12,294.51	219,700.19	231,994.70	207,376.83	18,521.87	225,898.70	6,096.00
Grand River	23,156.86	282,911.90	306,068.76	280,389.90	8,566.42	288,956.32	17,112.44
Hamilton	7,617.02	206,878.83	214,495.85	198,796.14	15,134.73	213,930.87	564.98
Hartville		576.72	576.72	541.72	145.57	687.29	(110.57)
Highland Hills	211,685.92	3,115,845.75	3,327,531.67	2,965,416.58	43,704.40	3,009,120.98	318,410.69
Huntsville	2,425.77	57,938.65	60,364.42	51,475.51	5,517.30	56,992.81	3,371.61
Lakewood	(212.50)	25,735.03	25,522.53	23,316.34	1,887.33	25,203.67	318.86
Lancaster	6,813.19	41,058.99	47,872.18	35,573.10	2,287.09	37,860.19	10,011.99
Liberty Center	5,054.35	194,438.33	199,492.68	177,461.53	13,024.29	190,485.82	9,006.86
Lima	(868.86)	7,863.58	6,994.72	6,299.39	1,010.98	7,310.37	(315.65)
Linndale	4,535.18	69,322.20	73,857.38	65,715.14	2,741.02	68,456.16	5,401.22
Lorain	1,717.33	35,413.21	37,130.54	29,676.00	3,810.53	33,486.53	3,644.01
Madison	54,999.38	837,949.92	892,949.30	794,915.43	52,488.47	847,403.90	45,545.40
Medina	1,089,744.62	13,136,813.92	14,226,558.54	12,770,689.68	457,231.38	13,227,921.06	998,637.48
Mentor-on-the-Lake	55,665.92	895,117.85	950,783.77	848,797.66	44,198.47	892,996.13	57,787.64
Mt. Orab		50.00	50.00		54.40	54.40	(4.40)
Munroe Falls	90,581.44	1,132,822.57	1,223,404.01	1,114,917.43	48,238.55	1,163,155.98	60,248.03
Northfield	99,815.82	1,198,097.10	1,297,912.92	1,136,150.45	46,297.34	1,182,447.79	115,465.13
North Baltimore	70,497.56	744,616.42	815,113.98	706,282.49	32,878.08	739,160.57	75,953.41
North Perry	77,824.61	1,685,820.75	1,763,645.36	1,579,460.71	24,036.29	1,603,497.00	160,148.36
North Randall	79,492.40	2,014,185.44	2,093,677.84	1,848,591.96	36,624.18	1,885,216.14	208,461.70
Norton	375,934.26	4,924,969.82	5,300,904.08	4,805,267.20	170,001.64	4,975,268.84	325,635.24
Village of Oakwood	3,808.48	77,070.50	80,878.98	72,078.47	7,872.66	79,951.13	927.85
Painesville	740,460.85	636,818.94	1,377,279.79	1,361,904.79	15,375.12	1,377,279.91	(0.12)
Paulding	15,403.79	448,158.01	463,561.80	412,281.38	36,811.31	449,092.69	14,469.11
Peninsula	18,750.40	285,307.99	304,058.39	275,040.01	16,287.00	291,327.01	12,731.38
Rocky River	714,785.18	9,644,747.91	10,359,533.09	9,152,172.95	354,842.07	9,507,015.02	852,518.07
Russells Point	11,199.26	233,482.29	244,681.55	216,014.98	17,288.99	233,303.97	11,377.58
Salem		34,887.01	34,887.01	32,966.28	4,490.85	37,457.13	(2,570.12)
Seville	67,575.23	1,064,352.00	1,131,927.23	1,002,072.42	48,337.70	1,050,410.12	81,517.11
Springfield		934.05	934.05		596.63	596.63	337.42
South Russell	99,091.31	1,706,469.76	1,805,561.07	1,628,332.73	65,389.33	1,693,722.06	111,839.01
Stow	1,684.12	18,029.84	19,713.96	18,669.32	2,463.91	21,133.23	(1,419.27)
Timberlake	2,046.89	84,292.53	86,339.42	78,871.65	8,052.30	86,923.95	(584.53)
Trotwood	4,658.88	13,356.84	18,015.72	16,131.71	1,212.51	17,344.22	671.50
Troy	10,181.77	36,792.53	46,974.30	37,700.04	2,965.41	40,665.45	6,308.85
Wadsworth	641,662.45	8,149,770.35	8,791,432.80	7,898,944.74	322,190.36	8,221,135.10	570,297.70
Warren	4,392.37	67,272.65	71,665.02	65,108.74	4,302.90	69,411.64	2,253.38
Warrensville Heights	1,105,545.57	13,777,840.19	14,883,385.76	13,547,514.60	250,022.01	13,797,536.61	1,085,849.15
Waynesfield	4,765.40	135,533.63	140,299.03	123,834.99	8,755.13	132,590.12	7,708.91
West Liberty		83,527.11	83,527.11	62,048.57	2,774.43	64,823.00	18,704.11
Wickliffe		21,682.38	21,682.38	20,447.38	2,168.39	22,615.77	(933.39)
Wilmington		897.94	897.94		304.97	304.97	592.97
Totals	$ 13,869,011.46	$ 427,199,554.40	$ 441,068,565.86	$ 423,952,373.51	$ 8,588,464.58	$ 432,540,838.09	$ 8,527,727.77

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities Other Than Cleveland	Allocation of Net Operating Expenses
ADA	0.618271%	2.021592%	$ 49,084.39	$ 179.82	$ 48,904.57
ALGER	0.074034%	0.060862%	5,877.64	5.41	5,872.23
AKRON	0.654781%	0.524371%	51,982.92	46.64	51,936.28
ATHENS	0.162242%	0.255286%	12,880.40	22.71	12,857.69
BARBERTON	3.414020%	12.829824%	271,038.44	1,141.23	269,897.21
BARNESVILLE	0.010888%	0.008897%	864.41	0.79	863.62
BEDFORD	0.026671%	0.027900%	2,117.38	2.48	2,114.90
BRADNER	0.125846%	0.132454%	9,990.88	11.78	9,979.10
BRATENAHL	0.553424%	2.534674%	43,936.20	225.46	43,710.74
BURTON	0.337229%	0.538511%	26,772.53	47.90	26,724.63
CENTERVILLE	0.065640%	0.055789%	5,211.15	4.96	5,206.19
CLEVELAND	64.036273%	0.000000%	5,588,337.97		5,588,337.97
CRIDERSVILLE	0.269763%	0.334822%	21,416.45	29.78	21,386.67
CUYAHOGA FALLS	0.044037%	0.015489%	3,496.06	1.38	3,494.68
DAYTON	0.421551%	0.530338%	183,223.24	47.17	183,176.07
DRESDEN	0.124049%	0.210186%	9,848.21	18.70	9,829.51
EASTLAKE	0.011568%	0.009574%	918.40	0.85	917.55
ELIDA	0.335813%	0.527185%	26,660.11	46.89	26,613.22
ENGLEWOOD	0.006606%	0.002829%	524.42	0.25	524.17
FRANKLIN	0.018277%	0.028224%	1,451.00	2.51	1,448.49
FRAZEYSBURG	0.116753%	0.145363%	9,268.98	12.93	9,256.05
GATES MILLS	0.631010%	1.692959%	50,095.74	150.59	49,945.15
GENEVA O-T LAKE	0.183690%	0.220051%	14,583.15	19.57	14,563.58
GRAND RAPIDS	0.233588%	0.254544%	18,544.51	22.64	18,521.87
GRAND RIVER	0.108271%	0.327780%	8,595.58	29.16	8,566.42
HAMILTON	0.190907%	0.239689%	15,156.05	21.32	15,134.73
HARTVILLE	0.001834%	0.000668%	145.63	0.06	145.57
HIGHLAND HILLS	0.554549%	3.610004%	44,025.52	321.12	43,704.40
HUNTSVILLE	0.069572%	0.067127%	5,523.27	5.97	5,517.30
LAKEWOOD	0.023806%	0.029816%	1,889.98	2.65	1,887.33
LANCASTER	0.028862%	0.047571%	2,291.32	4.23	2,287.09
LIBERTY CENTER	0.164307%	0.225275%	13,044.33	20.04	13,024.29
LIMA	0.012744%	0.009111%	1,011.79	0.81	1,010.98
LINNDALE	0.034616%	0.080316%	2,748.16	7.14	2,741.02
LORAIN	0.048044%	0.041030%	3,814.18	3.65	3,810.53
MADISON	0.662236%	0.970845%	52,574.83	86.36	52,488.47
MEDINA	5.776374%	15.220250%	458,585.25	1,353.87	457,231.38
MENTOR-O-T-LK	0.557889%	1.037079%	44,290.72	92.25	44,198.47
MT ORAB	0.000684%	0.000058%	54.41	0.01	54.40
MUNROE FALLS	0.609087%	1.312483%	48,355.30	116.75	48,238.55
NORTHFIELD	0.584720%	1.388109%	46,420.81	123.47	46,297.34
N. BALTIMORE	0.415101%	0.862709%	32,954.82	76.74	32,878.08
N. PERRY	0.304951%	1.953184%	24,210.03	173.74	24,036.29
N. RANDALL	0.463936%	2.333625%	36,831.76	207.58	36,624.18
NORTON	2.147746%	5.706046%	170,509.20	507.56	170,001.64
VLG OF OAKWOOD	0.099265%	0.089294%	7,880.60	7.94	7,872.66
PAINESVILLE	0.141877%	0.000000%	15,375.12		15,375.12
PAULDING	0.464260%	0.519234%	36,857.50	46.19	36,811.31
PENINSULA	0.205523%	0.330556%	16,316.40	29.40	16,287.00
ROCKY RIVER	4.482137%	11.174360%	355,836.05	993.98	354,842.07
RUSSELLS POINT	0.218077%	0.270511%	17,313.05	24.06	17,288.99
SALEM	0.056612%	0.040420%	4,494.45	3.60	4,490.85
SEVILLE	0.610247%	1.233153%	48,447.39	109.69	48,337.70
SPRINGFIELD	0.007516%	0.001082%	596.73	0.10	596.63
S. RUSSELL	0.825864%	1.977108%	65,565.20	175.87	65,389.33
STOW	0.031059%	0.020889%	2,465.77	1.86	2,463.91
TIMBERLAKE	0.101537%	0.097661%	8,060.99	8.69	8,052.30
TROTWOOD	0.015290%	0.015475%	1,213.89	1.38	1,212.51
TROY	0.037400%	0.042628%	2,969.20	3.79	2,965.41
WADSWORTH	4.068913%	9.442284%	323,030.27	839.91	322,190.36
WARREN	0.054287%	0.077942%	4,309.83	6.93	4,302.90
WARR. HTS.	3.167181%	15.962940%	251,441.94	1,419.93	250,022.01
WAYNESFIELD	0.110456%	0.157029%	8,769.10	13.97	8,755.13
WEST LIBERTY	0.035055%	0.096774%	2,783.04	8.61	2,774.43
WICKLIFFE	0.027341%	0.025121%	2,170.62	2.23	2,168.39
WILMINGTON	0.003843%	0.001040%	305.06	0.09	304.97
TOTALS	100.000000%	100.000000%	$ 8,597,359.72	$ 8,895.14	$ 8,588,464.58

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTIONS AGENCY
DIVISION OF TAXATION

SCHEDULES OF INCOME TAXES RECEIVABLE
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Income Taxes Receivable Dec. 31, 2013	Income Taxes Receivable Dec. 31, 2012
Ada	$ 311,768.35	$ 287,695.99
Alliance	106.03	
Alger	29,408.73	29,310.91
Akron	12,609.35	
Athens	17,091.14	53,599.17
Barberton	1,769,457.01	1,831,823.64
Barnesville	1,023.21	
Bedford	1,165.60	2,360.56
Bradner	41,654.64	45,933.97
Bratenahl	712,522.92	504,917.23
Burton	131,463.84	130,734.19
Centerville	3,060.33	
Cleveland	49,733,496.58	50,601,104.01
Cridersville	105,858.85	104,407.84
Cuyahoga Falls	247.12	1,888.27
Dayton	42,576.04	34,425.93
Dresden	23,621.98	
Eastlake	392.92	1,727.33
Elida	157,798.68	169,972.19
Englewood	619.10	1,077.67
Franklin	1,079.30	
Frazeysburg	23,726.39	
Gates Mills	538,564.59	674,927.21
Geneva-on-the-Lake	69,584.54	57,603.53
Grand Rapids	95,895.70	99,563.72
Grand River	58,510.81	57,513.97
Hamilton	12,764.40	41,375.15
Hartville	75.00	
Highland Hills	456,167.61	452,776.23
Huber Heights	16,083.43	
Huntsville	19,541.81	20,482.71
Lakewood	5,374.47	6,716.89
Lancaster	3,329.96	8,944.21
Liberty Center	48,440.79	46,360.77
Lima	423.53	3,034.51
Linndale	9,103.65	10,711.15
Lorain	5,270.17	9,708.68
Madison	294,884.06	301,217.06
Medina	3,346,557.11	3,507,821.88
Mentor-on-the-Lake	232,105.38	221,636.88
Mt. Orab	1,019.65	
Munroe Falls	255,535.14	249,824.08
Northfield	308,983.98	267,887.35
North Baltimore	155,407.07	136,744.80
North Perry	197,761.45	104,171.19
North Randall	364,709.12	165,821.85
Norton	1,243,159.72	1,199,095.38
Village of Oakwood	21,961.80	21,827.00
Painesville		503,872.84
Paulding	110,266.43	105,130.53
Peninsula	69,430.78	72,324.25
Rocky River	2,764,974.26	2,558,965.40
Russells Point	76,846.81	76,113.73
Salem	688.03	
Seville	321,304.56	317,959.58
Springfield	55,886.98	
South Russell	582,277.28	506,003.88
Stow	2,324.64	5,560.19
Timberlake	31,843.36	34,109.34
Trotwood	1,765.93	2,919.33
Troy	1,717.80	9,096.47
Wadsworth	2,041,205.58	2,003,237.57
Warren	4,987.05	18,819.48
Warrensville Heights	2,689,351.61	2,582,004.35
Waynesfield	39,521.37	37,532.82
West Liberty	28,244.17	
Wickliffe		
Wilmington	6,861.99	
	$ 69,711,461.68	$ 70,300,394.86

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

TABLE OF CONTENTS

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio (the "Division") as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note L to the basic financial statements, in 2013, the Division adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Works, Division of Parking Facilities (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2013 and 2012. Please read this information in conjunction with the Division's financial statements and footnotes which begin on page 14.

The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The Division's operating revenues are derived primarily from charges for parking at its facilities and from parking meter collections. In 2013 and 2012 the Division facilities included two parking garages and four surface lots.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $19,949,000, $18,891,000 and $17,397,000 at December 31, 2013, 2012 and 2011, respectively. Of these amounts, $4,171,000, $4,094,000 and $3,876,000 (unrestricted net position) at December 31, 2013, 2012 and 2011, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $1,058,000 during 2013 and increased by $1,494,000 during 2012. In 2013 operating income increased by $246,000 due to lower maintenance costs of card readers and an increase in parking revenue. Net non-operating expenses increased $226,000 due to lower investment income offset by paying less interest on debt service payments. In 2012 there was investment income received due to the interest rate swap. In 2012 operating income decreased by $541,000 and net non-operating expenses and special items decreased by $2,867,000.

- The Division's total bonded debt decreased by $2,520,000 (8.0%), $2,420,000 (7.1%), and $19,570,000 (36.5%) during 2013, 2012 and 2011, respectively. These amounts represent the principal payments made in 2013, 2012 and 2011. In addition, in 2011 the Division defeased $16,145,000 as a result of the sale of the Gateway North Garage.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Parking Facilities Fund, in which the City accounts for the activities of off-street parking operations and meter revenue collections. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Parking Facilities Fund is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

The basic financial statements of the Division can be found on pages 14 - 19 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 – 39 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2013, 2012 and 2011:

	2013	Restated 2012	Restated 2011
		(Amounts in 000's)	
Assets and deferred outflows:			
Assets			
Current assets	$ 5,802	$ 5,657	$ 1,959
Restricted assets	8,733	8,762	13,188
Capital assets, net	35,316	36,658	37,573
Total assets	49,851	51,077	52,720
Deferred outflows of resources:			
Loss on refunding	1,884	2,261	2,660
Total deferred outflows of resources	1,884	2,261	2,660
Total assets and deferred outflows	$ 51,735	$ 53,338	$ 55,380
Liabilities, deferred inflows and net position:			
Liabilities:			
Current liabilities	$ 3,887	$ 3,692	$ 4,066
Long-term liabilities	27,532	30,390	33,135
Total liabilities	31,419	34,082	37,201
Deferred inflows of resources:			
Derivative instruments-interest rate swaps	367	365	782
Total deferred inflows of resources	367	365	782
Net positon:			
Net investment in capital assets	10,252	9,272	7,943
Restricted for debt service	5,526	5,525	5,578
Unrestricted	4,171	4,094	3,876
Total net position	19,949	18,891	17,397
Total liabilities, deferred inflows and net position	$ 51,735	$ 53,338	$ 55,380

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets:

Current, restricted and other non-capital assets: The Division's current and restricted assets have increased 0.8% from 2012 to 2013. This is due to an increase of cash received from customers and increased parking revenue. The Division's current and restricted assets decreased 4.8% from 2011 to 2012. This was primarily due to the decrease in restricted assets including investments.

Capital assets*:* The Division's capital assets (net of accumulated depreciation) as of December 31, 2013 and 2012 amounted to $35,316,000 and $36,658,000, respectively. The total decrease in the Division's investment in capital assets was $1,342,000 (3.7%) and $915,000 (2.4%) in 2013 and 2012, respectively. The decrease in both 2013 and 2012 was due to depreciation expense exceeding asset additions.

A summary of the activity in the Division's capital assets during the year ended December 31, 2013 is as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
	(Amounts in 000's)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719			53,719
Furniture, fixtures, equipment and vehicles	1,290			1,290
Construction in progress	440	34		474
Total	62,183	34	-	62,217
Less: Accumulated depreciation	(25,525)	(1,376)		(26,901)
Capital assets, net	$ 36,658	$ (1,342)	$ -	$ 35,316

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

A summary of the activity in the Division's capital assets during the year ended December 31, 2012 is as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
	(Amounts in 000's)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719			53,719
Furniture, fixtures, equipment and vehicles	1,250	50	(10)	1,290
Construction in progress		440		440
Total	61,703	490	(10)	62,183
Less: Accumulated depreciation	(24,130)	(1,405)	10	(25,525)
Capital assets, net	$ 37,573	$ (915)	$ -	$ 36,658

Additional information on the Division's capital assets can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets.

Liabilities:

Long-term debt: At the end of 2013 and 2012, the Division had total bonded debt outstanding of $29,105,000 and $31,625,000 respectively. This is a reduction of approximately 8.0%. This reduction is primarily the result of annual principal payments on the Division's outstanding bonds. This current debt was incurred to refund debt previously issued to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994 and was subsequently sold in 2011. The Willard Park Garage construction was completed in April 1996. The bonds are backed by the net revenues from these facilities. In addition, the City has pledged additional revenues, which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2013 and 2012, 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, 2013 is summarized below:

	Balance January 1, 2013	Debt Retired	Balance December 31, 2013
	(Amounts in 000's)		
Parking Facilities Improvement Revenue Bonds:			
Series 2006	$ 31,625	$ (2,520)	$ 29,105

The activity in the Division's debt obligations outstanding during the year ended December 31, 2012 is summarized below:

	Balance January 1, 2012	Debt Retired	Balance December 31, 2012
	(Amounts in 000's)		
Parking Facilities Improvement Revenue Bonds:			
Series 2006	$ 34,045	$ (2,420)	$ 31,625

The bond ratings at December 31, 2013 for the Division's revenue bonds are as follows:

	Moody's Investors Service	Standard & Poor's
Series 2006 Bonds	A2	AA-

The bond ratings indicated above are insured ratings only, reflecting the ratings of Assured Guaranty Municipal Corp. (formerly Financial Security Assurance, Inc.). On January 17, 2013, Moody's Investors Service lowered its rating on Assured Guaranty Municipal Corp. to A2 from Aa3. The Division has no ratings on its bonds based solely on its own credit.

In addition, the Division entered into a derivative or hedging agreement in 2003. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note B – Long-Term Debt and Other Obligations.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The Division has reported deferred 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, 2013 and December 31, 2012. 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 $19,949,000, $18,891,000 and $17,397,000 at December 31, 2013, 2012 and 2011, respectively.

Of the Division's net position at December 31, 2013, $5,526,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division has a net balance of $10,252,000 that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $4,171,000 balance of unrestricted net position may be used to meet the Division's ongoing obligations to customers and creditors.

Of the Division's net position at December 31, 2012, $5,525,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division has a net balance of $9,272,000 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 $4,094,000 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 2013 increased net position by $1,058,000 and during 2012 increased net position by $1,494,000. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2013, 2012 and 2011:

	2013	Restated 2012	Restated 2011
	(Amounts in 000's)		
Operating revenues	$ 7,875	$ 7,735	$ 8,453
Operating expenses	5,195	5,301	5,478
Operating income (loss)	2,680	2,434	2,975
Non-operating revenue (expense):			
Investment income (loss)	13	423	(773)
Interest expense	(1,739)	(1,853)	(8,649)
Other non-operating revenue (expense)	70		
Total non-operating revenue (expense), net	(1,656)	(1,430)	(9,422)
Income (loss) before capital contributions and special item	1,024	1,004	(6,447)
Capital contributions	34	490	
Special items - gain on sale of capital assets			5,125
Increase (decrease) in net position	1,058	1,494	(1,322)
Net position, beginning of year (as restated)	18,891	17,397	18,719
Net position, end of year	$ 19,949	$ 18,891	$ 17,397

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

Operating revenues: From 2012 to 2013, operating revenues increased $140,000, or 1.8%. This increase is primarily due to an increase in revenue from the Gateway East Garage. From 2011 to 2012, operating revenues decreased $718,000, or 8.5%. This reduction is primarily due to the sale of the Gateway North Garage. The Gateway North Garage was owned by the Division for all of 2010 and was sold in October of 2011.

Operating expenses: In 2013, operating expenses decreased $106,000, or 2.0%. This decrease is primarily attributed to a decrease in employee wages and benefits and a decrease in maintenance expenses of card readers offset by an increase in utility expenses. In 2012, operating expenses decreased $177,000, or 3.2%. This reduction was primarily due to the decrease in professional service fees associated with the operators of the Gateway North Garage.

Non-operating revenues and expenses: From 2012 to 2013, net non-operating expenses increased $226,000. This increase is primarily due to the decrease of investment income offset by a decrease in interest expense. In 2012 the interest rate swap increased the investment income. From 2011 to 2012, net non-operating expenses decreased $7,992,000. This decrease was primarily due to the reduction of interest expense, due to the defeasance of revenue bonds associated with the Gateway North Garage.

FACTORS EXPECTED TO IMPACT THE DIVISION’S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Operating revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the net income from the Gateway garage and on-street parking meter revenue.

The Division continues to assess their operations to improve efficiencies, identify additional revenue sources and improve existing revenue sources. City Council has the authority to further increase parking fees when deemed necessary to assist the Division in meeting operational and debt commitments as economic circumstances dictate.

ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	Restated 2012
	(Amounts in 000's)	
ASSETS & DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,575	$ 5,449
Accounts receivable - net of allowance	13	18
Due from other City of Cleveland departments, divisions or funds	69	51
Inventory of supplies, at cost	145	139
TOTAL CURRENT ASSETS	5,802	5,657
RESTRICTED ASSETS		
Cash and cash equivalents	8,733	8,762
TOTAL RESTRICTED ASSETS	8,733	8,762
CAPITAL ASSETS		
Land	5,478	5,478
Land improvements	1,256	1,256
Buildings, structures and improvements	53,719	53,719
Furniture, fixtures, equipment and vehicles	1,290	1,290
Construction in progress	474	440
	62,217	62,183
Less: Accumulated depreciation	(26,901)	(25,525)
CAPITAL ASSETS, NET	35,316	36,658
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding	1,884	2,261
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,884	2,261
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	$ 51,735	$ 53,338

(Continued)

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

STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	Restated 2012
	(Amounts in 000's)	
LIABILITIES, DEFERRED INFLOWS AND NET POSITON		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 2,645	$ 2,520
Accounts payable	283	214
Due to other governments	226	221
Due to other City of Cleveland departments, divisions or funds	191	117
Accrued interest payable	434	470
Accrued wages and benefits	108	150
TOTAL CURRENT LIABILITIES	3,887	3,692
LONG-TERM LIABILITIES		
Revenue bonds - excluding amount due within one year	27,510	30,364
Accrued wages and benefits	22	26
TOTAL LONG-TERM LIABILITIES	27,532	30,390
TOTAL LIABILITIES	31,419	34,082
DEFERRED INFLOWS OF RESOURCES		
Derivative instruments - interest rate swaps	367	365
TOTAL DEFERRED INFLOWS	367	365
NET POSITION		
Net investment in capital assets	10,252	9,272
Restricted for debt service	5,526	5,525
Unrestricted	4,171	4,094
TOTAL NET POSITION	19,949	18,891
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITON	$ 51,735	$ 53,338

(Concluded)

See notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	2013	Restated 2012
	(Amounts in 000's)	
OPERATING REVENUES		
Charges for services	$ 7,875	$ 7,735
TOTAL OPERATING REVENUES	7,875	7,735
OPERATING EXPENSES		
Operations	3,764	3,797
Maintenance	55	99
Depreciation	1,376	1,405
TOTAL OPERATING EXPENSES	5,195	5,301
OPERATING INCOME (LOSS)	2,680	2,434
NON-OPERATING REVENUE (EXPENSE)		
Investment income (loss)	13	423
Interest expense	(1,739)	(1,853)
Other non-operating revenue (expense)	70	
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(1,656)	(1,430)
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,024	1,004
Capital contributions	34	490
INCREASE (DECREASE) IN NET POSITION	1,058	1,494
NET POSITION, beginning of year (as restated)	18,891	17,397
NET POSITION, end of year	$ 19,949	$ 18,891

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
	(Amounts in 000's)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 8,256	$ 7,939
Cash payments to suppliers for goods or services	(3,042)	(3,474)
Cash payments to employees for services	(1,073)	(1,091)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	4,141	3,374
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from settlement	70	
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	70	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(2,520)	(2,420)
Interest paid on long-term debt	(1,609)	(1,705)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(4,129)	(4,125)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investment securities		4,095
Interest received on investments	15	12
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	15	4,107
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	97	3,356
CASH AND CASH EQUIVALENTS, beginning of year	14,211	10,855
CASH AND CASH EQUIVALENTS, end of year	$ 14,308	$ 14,211

(Continued)

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
	(Amounts in 000's)	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income	$ 2,680	$ 2,434
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,376	1,405
Changes in assets and liabilities:		
Accounts receivable, net	5	(11)
Due from other City of Cleveland departments, divisions or funds	(18)	(3)
Inventory of supplies	(6)	(3)
Accounts payable	70	(539)
Due to other governments	5	36
Due to other City of Cleveland departments, divisions or funds	74	50
Accrued wages and benefits	(45)	5
TOTAL ADJUSTMENTS	1,461	940
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,141	$ 3,374
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions of capital assets	$ 34	$ 490

(Concluded)

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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 March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the Division implemented GASB Statement No. 65 for 2013 and restated its comparative financial statements for 2012.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Division has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Division has determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

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. The implementation of the new GASB statements did result in a change in the Division's beginning net position balance as previously reported.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the Gateway and Willard Park garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily or monthly basis.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair values of investments at year end are based on market quotes, where available.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2013 and 2012. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of debt are classified as restricted assets since their use is limited by the underlying bond indenture.

Inventory of Supplies: Inventory is valued at cost using the first in/first out method. Inventory costs are charged to operations when consumed.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations.

The estimated useful lives are as follows:

Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Bond Issuance Costs, Discounts/Premiums and Unamortized Loss on Debt Refunding: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2013 and 2012 is as follows:

	Interest Rate	Original Issuance	2013	2012
			(Amounts in 000's)	
Parking Facilities Refunding Revenue Bonds Series 2006, due through 2022	4.00%-5.25%	$ 57,520	$ 29,105	$ 31,625
Unamortized discount/premium			1,050	1,259
Current portion			(2,645)	(2,520)
Total Long-Term Debt			$ 27,510	$ 30,364

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

Summary: Changes in long-term obligations for the year ended December 31, 2013 are as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds					
Series 2006, due through 2022	$ 31,625	$	$ (2,520)	$ 29,105	$ 2,645
Accrued wages and benefits	176	104	(150)	130	108
Total	$ 31,801	$ 104	$ (2,670)	$ 29,235	$ 2,753

Summary: Changes in long-term obligations for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
			(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds					
Series 2006, due through 2022	$ 34,045	$	$ (2,420)	$ 31,625	$ 2,520
Accrued wages and benefits	170	148	(142)	176	150
Total	$ 34,215	$ 148	$ (2,562)	$ 31,801	$ 2,670

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

Minimum principal and interest payments on outstanding long-term debt are as follows:

	Principal	Interest	Total
		(Amounts in 000's)	
2014	$ 2,645	$ 1,487	$ 4,132
2015	2,770	1,354	4,124
2016	2,880	1,244	4,124
2017	3,040	1,093	4,133
2018	3,200	933	4,133
2019-2022	14,570	1,961	16,531
Total	$ 29,105	$ 8,072	$ 37,177

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

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

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

Effective August 15, 2006, the City issued $57,520,000 of Parking Facilities Refunding Revenue Bonds, Series 2006. The bonds were issued to currently refund $56,300,000 of the outstanding Parking Facilities Refunding Revenue Bonds, Series 1996. In addition, proceeds were also used to fund a portion of a payment owed by the City upon early termination under an interest rate swaption agreement entered into in 2003. Net proceeds of $58,709,855 were placed in an irrevocable escrow account which was used to pay the principal, interest and premium on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding to reduce its total debt service payments by $1,340,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $970,000. At the time of the issuance of the Series 2006 Bonds, the City entered into a basis swap agreement with UBS, which is described below.

On April 16, 2013, the City entered into a novation agreement with UBS, AG and PNC Bank, National Association (PNC) under which the basis swap associated with the Parking Facilities Refunding Revenue Bonds, Series 2006, was transferred from UBS to PNC effective March 15, 2013. All of the terms of the original basis swap remain the same. The City agreed to novate the swap to PNC based upon UBS' mandate to downsize its swap portfolio.

Interest Rate Swap Transaction

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

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

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

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

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

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

Fair Value: The fair value of the swap at December 31, 2013 reported by PNC and at December 31, 2012 reported by UBS was $367,000 and $365,000, respectively, which would be payable by the City.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $29,105,000 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 $37,177,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,129,000 and $4,221,000, respectively.

In 2013 and 2012, 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, 2013 and 2012, the Division was in compliance with the terms and requirements of the trust indenture.

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

Derivative Instruments

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The Division entered into a derivative or hedging agreement in 2003. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in the preceding section.

The Division has reported an asset and/or a liability as appropriate in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2013 and December 31, 2012. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor. The Division recognized a $2,000 investment loss pursuant to this swap in 2013 and $417,000 investment income in 2012.

The tables below present the fair value balances and notional amounts of the Division's derivative instrument outstanding at December 31, 2013 and December 31, 2012, classified by type and the change in fair value of this derivative during fiscal years 2013 and 2012 as reported in the respective financial statements. The fair values of the interest rate swap, which reflect the prevailing interest rate environment at December 31, 2013 and December 31, 2012 and the specific terms and conditions of the swap, have been provided by the counterparty and confirmed by the City's financial advisor.

	Changes in Fair Value		Fair Value at December 31, 2013		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
	(Amounts in 000's)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Loss	$ 2	Investment	$ (367)	$ 29,105

	Changes in Fair Value		Fair Value at December 31, 2012		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
	(Amounts in 000's)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	$ 417	Investment	$ (365)	$ 31,625

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

The table below presents the objective and significant terms of the Division's derivative instrument at December 31, 2013, along with the credit rating of the swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
			(Amounts in 000's)				
2006 Parking Bonds	Basis Swap - Pay Floating / Receive Floating	Exchange floating rate payments on Series 2006 Parking System Revenue Bonds	$ 29,105	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

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

In conjunction with the sale of the Gateway North Garage, the Division defeased some of the Parking Facilities Refunding Revenue Bonds, Series 2006, by placing a portion of the proceeds of the sale into an irrevocable trust to provide for the all future debt service payments on the defeased bonds. The Division had $13,800,000 of defeased debt outstanding at December 31, 2013.

NOTE C – RECEIVABLE FROM GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

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

In 2013, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $1,527,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $46,765,000 at December 31, 2013. 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, 2013 and 2012 totaled $115,000 and $778,000, respectively, and the Division's bank balances were $112,000 and $787,000, 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*, $112,000 and $787,000 of the bank balances at December 31, 2013 and 2012, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of reverse repurchase agreements.

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

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table on the following page.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Division's investments as of December 31, 2013 and 2012 include STAROhio and mutual funds. The Division maintains the highest ratings for their investments. Investments in STAROhio and Dreyfus Government Cash Management Mutual Funds carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

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, 2013 and 2012, 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	2013 Fair Value	2013 Cost	2012 Fair Value	2012 Cost	Investment Maturities Less than One Year
	(Amounts in 000's)				
STAROhio	$ 1,684	$ 1,684	$ 969	$ 969	$ 1,684
Mutual Funds	12,509	12,509	12,464	12,464	12,509
Total Investments	14,193	14,193	13,433	13,433	14,193
Total Deposits	115	115	778	778	115
Total Deposits and Investments	$ 14,308	$ 14,308	$ 14,211	$ 14,211	$ 14,308

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2013, the investments in STAROhio and mutual funds are approximately 12% and 88%, respectively, of the Division's total investments. As of December 31, 2012, the investments in STAROhio and in mutual funds are approximately 7% and 93%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
	(Amounts in 000's)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	440	34		474
Total capital assets, not being depreciated	5,918	34	-	5,952
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719			53,719
Furniture, fixtures, equipment and vehicles	1,290			1,290
Total capital assets, being depreciated	56,265	-	-	56,265
Less: Accumulated depreciation	(25,525)	(1,376)		(26,901)
Total capital assets being depreciated, net	30,740	(1,376)	-	29,364
Capital assets, net	$ 36,658	$ (1,342)	$ -	$ 35,316

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE E – CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
		(Amounts in 000's)		
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress		440		440
Total capital assets, not being depreciated	5,478	440	-	5,918
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	53,719			53,719
Furniture, fixtures, equipment and vehicles	1,250	50	(10)	1,290
Total capital assets, being depreciated	56,225	50	(10)	56,265
Less: Accumulated depreciation	(24,130)	(1,405)	10	(25,525)
Total capital assets being depreciated, net	32,095	(1,355)	-	30,740
Capital assets, net	$ 37,573	$ (915)	$ -	$ 36,658

NOTE F – DEFINED BENEFIT PENSION PLANS

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

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

2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were \$95,000, \$81,000 and \$77,000 each year, respectively. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2013, 2012, and 2011. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 1.00% for members of the Traditional Plan in 2013 and 4.00% in 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were $7,000 in 2013, $32,000 in 2012 and $31,000 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides parking facilities at usual and customary rates to various departments and divisions of the City. The Division operates certain garages and parking lots on behalf of other City divisions. The professional management fees recorded by the Division to operate the garages and parking lots are as follows:

	2013	2012
	(Amounts in 000's)	
Department of Community Development	$ 36	$ 41

Operating Expenses: The Division is provided various services by other City divisions. Charges are based on actual usage or on a reasonable pro-rata basis. The more significant expenses included in the statements of operations for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
	(Amounts in 000's)	
Parks Maintenance	$ 65	$ 74
Motor Vehicle Maintenance	9	9
Cleveland Public Power	188	178
Telephone	13	17

NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2013 or 2012.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. 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 I – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims 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 2013 and 2012. Future minimum rentals on non-cancelable leases are as follows:

	(Amounts in 000's)
2014	$ 180
2015	180
2016	180
2017	180
2018	180
Thereafter	4,560
	$ 5,460

NOTE K – SUBSEQUENT EVENTS

On March 18, 2014, Standard and Poor’s Ratings Services raised its rating on Assured Guaranty Municipal Corporation, the insurer of the Series 2006 Parking Facilities Refunding Revenue Bonds. The rating was raised to AA from AA-. The Division’s bonds only carry the insured rating and have no ratings based solely on its own credit.

NOTE L – RESTATEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. The Statement changed the treatment of bond issuance costs. Previously, the costs were recorded as assets and amortized over the life of the related debt issue. The GASB evaluated these costs and concluded that with the exception of prepaid insurance, the costs relate to services provided in the current period and thus they should be expensed in the current period. This statement also changed the treatment of loss on refunding. Prior to GASB 65, loss on refunding was included in revenue bonds. It is now reported as a deferred outflow of resources. This is reflected as a reclassification in the 2012 financial figures.

Impact on Statements of Net Position	December 31, 2012	Restatement/Reclass (Amounts in 000's)	Restated December 31, 2012
Unamortized bond issuance cost	$ 1,288	$ (1,288)	$ -
Deferred outflows of resources:			
Loss on refunding		2,261	2,261
Long-term liabilities:			
Revenue bonds	28,103	2,261	30,364
Unrestricted net position	5,382	(1,288)	4,094

Impact on Statements of Revenues, Expenses and Changes in Net Position	2012	Restatement/Reclass (Amounts in 000's)	Restated 2012
Amortization of bond issuance costs	$ (227)	$ 227	$ -
Total non-operating revenue (expense) - net	(1,657)	227	(1,430)
Increase (decrease) in net position	1,267	227	1,494
Net position, beginning of year	18,912	(1,515)	17,397

CITY OF CLEVELAND, OHIO

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

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

CITY OF CLEVELAND, OHIO

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

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Divisions and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note P to the basic financial statements, in 2013, the Divisions adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2013 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 26, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Port Control, Divisions of Cleveland Hopkins International (CLE) and Burke Lakefront (BKL) Airports (the Divisions), we offer readers of the Divisions' financial statements this narrative overview and analysis of the financial activities of the Divisions for the years ended December 31, 2013 and December 31, 2012. Please read this information in conjunction with the Divisions' basic financial statements and notes that begin on page 18.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airports of the City. The Divisions operate a major public airport and a reliever airport serving not only the City of Cleveland, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2013, the Divisions were served by 26 scheduled airlines and four cargo airlines. There were 83,000 scheduled landings with landed weight amounting to 5,732,142,000 pounds. There were 4,526,000 passengers enplaned at Cleveland Hopkins International Airport and 74,000 passengers enplaned at Burke Lakefront Airport during 2013. In 2012, the Divisions were served by 26 scheduled airlines and four cargo airlines. There were 83,000 scheduled landings with landed weight amounting to 5,732,148,000 pounds. There were 4,495,000 passengers enplaned at Cleveland Hopkins International Airport, and 92,000 passengers enplaned at Burke Lakefront Airport during 2012.

COMPARISON OF CURRENT YEAR AND PREVIOUS YEAR DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Divisions exceeded its liabilities (net position) by $370,685,000, $377,503,000 and $388,728,000 at December 31, 2013, 2012 and 2011, respectively. Of these amounts, $114,010,000, $120,809,000 and $111,736,000 (unrestricted net position) at December 31, 2013, 2012 and 2011, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position decreased by $6,818,000 in 2013. This is due to increases in sound insulation expense and interest expense offset by an increase in grant revenue.

- Additions to construction in progress totaled $19,260,000, $19,434,000 and $19,431,000 in 2013, 2012 and 2011, respectively.

- The major capital expenses during 2013 were Power Distribution Enhancement project, Phase II, the Terminal Terrazzo Flooring project, the Burke Lakefront Airport (BKL) Runway 6L-24R Safety Area Improvement project, the Regional Transit Authority (RTA) Level Art Gallery project and the Parking Redevelopment project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Divisions' total bonded debt decreased by $16,285,000 in 2013, decreased by $27,955,000 in 2012 and increased $42,625,000 during 2011. In 2013 the City issued $58,000,000 Airport System Revenue Bonds, Series 2013A, to refund the outstanding $58,000,000 Airport System Revenue Bonds, Series 2008F. In 2012, the City issued $235,150,000 of Airport System Revenue Bonds, Series 2012A, to refund all of the outstanding Airport System Revenue Bonds, Series 2000A. In 2011, the City issued $74,385,000 of Airport System Revenue Bonds Series 2011A which provided funds to pay the costs of improvements to the Airport Systems and refunded a part of the Series 2008D Bonds. The key factors for the decreases in 2012 and 2013 were the scheduled principal payments on the Divisions' outstanding Bonds. The reason for the increase in 2011 was the issuance of the Series 2011A Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Divisions are considered an Enterprise Fund because the operations of the Divisions are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Divisions, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Divisions can be found on pages 18-23 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25-45 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSTION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2013, 2012 and 2011:

	2013	Restated 2012	Restated 2011
	(Amounts in 000's)		
Assets and deferred outflows of resources:			
Assets:			
Current assets	$ 114,676	$ 110,955	$ 106,763
Restricted assets	260,981	288,296	295,994
Capital assets, net	896,355	895,018	921,777
Total assets	1,272,012	1,294,269	1,324,534
Deferred outflows of resources:			
Loss on refunding	24,482	26,976	21,254
Total deferred outflows of resources	24,482	26,976	21,254
Total assets and deferred outflows of resources	$ 1,296,494	$ 1,321,245	$ 1,345,788
Liabilities and net position:			
Liabilities:			
Current liabilities	$ 76,918	$ 59,189	$ 57,178
Long-term obligations	848,891	884,553	899,882
Total liabilities	925,809	943,742	957,060
Net position:			
Net investment in capital assets	119,552	127,557	147,324
Restricted for debt service	126,799	111,467	109,292
Restricted for passenger facility charges	10,324	17,670	20,376
Unrestricted	114,010	120,809	111,736
Total net position	370,685	377,503	388,728
Total liabilities and net position	$ 1,296,494	$ 1,321,245	$ 1,345,788

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets: Total assets and deferred outflows of resources decreased $24,751,000, 1.9% in 2013. The change is primarily due to a decrease in restricted assets of $27,315,000; which was due to higher construction and infrastructure spending offset by an increase of current cash and cash and cash equivalents and investments. In 2012, total assets and deferred outflows of resources decreased $24,543,000, 1.8% due to a decrease in capital assets, net of accumulated depreciation**.**

Capital assets: The Divisions' investment in capital assets as of December 31, 2013 amounted to $896,355,000 (net of accumulated depreciation), which is an increase of 0.1%. The Divisions' investment in capital assets as of December 31, 2012 amounted to $895,018,000 (net of accumulated depreciation), which was a decrease of 2.9%. These investments in capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; vehicles; and construction in progress. A summary of the activity in the Divisions' capital assets during the year ended December 31, 2013 is as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(Amounts in 000's)			
Land	$ 167,457	$	$	$ 167,457
Land improvements	74,153	5,562	(4,060)	75,655
Buildings, structures and improvements	334,242	8,467	(7,120)	335,589
Furniture, fixtures and equipment	29,168	2,677	(42)	31,803
Infrastructure	975,801	21,133		996,934
Vehicles	14,651	1,021	(233)	15,439
Total	1,595,472	38,860	(11,455)	1,622,877
Less: Accumulated depreciation	(729,465)	(50,852)	10,951	(769,366)
Total	866,007	(11,992)	(504)	853,511
Construction in progress	29,011	19,260	(5,427)	42,844
Capital assets, net	$ 895,018	$ 7,268	$ (5,931)	$ 896,355

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2012 is as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
	(Amounts in 000's)			
Land	$ 167,457	$	$	$ 167,457
Land improvements	74,153			74,153
Buildings, structures and improvements	329,324	5,339	(421)	334,242
Furniture, fixtures and equipment	23,305	6,470	(607)	29,168
Infrastructure	956,696	19,105		975,801
Vehicles	14,993	162	(504)	14,651
Total	1,565,928	31,076	(1,532)	1,595,472
Less: Accumulated depreciation	(680,397)	(50,541)	1,473	(729,465)
Total	885,531	(19,465)	(59)	866,007
Construction in progress	36,246	19,434	(26,669)	29,011
Capital assets, net	$ 921,777	$ (31)	$ (26,728)	$ 895,018

Major events during 2013 and 2012 affecting the Divisions' capital assets included the following:

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

- Terminal Terrazzo Flooring Project: The first phase of the Cleveland Hopkins International Airport (CLE) terrazzo floor and artwork installation project began in January 2011 and continued throughout 2013. The project consists of removing old flooring and carpet to replace them with terrazzo starting at security checkpoint C, continuing up Concourse C, then proceeding to Concourses A and B. The entire project is expected to be complete in January 2014. As part of the terrazzo flooring project, artwork selected from an airport artist competition will be installed into select floor locations. Six of the seven select art pieces were installed by the end of 2013. The project will be substantially complete in 2014.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

- BKL Runway 6L-24R Safety Area (RSA) Improvements: The project includes the installation of an Engineered Materials Arresting System (EMAS) bed in the extended safety area of Runway 6L, a runway extension on 24R, a displacement of the Runway 6L threshold, new entrance taxiways, vehicle service road modifications, and NAVAID modifications/improvements. In 2012, an Environmental Assessment (EA) was completed as well as the final project design. Construction commenced in Spring 2013 and the project was substantially completed in December 2013.

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

- Parking Redevelopment Project, Phase I: This consists of demolition of the Long-Term Garage and replacing the garage with a 1,100 space surface parking lot. The demolition and resurfaced parking lot were completed in 2013. The project also improved several of the existing peripheral lots and included the installation of "smart parking" technology which increased the efficiency of the existing Short-Term Garage usage. The smart parking installation was also completed in 2013. In 2014, construction of a parking management building and access structure will be completed.

Additional information on the Divisions' capital assets, including commitments made for future capital expenses can be found in Note A – Summary of Significant Accounting Policies and Note F – Capital Assets to the basic financial statements.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Liabilities: In 2013 total liabilities decreased $17,933,000. In 2013, the decrease in long-term obligations was $35,662,000 or 4.0%. Current liabilities increased $17,729,000 or 30.0% as a result of increases in the current portion of long-term debt, an increase in the landing fee adjustment and an increase in the construction fund due to higher construction spending. In 2012 total liabilities decreased $13,318,000. In 2012, the decrease in long-term obligations was $15,329,000 or 1.7%. Current liabilities increased $2,011,000 or 3.5% as a result of increases in the current portion of long-term debt, due to other funds and interest payable offset by a decrease in accounts payable and accrued property taxes.

Long-term debt: At December 31, 2013 and 2012, the Divisions' had $847,645,000 and $863,930,000, respectively, in total bonded debt outstanding. The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture.

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2013 is summarized below:

	Balance January 1, 2013	Debt Issued	Debt Retired	Balance December 31, 2013
	(Amounts in 000's)			
Airport System Revenue Bonds:				
Series 2000	$ 149,000	$	$	$ 149,000
Series 2006	115,025		(1,310)	113,715
Series 2007	9,645		(550)	9,095
Series 2008	63,975		(58,000)	5,975
Series 2009	216,750		(11,545)	205,205
Series 2011	74,385		(2,880)	71,505
Series 2012	235,150			235,150
Series 2013		58,000		58,000
Total	$ 863,930	$ 58,000	$ (74,285)	$ 847,645

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, 2012 is summarized below:

	Balance January 1, 2012	Debt Issued	Debt Retired	Balance December 31, 2012
	(Amounts in 000's)			
Airport System Revenue Bonds:				
Series 2000	$ 398,445	$	$ (249,445)	$ 149,000
Series 2006	116,270		(1,245)	115,025
Series 2007	10,175		(530)	9,645
Series 2008	64,925		(950)	63,975
Series 2009	227,685		(10,935)	216,750
Series 2011	74,385			74,385
Series 2012		235,150		235,150
Total	$ 891,885	$ 235,150	$ (263,105)	$ 863,930

The bond ratings from Moody's Investors Service, Standard & Poor's Rating Service, and Fitch Ratings are as follows:

Moody's Investors Service	Standard & Poor's Rating Service	Fitch Ratings
Baa1	A-	A-

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 2013, 2012 and 2011, was 130%, 166% and 158%, respectively.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Additional information on the Divisions’ long-term debt can be found in Note B – Long-Term Debt and Other Obligations to the basic financial statements.

Net Position: Net position serves as a useful indicator of an entity's financial position. In the case of the Divisions, assets and deferred outflows of resources exceed liabilities by $370,685,000, $377,503,000 and $388,728,000 at December 31, 2013, 2012 and 2011, respectively. Of the Divisions’ net position at December 31, 2013 and 2012, $119,552,000 and $127,557,000, 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, 2013 and 2012 the restricted net position amounted to $137,123,000 and $129,137,000, respectively. The restricted net position include amounts set aside in various fund accounts for payment of revenue bonds, which are limited by the bond indentures, and passenger facility charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. Passenger facility charges are restricted for designated capital projects and approved debt service. The remaining balance of unrestricted net position, $114,010,000 and $120,809,000 for December 31, 2013 and 2012, 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' operations during 2013 decreased its net position by $6,818,000 and decreased by $11,225,000 in 2012. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2013, 2012 and 2011:

	2013	Restated 2012	Restated 2011
		(Amounts in 000's)	
Operating revenues:			
Landing fees	$ 31,025	$ 36,676	$ 37,288
Terminal and concourse rentals	52,039	52,133	50,131
Concessions	24,055	21,960	22,638
Utility sales and other	6,125	3,874	4,910
Total operating revenues	113,244	114,643	114,967
Operating expenses	118,029	119,396	121,085
Operating income (loss)	(4,785)	(4,753)	(6,118)
Non-operating revenue (expense):			
Passenger facility charges revenue	17,716	17,832	17,874
Non-operating expense	(2,207)	(6,300)	968
Sound insulation program	(2,197)	(577)	(689)
Loss on disposal of capital asset	(491)	(59)	
Investment income (loss)	257	272	(9,634)
Interest expense	(33,105)	(29,571)	(35,389)
Amortization of bond discounts/premiums, loss on debt refundings	746	2,782	(1,221)
Total non-operating revenue (expense), net	(19,281)	(15,621)	(28,091)
Capital and other contributions	17,248	9,149	38,511
Increase (decrease) in net position	(6,818)	(11,225)	4,302
Net position, beginning of year (as restated)	377,503	388,728	384,426
Net position, end of year	$ 370,685	$ 377,503	$ 388,728

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

Operating revenues*:* Operating revenues for 2013 were $113,244,000. Of this amount, $28,710,000 or 25.4% represented landing fees received from signatory airlines. This is a negative change in signatory landing fees of 17.8% from the prior year due to an increase in non-airline revenue offset by a decrease in operating expenses. Signatory terminal rentals accounted for $35,601,000, or 31.4% of total operating revenues. Parking revenues increased 14.2% over the prior year due to an increase in the demand for services such as valet airport parking and economy parking usage. Parking revenues amounted to $15,581,000 or 13.8% of total operating revenues for 2013. The fourth largest airport revenue source, rental cars, accounted for 8.6% of total operating revenues.

Operating revenues for 2012 were $114,643,000. Of this amount, $34,923,000 or 30.5% represented landing fees received from signatory airlines. This is a decrease of 2.8% from the prior year. Signatory terminal rentals accounted for $36,280,000, or 31.6% of total operating revenues. The increase in signatory terminal rent of 5.7% is a result of an increase in square footage rates for terminal and concourse leased areas. Parking revenues increased 5.2% over the prior year due to an increase in the demand for services such as valet airport parking and economy parking usage. Parking revenues amounted to $13,649,000 or 11.9% of total operating revenues for 2012. The fourth largest airport revenue source, rental cars, accounted for 8.0% of total operating revenues.

Operating expenses*:* Total operating expenses for 2013 decreased $1,367,000 or 1.1%. The decrease is primarily due to lower salaries, wages and benefits of $1,086,000 or 3.7% in addition to lower maintenance costs. Total operating expenses for 2012 decreased $1,689,000 or 1.4% from the prior year. The decrease is primarily due to a milder winter season which resulted in a decreased usage of de-icing chemicals and related waste disposal. These decreases were partially offset by modest increases in costs associated with property taxes and professional fees. Employee salaries, wages and benefits increased $609,000 or 2.1% due to increases in employee wages.

Non-operating revenue and expense: Expenses related to the Residential Sound Insulation Program (RSIP) were $2,197,000, $577,000, and $689,000 in 2013, 2012 and 2011, respectively. In 2013 the construction phase of the RSIP was implemented which resulted in increased use of funds. Passenger facility charge revenues were $17,716,000, $17,832,000 and $17,874,000 in 2013, 2012 and 2011 respectively. Interest expense increased $3,534,000 or 12.0% in 2013 relating to increased interest payments on debt.

Capital and other contributions: In 2013, 2012 and 2011, the Divisions' received $17,248,000, $9,149,000 and $38,511,000, respectively, in Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer (TSA LEO) and Canine Grants. Airport Improvement Program Grants received from the Federal Aviation Administration were primarily for the Burke RSA project, airfield safety improvements, Residential Sound Insulation Program and the acquisition of snow-melters.

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

Continental Airlines and United Airlines (collectively Continental) entered into a Settlement Agreement (Agreement) with the Office of the Attorney General of the State of Ohio (AG) effective October 31, 2010 (Merger Closing Date) to resolve the AG's investigation of the antitrust implications of their proposed merger. Pursuant to the terms of the Agreement Continental agreed to maintain, for a period of 24-months from the Merger Closing Date, average daily departures from the Airport at no less then ninety (90%) percent of average daily departures in the year prior to the Merger Closing Date (Base Departure Commitment). In addition the Agreement contains an additional three year commitment for average daily departures at the Base Departure Commitment level subject to certain metrics based on Airport segment profitability as more fully outlined in the Agreement. The Agreement gives the AG's office the right to audit Airport segment profitability at Continental's expense up to $80,000 per annum. Continental also agreed to maintain its current Airport aircraft maintenance facility at a level of operations commensurate with the 12-month period immediately preceding the merger. Any reduction in the Base Departure Commitment may result in a reduction in aircraft maintenance facility operations. Other commitments include continuation of the Cleveland Air Service Working Group during the effective period of the Agreement and a penalty based on an amount equal to the percentage by which Continental is found to have breached its minimum departure commitments of $20 million. Pursuant to the terms of a separate Memorandum of Understanding between the City and the AG's office any monies collected from Continental pursuant to this penalty will be forwarded to the City. The AG's office has also agreed to inform the City whether, as a result of its audits any of the metrics outlined in the Agreement have been triggered or are likely to be triggered.

On February 13, 2013, American Airlines and US Airways announced a proposed merger agreement with the "new" American Airlines remaining as the largest airline in the world. Looking towards the future, there will likely be an impact on the Divisions' operations. Both airlines expect that the regional carriers they own – AMR Corporation's American Eagle and US Airways' Piedmont and PSA – will continue to operate as distinct entities, providing seamless service to the combined airline. American Airlines and US Airways enplaned 6.0% and 6.3% of total passengers at the Airport, respectively, in 2013 and 6.0% and 6.3%, respectively in 2012. It is not known at this time whether the impact will have a negative or positive effect on CLE.

Federal Sequestration has had a direct impact on Cleveland Airport System (CAS) federally-funded projects such as the CLE Airport Surface Surveillance Capability (ASSC) Project currently placed on hold. In addition, CAS has been advised by the Federal Aviation Administration (FAA) Airport District Office that there is no funding for an Environmental Assessment (EA) of the CLE airfield due to Sequestration. The EA would have focused on specific areas of the airfield that require either rehabilitation (due to age and deterioration) and/or are planned for development. Long-term, not being able to implement the aforementioned projects due to Sequestration may compromise airfield system preservation (i.e., ability to improve existing infrastructure), airfield capacity, safety and funding for future Airport Improvement Program (AIP)-eligible projects.

Effective April 24, 2013, the City issued $58,000,000 Airport System Revenue Bonds, Series 2013A (Taxable). These bonds refunded all of the outstanding $58,000,000 Airport System Revenue Bonds, Series 2008F in anticipation of the expiration of the existing letter of credit. The bonds were purchased by U.S. Bank National Association with the City paying an amount equal to one month LIBOR plus a spread. As a result of this refunding, the City expects to realize aggregate net present value savings of $3.4 million or 5.87%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

On February 3, 2014, United Airlines announced a 60% reduction in average daily departures from Cleveland and a reduction of regional departures from Cleveland by over 70%. United Airlines will no longer offer hub-level connecting service in Cleveland, Ohio. United Airlines will go from 166 average annual daily departures to about 65, a decrease of 61% and will reduce average daily seats by 46%. United Airlines will go from 7,400,000 available seat miles (ASM's) to 4,800,000 ASM's, a reduction of 36% and will go from 58 peak-day destinations to 20, a reduction of 66%.

As a result of the announcement by United Airlines that it would be cutting its daily departures from Cleveland Hopkins Airport and would no longer maintain a hub at the airport, Fitch Ratings announced on February 5, 2014 that it had downgraded its rating on the City's Airport System Revenue Bonds from A- (negative outlook) to BBB+ (negative outlook). In addition, on February 13, 2014, Standard & Poor's Ratings Services placed its A- rating on the Airport's bonds on CreditWatch with negative implications.

Effective February 12, 2014, the City issued $24,255,000 Airport System Revenue Bonds, Series 2014A and $9,070,000 Airport System Revenue Bonds, Series 2014B. The Series 2014A Bonds refunded the outstanding $24,255,000 Airport System Revenue Bonds, Series 2009A while the 2014B Bonds refunded the outstanding $9,070,000 Airport System Revenue Bonds, Series 2009B. These refundings were done as a result of the expiration of the existing letters of credit on the bonds. The 2014A & B Bonds were directly purchased by U.S. Bank National Association as variable rate bonds. The City expects to realize $5.4 million or 22.6% of aggregate net present value savings on the Series 2014A Bonds and $635,000 or 7.0% net present value savings on the Series 2014B Bonds.

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.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	Restated 2012
ASSETS	(Amounts in 000's)	
CURRENT ASSETS		
Cash and cash equivalents	$ 89,887	$ 87,196
Restricted cash and cash equivalents	10,006	7,037
Investments	4,008	
Receivables:		
Accounts-net of allowance for doubtful accounts of $1,296,000 in 2013 and $2,000,000 in 2012	2,967	7,732
Unbilled revenue	3,860	3,314
Total receivables	6,827	11,046
Prepaid expenses	68	323
Due from other funds		34
Due from other governments	1,801	2,976
Materials and supplies-at cost	2,079	2,343
TOTAL CURRENT ASSETS	114,676	110,955
RESTRICTED ASSETS		
Cash and cash equivalents	258,765	286,051
Accrued interest receivable	2	1
Accrued passenger facility charges	2,214	2,244
TOTAL RESTRICTED ASSETS	260,981	288,296
CAPITAL ASSETS		
Land	167,457	167,457
Land improvements	75,655	74,153
Buildings, structures and improvements	335,589	334,242
Furniture, fixtures and equipment	31,803	29,168
Infrastructure	996,934	975,801
Vehicles	15,439	14,651
	1,622,877	1,595,472
Less: Accumulated depreciation	(769,366)	(729,465)
	853,511	866,007
Construction in progress	42,844	29,011
CAPITAL ASSETS, NET	896,355	895,018
TOTAL ASSETS	1,272,012	1,294,269
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding	24,482	26,976
TOTAL DEFERRED OUTFLOWS OF RESOURCES	24,482	26,976
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,296,494	$ 1,321,245

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	Restated 2012
LIABILITIES AND NET POSITION	(Amounts in 000's)	
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 32,120	$ 16,285
Current portion of long-term deferred payment obligation, due within one year	280	3,230
Accounts payable	3,501	3,246
Landing fee settlement payable to airlines	2,826	300
Due to other funds	1,653	1,412
Current portion of accrued wages and benefits	3,229	4,079
Accrued interest payable	17,442	17,632
Accrued property taxes	5,861	5,968
Construction fund payable from restricted assets	3,945	1,913
Other construction accounts payable from restricted assets	6,061	5,124
TOTAL CURRENT LIABILITIES	76,918	59,189
LONG-TERM OBLIGATIONS - excluding amounts due within one year		
Revenue bonds	848,314	883,678
Deferred payment obligation		280
Accrued wages and benefits	577	595
TOTAL LONG-TERM OBLIGATIONS	848,891	884,553
TOTAL LIABILITIES	925,809	943,742
NET POSITION		
Net investment in capital assets	119,552	127,557
Restricted for debt service	126,799	111,467
Restricted for passenger facility charges	10,324	17,670
Unrestricted	114,010	120,809
TOTAL NET POSITION	370,685	377,503
TOTAL LIABILITIES AND NET POSITION	$ 1,296,494	$ 1,321,245

(Concluded)

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	2013	Restated 2012
	(Amounts in 000's)	
OPERATING REVENUES		
Landing fees:		
Scheduled airlines	$ 28,710	$ 34,923
Other	2,315	1,753
	31,025	36,676
Terminal and concourse rentals:		
Scheduled airlines	35,601	36,280
Other	16,438	15,853
	52,039	52,133
Concessions	24,055	21,960
Utility sales and other	6,125	3,874
TOTAL OPERATING REVENUES	113,244	114,643
OPERATING EXPENSES		
Operations	63,348	64,454
Maintenance	3,816	4,401
Depreciation	50,865	50,541
TOTAL OPERATING EXPENSES	118,029	119,396
OPERATING INCOME (LOSS)	(4,785)	(4,753)
NON-OPERATING REVENUE (EXPENSE)		
Passenger facility charges revenue	17,716	17,832
Non-operating revenue (expense)	(2,207)	(6,300)
Sound insulation program	(2,197)	(577)
Loss on disposal of capital asset	(491)	(59)
Investment income (loss)	257	272
Interest expense	(33,105)	(29,571)
Amortization of bond discounts/premiums, loss on debt refundings	746	2,782
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(19,281)	(15,621)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(24,066)	(20,374)
Capital and other contributions	17,248	9,149
INCREASE (DECREASE) IN NET POSITION	(6,818)	(11,225)
NET POSITION, BEGINNING OF YEAR (as restated)	377,503	388,728
NET POSITION, END OF YEAR	$ 370,685	$ 377,503

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
	(Amounts in 000's)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 110,526	$ 120,276
Cash payments to suppliers for goods and services	(32,333)	(38,839)
Cash payments to employees for services	(28,683)	(28,850)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	49,510	52,587
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash payments for sound insulation of homes	(1,860)	(641)
Cash payments for other non-operating costs	(2,484)	(3,827)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(4,344)	(4,468)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(47,943)	(22,452)
Cash receipts for passenger facility charges	17,746	17,867
Proceeds from revenue bonds	58,000	252,946
Transfer to escrow agent for bond refunding	(58,000)	(252,379)
Principal paid on long-term debt	(16,285)	(13,903)
Interest paid on long-term debt	(35,560)	(32,871)
Capital grant proceeds	19,002	6,846
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(63,040)	(43,946)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(64,994)	(105,981)
Proceeds from sale and maturity of investment securities	61,000	185,583
Interest received on investments	242	449
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	(3,752)	80,051
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,626)	84,224
Cash and cash equivalents, beginning of year	380,284	296,060
Cash and cash equivalents, end of year	$ 358,658	$ 380,284

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
	(Amounts in 000's)	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ (4,785)	$ (4,753)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	50,865	50,541
Noncash rental income	(3,389)	(3,389)
Changes in assets and liabilities:		
Accounts receivable, net	4,765	6,334
Unbilled revenue	(546)	285
Landing fees - due from airlines		3,850
Prepaid expenses	255	7
Due from other funds	34	(34)
Materials and supplies, at cost	264	(225)
Accounts payable	255	(377)
Due to other funds	241	443
Accrued wages and benefits	(868)	124
Landing fees - due to airlines	2,526	300
Accrued property taxes	(107)	(519)
TOTAL ADJUSTMENTS	54,295	57,340
NET CASH PROVIDED BY OPERATING ACTIVITIES	$49,510	$ 52,587
Noncash operating activities:		
Rental Income	$3,389	$3,389

(Concluded)

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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 March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the Divisions implemented GASB Statement No. 65 for 2013 and restated its comparative financial statements for 2012.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Divisions have determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Divisions have determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Net investment in capital assets
- Amount restricted for debt service
- Amount restricted for passenger facility charges
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Divisions is included in these notes. The implementation of the new GASB statements did result in a change in the Divisions' beginning net position as previously reported.

Basis of Accounting: The Divisions' financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized when incurred.

Statement of Cash Flows: The Divisions utilize the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and all investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Divisions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Divisions follow the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market values.

The Divisions have invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2013 and 2012. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted for Passenger Facility Charges: These assets are for passenger facility charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. These are restricted for designated capital projects or debt service.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a useful life in excess of one year and an individual cost of more than $5,000 for furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Land Improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures and equipment	3 to 35 years
Infrastructure	3 to 50 years
Vehicles	3 to 35 years

The Divisions' policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Divisions apply Governmental Accounting Standards Board guidance pertaining to capitalization of interest cost in situations involving certain tax-exempt borrowings and certain gifts and grants, for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2013 and 2012, total interest costs incurred amounted to $35,543,000 and $34,165,000, respectively, of which $2,423,000 and $4,594,000 respectively, was capitalized, net of interest income of $15,000 in 2013 and $0 in 2012.

Bond Issuance Costs, Discounts/Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

Compensated Absences: The Divisions accrue for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Environmental Expenses: Environmental expenses consist of costs incurred for remediation efforts to airport property. Environmental expenses that relate to current operations are expensed or capitalized, as appropriate. Environmental expenses that relate to existing conditions caused by past operations and which do not contribute to future revenues are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

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

Non-operating Expenses: Non-operating expenses relate to expenses of the Divisions incurred for purposes other than the operations of the airports and consist primarily of interest costs incurred on the Divisions' long-term debt. The funding for non-operating expenses is non-operating revenue (passenger facility charges, revenue bonds and federal grants).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions: During the course of normal operations, the Divisions have numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Interfund receivables and payables balances at December 31, 2013 and 2012 are as follows:

	2013 Due From	2013 Due To	2012 Due From	2012 Due To
	(Amounts in 000's)			
City of Cleveland General Fund	$	$ 232	$ 34	$ 269
Division of Water Pollution Control		303		227
Division of Cleveland Public Power		20		17
Workers' Compensation Refund Reserve		944		674
Division of Radio Communication		20		4
Division of Parking		2		
Division of Printing		4		5
Division of Motor Vehicle Maintenance		18		86
Sinking Fund Administration		8		34
Division of Telephone Exchange		102		96
	$ -	$ 1,653	$ 34	$ 1,412

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

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

	Interest Rate	Original Issuance	2013	2012
			(Amounts in 000's)	
Airport System Revenue Bonds:				
Series 2000, due through 2031	4.00%-5.00%	$ 149,000	$ 149,000	$ 149,000
Series 2006, due through 2024	5.00%-5.25%	118,760	113,715	115,025
Series 2007, due through 2027	4.00%-5.00%	11,255	9,095	9,645
Series 2008, due through 2033	Variable Rate	76,700	5,975	63,975
Series 2009, due through 2027	.04%-5.00%	248,280	205,205	216,750
Series 2011, due through 2024	3.00%-5.00%	74,385	71,505	74,385
Series 2012, due through 2031	5.00%	235,150	235,150	235,150
Series 2013, due through 2033	Variable Rate	58,000	58,000	
		$ 971,530	847,645	863,930
Unamortized (discount) premium			32,789	36,033
Current portion (due within one year)			(32,120)	(16,285)
Total Long-Term Debt excluding the deferred payment obligation			$ 848,314	$ 883,678

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

Summary: Changes in long-term obligations for the year ended December 31, 2013 are as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(Amounts in 000's)		
Airport System Revenue Bonds:					
Series 2000	$ 149,000	$	$	$ 149,000	$ 5,200
Series 2006	115,025		(1,310)	113,715	7,160
Series 2007	9,645		(550)	9,095	570
Series 2008	63,975		(58,000)	5,975	
Series 2009	216,750		(11,545)	205,205	11,870
Series 2011	74,385		(2,880)	71,505	7,320
Series 2012	235,150			235,150	
Series 2013		58,000		58,000	
Total revenue bonds	863,930	58,000	(74,285)	847,645	32,120
Accrued wages and benefits	4,674	3,211	(4,079)	3,806	3,229
Total	$ 868,604	$ 61,211	$ (78,364)	$ 851,451	$ 35,349

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

Summary: Changes in long-term obligations for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
			(Amounts in 000's)		
Airport System Revenue Bonds:					
Series 2000	$ 398,445	$	$ (249,445)	$ 149,000	$
Series 2006	116,270		(1,245)	115,025	1,310
Series 2007	10,175		(530)	9,645	550
Series 2008	64,925		(950)	63,975	
Series 2009	227,685		(10,935)	216,750	11,545
Series 2011	74,385			74,385	2,880
Series 2012		235,150		235,150	
Total revenue bonds	891,885	235,150	(263,105)	863,930	16,285
Accrued wages and benefits	4,550	4,096	(3,972)	4,674	4,079
Total	$ 896,435	$ 239,246	$ (267,077)	$ 868,604	$ 20,364

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(Amounts in 000's)	
2014	$ 32,120	$ 40,228	$ 72,348
2015	33,155	38,807	71,962
2016	34,415	37,265	71,680
2017	39,765	35,466	75,231
2018	41,900	33,534	75,434
2019-2023	230,995	135,434	366,429
2024-2028	245,500	78,689	324,189
2029-2033	189,795	15,861	205,656
Total	$ 847,645	$ 415,284	$ 1,262,929

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

The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture. Further, the City has assigned to the trustee all its interest in and rights to the airline use agreements under the revenue bond indenture. Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, is classified as restricted assets in these financial statements.

As of December 31, 2013 and 2012, the Divisions were in compliance with the terms and requirements of the bond indenture.

The indenture, as amended, requires, among other things, that the Divisions (1) make equal monthly deposits to the Bond Service Fund to have sufficient assets available to meet debt service requirements on the next payment date; (2) maintain the Bond Service Reserve Fund equal in amount to the maximum annual debt service to be paid in any year; and (3) as long as any revenue bonds are outstanding, charge such rates, fees and charges for use of the airport system to produce in each year, together with other available funds, net revenues (as defined) at least equal to the greater of (a) 116% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125% of the annual debt service due in such year on all outstanding bonds.

From time to time, the Divisions have defeased certain Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. However, at December 31, 2013 and 2012 there was no defeased debt outstanding.

The City has pledged future airport revenues to repay $847,645,000 in Airport System Revenue Bonds issued in various years since 2001. Proceeds from the bonds provided financing for airport facilities. The bonds are payable from airport revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 78% of net revenues. The total principal and interest remaining to be paid on the various airport system revenue bonds is $1,262,929,000. Principal and interest paid for the current year and total net revenues (including other available funds) were $67,489,000 and $87,452,000, respectively.

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

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

Effective February 23, 2012, the City issued $235,150,000 Airport System Revenue Bonds, Series 2012A. Proceeds of the bonds were used to refund the outstanding $249,445,000 Airport System Revenue Bonds, Series 2000A and to pay the costs of issuing the bonds. Net proceeds of the Series 2012A Bonds, amounts on hand in the Series 2000 interest account and an amount released from the debt service reserve fund together, totaling $252,378,809, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on March 26, 2012. As a result, the refunded bonds were defeased and the liability for the 2000A Bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $25.1 million or an economic gain (the difference between the present values of the old and new debt service payments) of approximately $15.12 million or 6.06%.

NOTE C – SPECIAL FACILITY REVENUE BONDS

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

NOTE D – DEFERRED PAYMENT OBLIGATION / I-X CENTER

In January 1999, the City purchased the International Exposition (I-X) Center and the land on and around it for $66.5 million as part of its master plan to expand Cleveland Hopkins International Airport. As part of the purchase agreement, the City leased the building back to the former owner for 15 years, after which the City may demolish the building to make way for airport development. Of the $66.5 million purchase price, $36.5 million was paid in cash in 1999. The remaining $30.0 million, including interest at 7.75%, is being deferred by the seller and will be offset by future lease payments owed to the City over the 15 year lease period. The future lease payments are equal to the remaining purchase price plus interest at 7.75%, and as such, no cash will be exchanged between the City and the lessee over the term of the lease. The deferred payment is reported as "Deferred Payment Obligation" in the accompanying statement of net position.

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

NOTE D – DEFERRED PAYMENT OBLIGATION / I-X CENTER (Continued)

Minimum principal and interest payments due by the City on the deferred payment obligation and future minimum lease rentals due to the City under this lease for the next two years are as follows:

	Deferred Payment Obligation			
	Principal	Interest	Total	Future Minimum Rentals
		(Amounts in 000's)		
2014	$ 280	$ 2	$ 282	$ 282
Total	$ 280	$ 2	$ 282	$ 282

Rental income recognized by the Divisions under this agreement totaled $3,389,000 in 2013 and 2012. Of these amounts in 2013, $159,000 was offset against interest expense and $3,230,000 was offset against the principal balance of the deferred obligation. Of these amounts in 2012, $399,000 was offset against interest expense and $2,990,000 was offset against the principal balance of the deferred obligation. Additional information relating to the I-X Center is in Note O – Subsequent Events.

NOTE E – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2013 and 2012 totaled approximately $41,340,000 and $50,562,000, respectively, and the Divisions' bank balance was approximately $53,145,000 and $53,754,000, 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,* $53,145,000 and $53,754,000 of the bank balances at December 31, 2013 and 2012, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

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

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of Reverse Repurchase Agreements.

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

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Divisions invest primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table on the following page.

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, 2013 and 2012 include U.S. Treasury Notes, STAROhio, mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in STAROhio, Dreyfus Government Cash Management Mutual Funds and Federated Government Obligation Mutual Funds carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service**.**

NOTE E – 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, 2013 and 2012, 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	2013 Fair Value	2013 Cost	2012 Fair Value	2012 Cost	Investment Maturities Less than One Year	Investment Maturities 1 - 5 Years
	(In thousands)					
U.S. Treasury Notes	$ 4,008	$ 3,994	$	$	$	$ 4,008
STAROhio	83,633	83,633	84,113	84,113	83,633	
Mutual Funds	233,656	233,656	245,609	245,609	233,656	
Other Investments	29	29			29	
Total Investments	321,326	321,312	329,722	329,722	317,318	4,008
Total Deposits	41,340	41,340	50,562	50,562	41,340	
Total Deposits and Investments	$ 362,666	$ 362,652	$ 380,284	$ 380,284	$ 358,658	$ 4,008

These amounts are monies invested by the City Treasurer on behalf of the Divisions and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Investment type "Other Investments" consist of deposits in collective cash escrow pools managed by Bank of New York Melon, as trustee.

As of December 31, 2013, the investments in U.S. Treasury Notes, STAROhio, mutual funds and other are approximately 1%, 26%, 73% and less than 1%, respectively; of the Divisions' total investments. As of December 31, 2012, the investments in STAROhio and mutual funds are approximately 26% and 74%, respectively, of the Divisions' total investments.

NOTE F – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2013 was as follows:

	January 1, 2013	Additions	Reductions	December 31, 2013
		(Amounts in 000's)		
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$	$ 167,457
Construction in progress	29,011	19,260	(5,427)	42,844
Total capital assets, not being depreciated	196,468	19,260	(5,427)	210,301
Capital assets, being depreciated:				
Land improvements	74,153	5,562	(4,060)	75,655
Buildings, structures and improvements	334,242	8,467	(7,120)	335,589
Furniture, fixtures and equipment	29,168	2,677	(42)	31,803
Infrastructure	975,801	21,133		996,934
Vehicles	14,651	1,021	(233)	15,439
Total capital assets, being depreciated	1,428,015	38,860	(11,455)	1,455,420
Less: Total accumulated depreciation	(729,465)	(50,852)	10,951	(769,366)
Total capital assets being depreciated, net	698,550	(11,992)	(504)	686,054
Capital assets, net	$ 895,018	$ 7,268	$ (5,931)	$ 896,355

NOTE F – CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2012 was as follows:

	January 1, 2012	Additions	Reductions	December 31, 2012
	(Amounts in 000's)			
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$	$ 167,457
Construction in progress	36,246	19,434	(26,669)	29,011
Total capital assets, not being depreciated	203,703	19,434	(26,669)	196,468
Capital assets, being depreciated:				
Land improvements	74,153			74,153
Buildings, structures and improvements	329,324	5,339	(421)	334,242
Furniture, fixtures and equipment	23,305	6,470	(607)	29,168
Infrastructure	956,696	19,105		975,801
Vehicles	14,993	162	(504)	14,651
Total capital assets, being depreciated	1,398,471	31,076	(1,532)	1,428,015
Less: Total accumulated depreciation	(680,397)	(50,541)	1,473	(729,465)
Total capital assets being depreciated, net	718,074	(19,465)	(59)	698,550
Capital assets, net	$ 921,777	$ (31)	$ (26,728)	$ 895,018

Commitments: As of December 31, 2013 and 2012, the Divisions had capital expenditure purchase commitments outstanding of approximately $51,344,000 and $59,877,000, respectively.

NOTE G – LEASES AND CONCESSIONS

The Divisions lease specific terminal and concourse areas to the various airlines under terms and conditions of the airline use agreements. These agreements remain in effect until December 31, 2015 and under the terms of the agreements, rental payments and landing fees paid by the airlines are adjusted annually to provide airport revenues sufficient to meet the financial requirements of the airport system. Other areas are leased to various occupants under separate agreements.

NOTE G – LEASES AND CONCESSIONS (Continued)

The Divisions have various concession agreements that permit the concessionaires and certain others to operate on airport property. These agreements usually provide for payments based on a percentage of the revenues, with an annual minimum payment guarantee and in certain circumstances for the offset of percentage rents to the extent of certain improvements made to the leased property. Portions of the building costs in the statement of net position are held by the Divisions for the purpose of rental use. The net book value of property held for operating leases as of December 31, 2013 and 2012 is approximately $189,633,000 and $183,059,000 respectively.

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

(Amounts in 000's)	
2014	$ 15,831
2015	9,661
2016	9,153
2017	8,162
2018	4,064
Thereafter	18,893
	$ 65,764

Under the Master Lease and Use Agreement, which leases space in the terminal building and other areas, the Divisions are subject to fluctuating rates.

Contingent operating revenues aggregated approximately $15,093,000 and $15,711,000, respectively, in 2013 and 2012.

NOTE H – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Divisions for personal injuries, property damage and other matters. The City is responsible for the suits. The City’s management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Divisions’ financial position, results of operations or cash flows.

Risk Management: The Divisions are exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Divisions carry insurance to cover particular liabilities and property protection. Otherwise, the Divisions are generally self-insured. No material losses, including incurred but not reported losses, occurred in 2013 or 2012. There was no significant decrease in any insurance coverage in 2013 or 2012. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. 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 H – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims payable has been included with accounts payable and is considered to be immaterial for the Divisions.

NOTE I – DEFINED BENEFIT PENSION PLAN

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

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The Divisions' required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were $2,598,000, $2,095,000 and $2,048,000 each year, respectively. The required payments due in 2013, 2012 and 2011 have been made.

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

NOTE J – OTHER POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 1.00% for members of the Traditional Plan in 2013 and 4.00% in 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Divisions' actual contributions to OPERS to fund postemployment benefits were $200,000 in 2013, $838,000 in 2012 and $819,000 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

NOTE K – RELATED PARTY TRANSACTIONS

The Divisions are provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
	(Amounts in 000's)	
City Central Services, including police	$ 8,740	$ 8,306
Electricity purchased	237	239
Motor vehicle maintenance	395	577

NOTE L – LANDING FEE ADJUSTMENT AND INCENTIVE COMPENSATION

Under the terms of the airline use agreements, if the annual statement for the preceding term demonstrates that airport revenues over expenses (both as defined) is greater or less than that used in calculating the landing fee for the then current term, such difference shall be charged or credited to the airlines over the remaining billing periods in the current term. The landing fee adjustment for 2013 was payable to the Airlines from the Division in the amount of $2,826,000. The landing fee adjustment for 2012 was payable to the Airlines from the Division in the amount of $300,000.

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 2013 and 2012.

NOTE M – PASSENGER FACILITY CHARGES

On November 1, 1992, Cleveland Hopkins International Airport began collecting Passenger Facility Charges (PFC's) subject to title 14, Code of Federal Regulations, Part 158. PFC's are fees imposed on passengers enplaned by public agencies controlling commercial service airports for the strict purpose of supporting airport planning and development projects. The charge is collected by the airlines and remitted to the airport operator net of an administrative fee to be retained by the airline and refunds to passengers.

NOTE M – PASSENGER FACILITY CHARGES (Continued)

As of December 31, 2013, Cleveland Hopkins International Airport had the authority from the Federal Aviation Administration to collect approximately $556 million, of which an estimated 15.1% will be spent on noise abatement for the residents of communities surrounding the airport, 56.3% on runway expansion and 28.6% on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

NOTE N – MAJOR CUSTOMER

In 2013 and 2012, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 36% and 45% respectively, of total operating revenue.

NOTE O – SUBSEQUENT EVENTS

Pursuant to Amendment Number One to Lease Agreement, entered into on November 21, 2008 between the City and I-X Center Corporation, commencing February 1, 2014, I-X Center Corporation is to begin paying annual rent of $2,000,000. This will be paid in monthly installments during the duration of the lease extension which primary term expires on January 31, 2019.

On February 3, 2014, United Airlines announced a 60% reduction in average daily departures from Cleveland and a reduction of regional departures from Cleveland by over 70%. United Airlines will no longer offer hub-level connecting service in Cleveland, Ohio. United Airlines will go from 166 average annual daily departures to about 65, down 61% and will reduce average daily seats by 46%. United Airlines will go from 7.4 million available seat miles (ASM's) to 4.8 million ASM's, a reduction of 36% and will go from 58 peak-day destinations to 20, a reduction of 66%.

As a result of the announcement by United Airlines that it would be cutting its daily departures from Cleveland Hopkins Airport and would no longer maintain a hub at the airport, Fitch Ratings announced on February 5, 2014 that it had downgraded its rating on the City's Airport System Revenue Bonds from A- (negative outlook) to BBB+ (negative outlook). In addition, on February 13, 2014, Standard & Poor's Ratings Services placed its A- rating on the Airport's bonds on CreditWatch with negative implications.

Effective February 12, 2014, the City issued $24,255,000 Airport System Revenue Bonds, Series 2014A and $9,070,000 Airport System Revenue Bonds, Series 2014B. The Series 2014A Bonds refunded the outstanding $24,255,000 Airport System Revenue Bonds, Series 2009A while the 2014B Bonds refunded the outstanding $9,070,000 Airport System Revenue Bonds, Series 2009B. These refundings were done as a result of the expiration of the existing letters of credit on the bonds. The 2014A & B Bonds were directly purchased by U.S. Bank National Association as variable rate bonds. The City expects to realize $5.4 million or 22.6% of aggregate net present value savings on the Series 2014A Bonds and $635,000 or 7.0% net present value savings on the Series 2014B Bonds.

NOTE P – RESTATEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. The Statement changed the treatment of bond issuance costs. Previously, the costs were recorded as assets and amortized over the life of the related debt issue. The GASB evaluated these costs and concluded that with the exception of prepaid insurance, the costs relate to services provided in the current period and thus they should be expensed in the current period. This statement also changed the treatment of loss on refunding. Prior to GASB 65, loss on refunding was included in revenue bonds. It is now reported as a deferred outflow of resources. This is reflected as a reclassification in the 2012 financial figures.

In 2012, the Divisions had a reclassification of passenger facility charges revenue that was being included in utility sales and other. Due to methodology of recording, these revenues were reclassified.

Impact on Statements of Net Position	December 31, 2012	Restatement/Reclass (Amounts in 000's)	Restated December 31, 2012
Unamortized bond issuance cost	$ 16,497	$ (16,497)	$ -
Deferred outflows of resources			
Loss on refunding		26,976	26,976
Long-term obligations			
Revenue bonds	856,702	26,976	883,678
Unrestricted net position	137,306	(16,497)	120,809

Impact on Statement of Revenues, Expenses and Changes In Net Position	2012	Restatement/Reclass (Amounts in 000's)	Restated 2012
Utility sales and other	$ 5,925	$ (2,051)	$ 3,874
Passenger facility charges revenue	15,781	2,051	17,832
Non-operating revenue (expense)	(3,437)	(2,863)	(6,300)
Amortization of bond issuance expense, bond discounts and loss on debt refundings	(756)	3,538	2,782
Total non-operating revenue (expense) - net	(18,347)	2,726	(15,621)
Increase (decrease in net position)	(11,900)	675	(11,225)
Net position, beginning of year	405,900	(17,172)	388,728

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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, 2013

	Cleveland Hopkins International	Burke Lakefront	Total
	(Amounts in 000's)		
REVENUE			
Airline revenue:			
Landing fees	$ 28,710	$	$ 28,710
Terminal rental	35,601		35,601
Other	3,042		3,042
	67,353	-	67,353
Operating revenues from other sources:			
Concessions	23,794	261	24,055
Rentals	11,289	260	11,549
Landing fees	2,192	123	2,315
Other	4,483	100	4,583
	41,758	744	42,502
Non-operating revenue:			
Interest income	144		144
TOTAL REVENUE	$ 109,255	$ 744	$ 109,999
OPERATING EXPENSES			
Salaries and wages	$ 19,382	$ 887	$ 20,269
Employee benefits	7,484	367	7,851
City Central Services, including police	8,927	209	9,136
Materials and supplies	7,154	194	7,348
Contractual services	22,214	346	22,560
TOTAL OPERATING EXPENSES	$ 65,161	$ 2,003	$ 67,164

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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, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with the passenger facility charge program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Divisions' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Divisions' compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2013.

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, 2013, and have issued our report thereon dated June 26, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the Divisions' basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements as a whole. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated in all material respects in relation to the Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2014

City of Cleveland - Department of Port Control
Cleveland Hopkins International Airport
Schedule of Expenditures of Passenger Facility Charges
For the Period Ending December 31, 2013

Projects	Approved Project Budget	Cumulative Expenditures 2012	2013 1st Quarter Expenditures	2013 2nd Quarter Expenditures	2013 3rd Quarter Expenditures	2013 4th Quarter Expenditures	2013 YTD Expenditures	Cumulative Expenditures through 2013
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	929,393		25,837	12,919	12,919	51,675	981,068
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	5,083,729		41,101	20,551	20,551	82,203	5,165,932
Concourse D Ramp/Site Utilities	51,305,804	46,910,860		379,011	189,505	189,505	758,021	47,668,881
Burke Runway Overlay 6L/24R	530,286	530,286					-	530,286
Burke ILS	2,181,400	1,777,176		34,859	17,430	17,430	69,719	1,846,895
Runway 6L/23R	270,550,360	133,566,509		11,813,192	5,906,595	5,906,595	23,626,382	157,192,891
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	870,000						-	-
Deicing Environmental Upgrades	1,410,000						-	-
Main Terminal Roof Replacement	500,000						-	-
Main Terminal Boiler Replacement	1,510,000						-	-
Roadway Expansion Joint Repair/Replacement	1,000,000						-	-
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	3,868,000						-	-
Airport-wide In-line Baggage System Design	850,000						-	-
Airport Master Plan Update	2,100,000						-	-
Runway 10/28- Runway Safety Area Improvements	11,659,300	7,089,708	258,523				258,523	7,348,231
South Cargo Ramp Rehabilitation	3,000,000						-	-
Taxiway N Rehabilitation	4,400,000						-	-
SIDA Security System Enhancements	1,000,000						-	-
Interactive Part 139 Airport Operations Training Program	250,000						-	-
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	4,160,000						-	-
Total	$ 556,116,449	$ 383,108,689	$ 258,523	$ 12,294,000	$ 6,147,000	$ 6,147,000	$ 24,846,523	$ 407,955,212

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, 2013

GENERAL

The accompanying schedule presents all activity of the Airport's Passenger Facility Charge (PFC) program. The Airport's reporting entity is defined in Note A – Summary of Significant Accounting Policies to the Airports' financial statement.

BASIS OF PRESENTATION

The accompanying schedule is presented on the cash basis of accounting.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio (the "Division") as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note M to the basic financial statements, in 2013, the Division adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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 26, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Cleveland Public Power (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2013 and 2012. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 14.

The Division was created in 1906 and charged with the responsibility for the distribution of electricity and related electric service to customers within its service areas. The Division operates a municipal electric system that is the largest in the State of Ohio and the thirty-ninth largest in the United States. The Division serves an area that is bound by the City limits and presently serves approximately 74,000 customers.

The Division is one of the very few municipal electric companies in the United States that competes with an investor-owned utility, in this case First Energy Corporation's Cleveland Electric Illuminating Company (CEI).

According to the 2010 census reports, the City's population is 397,000 people. There are approximately 208,000 residential dwelling units and 11,000 commercial units. The Division has distribution facilities in about 60% of the geographical area of the City, primarily on the east side.

The Division obtains substantially all of its power and energy requirements through agreements with various regional utilities and other power suppliers for power delivered through CEI interconnections. The balance of the Division's power and energy requirements are satisfied with production from the Division's three combustion turbine generating units and various arrangements for the exchange of short-term power and energy. To reduce its reliance on the wholesale market, the Division's long-term base load supply will include a mix of power provided by participation in American Municipal Power (AMP) Inc. hydroelectric projects, the Fremont Energy Center, the Prairie State Energy Campus project and new/emerging alternative energy technologies.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The Division's net position was $208,402,000, $208,545,000 and $205,650,000 at December 31, 2013, 2012 and 2011, respectively. Of these amounts, $41,764,000, $49,824,000 and $55,289,000 are unrestricted net position at December 31, 2013, 2012 and 2011, respectively, that may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position decreased by $143,000 in 2013 and increased by $2,895,000 in 2012. Total net position at December 31, 2012 and 2011 was decreased by $2,646,000 and $2,947,000 respectively, when unamortized bond issuance costs were removed from the Statements of Net Position due to restatement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- Operating revenue increased by $5,115,000 or 3.1%. Purchased power increased by $5,141,000 or 5.4% and total operating expenses increased by $5,329,000 or 3.5% for 2013. In addition, investment income decreased by $21,000 or 26.3%, interest expense increased by $346,000 or 3.6% and amortization of bond premiums and discounts decreased by $10,000 or 12.8%.

- During 2013, the Division had an increase in capital assets, net of accumulated depreciation of $5,394,000 or 1.6%. The principal capital expenses in 2013 were for the Lake Road Project. These additions were offset by current year depreciation.

- The Division's total long-term bonded debt decreased by $12,710,000 and $10,705,000 for the years ended December 31, 2013 and 2012, respectively. The decrease in both years is attributed mainly to scheduled debt service payments made to bondholders.

- In 2005, the Division was impacted by the introduction of Seams Elimination Cost Adjustment (SECA), which was mandated by the Federal Energy Regulatory Commission (FERC). Seams are price inefficiencies arising from operational or rate schedule differences in markets that cross borders. For additional information see Note L. The Division paid SECA charges totaling $10,800,000 to Midwest Independent System Operator from December 2004 to March 2006 and has been refunded $5,655,000 as of December 31, 2013. The remaining amounts will be billed to customers in future years.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Division of Cleveland Public Power Fund is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and accrual basis of accounting are used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 14 – 19 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 21 - 39 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 Division as of December 31, 2013, 2012 and 2011.

	2013	Restated 2012	Restated 2011
		(In thousands)	
Assets:			
Capital assets, net of accumulated depreciation	$ 341,021	$ 335,627	$ 332,052
Restricted assets	46,456	54,862	59,031
Current assets	79,284	80,470	85,253
Deferred outflows of resources	12,459	14,189	15,640
Total assets and deferred outflows of resources	479,220	485,148	491,976
Net Position and Liabilities:			
Net Position:			
Net investment in capital assets	162,124	153,436	145,158
Restricted for capital projects	473	1,309	1,309
Restricted for debt service	4,041	3,976	3,894
Unrestricted	41,764	49,824	55,289
Total net position	208,402	208,545	205,650
Liabilities:			
Long-term obligations	234,806	242,658	252,791
Current liabilities	36,012	33,945	33,535
Total liabilities	270,818	276,603	286,326
Total net position and liabilities	$ 479,220	$ 485,148	$ 491,976

***Restricted assets**:* The Division's restricted assets decreased by $8,406,000 and $4,169,000 in 2013 and 2012 respectively. The decreases for both years are primarily related to use of revenue bond funds for capital project expenses.

Current assets: The Division's current assets decreased by $1,186,000 in 2013 and decreased by $4,783,000 in 2012, respectively. The decrease in 2013 is mainly due to a decrease of $10,235,000 in cash and cash equivalents and a decrease of $1,012,000 in materials and supplies, offset by an increase of $10,063,000 in recoverable costs of purchased power, of which $3,045,000 is for Energy Adjustment Charge, $5,144,000 for SECA and $1,874,000 for AMP. For additional information on SECA see Note L.

The decrease in 2012 is mainly due to a decrease in net accounts receivable of $3,155,000 as a result of decreased billings. There was also a net decrease of $1,348,000 in cash and cash equivalents and investments as well as a decrease of restricted cash and cash equivalents of $620,000. These items were offset by a $755,000 increase in due from other City of Cleveland departments, divisions and funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: The Division's capital assets as of December 31, 2013 amounted to $341,021,000 (net of accumulated depreciation). The total increase in the Division's net capital assets for the current year was $5,394,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2013 is as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Land	$ 5,249	$	$ (220)	$ 5,029
Land improvements	305			305
Utility plant	495,234	22,281	(4,759)	512,756
Buildings, structures and improvements	21,413	6	(71)	21,348
Furniture, fixtures, equipment and vehicles	81,036	2,215	(1,058)	82,193
Construction in progress	46,583	20,944	(19,440)	48,087
Total	649,820	45,446	(25,548)	669,718
Less: Accumulated depreciation	(314,193)	(18,106)	3,602	(328,697)
Capital assets, net	$ 335,627	$ 27,340	$ (21,946)	$ 341,021

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

A summary of the activity in the Division's capital assets during the year ended December 31, 2012 is as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
	(In thousands)			
Land	$ 4,863	$ 386	$	$ 5,249
Land improvements	305			305
Utility plant	473,921	21,313		495,234
Buildings, structures and improvements	20,080	1,333		21,413
Furniture, fixtures, equipment and vehicles	79,996	2,980	(1,940)	81,036
Construction in progress	52,049	18,246	(23,712)	46,583
Total	631,214	44,258	(25,652)	649,820
Less: Accumulated depreciation	(299,162)	(16,971)	1,940	(314,193)
Capital assets, net	$ 332,052	$ 27,287	$ (23,712)	$ 335,627

The principal capital additions during 2013 included the following:

- Lake Road Project - $7,737,000
- Flats East Bank - $1,193,000
- Emergency Transformer Repair - $1,018,000
- 800 MGHz Radio System - $592,000
- New Vehicles - $1,086,000

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D to the basic financial statements.

Current liabilities: The increase in current liabilities of $2,067,000 in 2013 is mainly due to the increase of $1,894,000 in accounts payable. The rise is primarily attributed to increased purchased power costs.

Long-term obligations: The long-term obligation decrease of $7,852,000 in 2013 is mainly attributed to scheduled debt service payments, offset by an increase in other of $3,498,000.

At December 31, 2013, the Division had total bonded debt outstanding of $232,403,000. All bonds are backed by the revenues generated by the Division.

The Division issued revenue bonds in the public capital markets in the late 1980's and early 1990's to finance a substantial expansion to its service territory. The Division also issued bonds in April 2008 for system expansion. In 2006, 2010 and 2012, the Division issued bonds to refinance a portion of its long-term debt. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2013, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

	Balance January 1, 2013	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2013
			(In thousands)		
Revenue Bonds:					
Mortgage Revenue Bonds 1994 A	$ 7,325	$	$	$ (7,325)	$ -
Revenue Bonds 2006 A-1	95,265				95,265
Revenue Bonds 2006 A-2	12,295				12,295
Revenue Bonds 2008 A	21,105				21,105
Revenue Bonds 2008 B-1	43,795			(940)	42,855
Revenue Bonds 2008 B-2	27,903				27,903
Revenue Bonds 2010	23,915			(445)	23,470
Revenue Bonds 2012	13,510			(4,000)	9,510
Total	$ 245,113	$ -	$ -	$ (12,710)	$ 232,403

The activity in the Division's debt obligations outstanding during the year ended December 31, 2012, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

	Balance January 1, 2012	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2012
			(In thousands)		
Revenue Bonds:					
Mortgage Revenue Bonds 1994 A	$ 14,650	$	$	$ (7,325)	$ 7,325
Revenue Bonds 2001	15,980		(15,980)		-
Revenue Bonds 2006 A-1	95,265				95,265
Revenue Bonds 2006 A-2	12,295				12,295
Revenue Bonds 2008 A	21,105				21,105
Revenue Bonds 2008 B-1	44,705			(910)	43,795
Revenue Bonds 2008 B-2	27,903				27,903
Revenue Bonds 2010	23,915				23,915
Revenue Bonds 2012		15,325		(1,815)	13,510
Total	$ 255,818	$ 15,325	$ (15,980)	$ (10,050)	$ 245,113

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's
A2	A-

Effective November 26, 2013 Standard & Poor's Ratings Services changed its outlook on Cleveland Public Power's bonds from stable to negative.

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 2013, 2012 and 2011 was 130%, 143% and 140%, respectively. Additional information on the Division's long-term debt can be found in Note B to the basic financial statements on pages 25 - 29.

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows exceeded liabilities by $208,402,000, $208,545,000 and $205,650,000 at December 31, 2013, 2012 and 2011, respectively.

Of the Division's net position at December 31, 2013, $162,124,000 reflects the Division's investment in capital assets (e.g., land, buildings, utility plant, furniture, fixtures, vehicles and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. In addition, $473,000 denotes funds restricted for use in capital projects and $4,041,000 represents resources subject to debt service restrictions. The remaining $41,764,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

Of the Division's net position at December 31, 2012, $153,436,000 reflects the Division's investment in capital assets (e.g., land, buildings, utility plant, furniture, fixtures, vehicles and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. In addition, $1,309,000 denotes funds restricted for use in capital projects and $3,976,000 represents resources subject to debt service restrictions. The remaining $49,824,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Division decreased its net position by $143,000 in 2013, compared to a $2,895,000 increase in net position in 2012. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2013, 2012 and 2011:

	2013	Restated 2012	Restated 2011
		(In thousands)	
Operating revenues	$ 170,342	$ 165,227	$ 168,448
Operating expenses	159,287	153,958	156,528
Operating income (loss)	11,055	11,269	11,920
Non-operating revenue (expense):			
Investment income	59	80	151
Interest expense	(10,023)	(9,677)	(11,170)
Amortization of bond premiums and discounts	68	78	120
Gain (loss) on disposal of assets	(2,224)		
Other	536	164	1,006
Total non-operating revenue (expense), net	(11,584)	(9,355)	(9,893)
Income (loss) before capital and other contributions	(529)	1,914	2,027
Capital and other contributions	386	981	158
Increase (decrease) in net position	(143)	2,895	2,185
Net position, beginning of year	208,545	205,650	203,465
Net position, end of year	$ 208,402	$ 208,545	$ 205,650

- In 2013, operating revenues increased by $5,115,000, mostly from deferred costs carried through to revenue in the Energy Adjustment Charge. There was a 0.2% increase in KWH sold.

- In 2012, operating revenues decreased by $3,221,000. This decrease is related to cooler summer weather. The summer of 2011 was the second warmest summer on record. The weather normalized in 2012.

- In 2013, the cost of purchased power increased $5,141,000 due to the increased price of purchased power on the market. This increase in the cost of purchased power is passed through to customers via an Energy Adjustment Charge.

- In 2012, the cost of purchased power increased $5,274,000 due to the increased price of purchased power on the market. This increase in the cost of purchased power is passed through to customers via an Energy Adjustment Charge.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

- Operating expenses decreased by $5,329,000 in 2013. The majority of this is due to an increase of $2,428,000 in wages and benefits that were capitalized. The Division is using the Safe Harbor method in 2013 to calculate this; in 2012 an itemized figure was used. This was offset by an increase in Worker's Compensation expense in 2013 of $849,000, other supplies increased by $2,565,000, other contractual increased by $338,000 and professional services decreased by $648,000.

- In 2012, operating expenses decreased by $2,570,000. This decrease is mainly related to street light upgrades and higher raw materials costs in 2011.

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 of Cleveland by providing reliable, affordable energy and energy services to the residents and businesses of the City. The Division has concluded its 5-year Strategic Business Plan (SBP) for the period of 2007 – 2012 and is currently evaluating strategic options to address competitive factors likely to impact the division over the period of 2013-2018.

The Capacity Expansion Program has been an ongoing project for the Division. Two major components remain and are expected to be completed in the future. The Capacity Expansion Program is designed to support and improve the Division's electric system reliability and provide for future load growth opportunities.

Southern Project: This component of the Capacity Expansion Program includes the extension of the southern 138kV transmission system and the addition of a 138/13.8kV substation (the Southern Project). The proposed extension will complete a continuous transmission ring around the Division's system. The Southern Project also includes the construction of a new distribution substation. It will allow the Division to extend its electric service to serve potential customers in parts of the southern and western areas of the City that are outside the Division's current footprint as well as areas that are within the Division's current footprint but presently lack sufficient capacity. CPP is currently bidding out the construction of the substation, which is anticipated to be in service in summer 2015. An underground section of the transmission line is currently under construction and CPP is acquiring easements for the overhead section. This project is anticipated to be in service in spring 2016.

Lake Road Project: This component of the Capacity Expansion Program is the expansion of the Lake Road 11.5kV Substation and the 11.5kV system downtown (the Lake Road Project). The proposed expansion will allow the Division to serve new customers throughout the downtown areas including the Quadrangle, Flats and Warehouse districts. Construction on the Lake Road Project is underway with an anticipated in-service date of 2nd quarter 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

The Division is focusing its marketing efforts on those sections of the City that were part of its earlier system expansion to increase the density of customers served. As the Division competes with CEI in these areas, density is measured as the number of the Division's customers on a given street versus the total customers available on that street. New customers can be added with little additional expense.

The Division purchases most of its power requirements via contracts in the power markets. The Division is reducing its dependence on the purchased power market by acquiring interests in certain generating facilities. The Division's long-term base load supply will include a mix of power provided by participation in AMP Inc. hydroelectric projects, the Prairie State Energy Campus project, and new/emerging alternative energy technologies. The Division is currently scheduled to purchase a total of approximately 50 MW from the AMP Inc.'s hydroelectric projects, which are expected to be in operation in 2014-2015. The Division purchases 25 MW from AMP Inc.'s share of the Prairie State Energy Campus project, an Illinois coal-fired generating plant that came on-line in November 2012. The Division also purchases 60-80 MW of the Fremont Energy Center, a 707 MW natural gas-fired generating plant, which came on-line in January 2012. Like other power expenses, the Division's payments for the Prairie State and Fremont project power will be an operating expense for CPP, the cost of which will be passed through to its customers via an Energy Adjustment Charge on its bills. As power costs rise, sales revenue will also increase commensurately through the Energy Adjustment Charge.

The Division owns and operates approximately 67,000 street lights, including 18,000 that were purchased in 2008 from CEI for $4,000,000. The Division provides street lighting service to its customer, the City of Cleveland, under a published rate schedule. CEI will continue to provide the power to street lights where the Division lacks distribution facilities but will charge an energy-based rate under CEI's tariff for municipally-owned street lights. The Division intends to continue to charge the City the current CEI rate for the newly acquired lights for 8 years to September 2016, after which the lights will be billed at the Division's then-current standard rate. In addition to adding a new revenue stream, the transfer will enable the City to avoid future increases in CEI's street lighting tariff charges, potentially affecting the General Fund, and will allow for improved maintenance of the new lights by increasing responsiveness.

In early 2001, Ohio Electric Choice legislation created a new kilowatt-hour excise tax on electric power distributed to end users of electricity in the State by both investor-owned and municipal utilities. For municipal utilities, the state law requires the utility to remit the tax receipts to the municipality's General Fund. In accordance to Ordinance No. 1560-10 passed in November 2010, the General Fund retained 100% of the tax remittance in 2011 and also retained 100% during the calendar year 2012. Under Ordinance No. 193-13 passed in March 2013, the General Fund retained 100% of the tax remittance in 2013 and will also retain 50% during the calendar year 2014.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	(In thousands) 2013	Restated 2012
ASSETS		
CAPITAL ASSETS		
Land	$ 5,029	$ 5,249
Land improvements	305	305
Utility plant	512,756	495,234
Buildings, structures and improvements	21,348	21,413
Furniture, fixtures, equipment and vehicles	82,193	81,036
	621,631	603,237
Less: Accumulated depreciation	(328,697)	(314,193)
	292,934	289,044
Construction in progress	48,087	46,583
CAPITAL ASSETS, NET	341,021	335,627
RESTRICTED ASSETS		
Cash and cash equivalents	46,456	51,122
Investments		3,739
Accrued interest receivable		1
TOTAL RESTRICTED ASSETS	46,456	54,862
CURRENT ASSETS		
Cash and cash equivalents	47,862	58,097
Restricted cash and cash equivalents	1,415	1,310
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $10,522,000 in 2013 and $9,407,000 in 2012	6,962	6,903
Recoverable costs of purchased power	10,063	
Unbilled revenue	2,346	1,931
Due from other City of Cleveland departments, divisions or funds	2,655	3,313
Materials and supplies - at average cost	7,814	8,826
Prepaid expenses	167	90
TOTAL CURRENT ASSETS	79,284	80,470
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on debt refunding	12,459	14,189
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 479,220	$ 485,148

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	(*In thousands*)	
	2013	**Restated 2012**
NET POSITION AND LIABILITIES		
NET POSITION		
Net investment in capital assets	$ 162,124	$ 153,436
Restricted for capital projects	473	1,309
Restricted for debt service	4,041	3,976
Unrestricted	41,764	49,824
TOTAL NET POSITION	208,402	208,545
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Revenue bonds	221,127	234,391
Accreted interest payable	9,686	7,768
Accrued wages and benefits	495	499
Other	3,498	
TOTAL LONG-TERM OBLIGATIONS	234,806	242,658
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	13,195	12,710
Accounts payable	10,626	8,732
Current payable from restricted assets	1,415	1,310
Due to other City of Cleveland departments, divisions or funds	4,656	4,499
Accrued interest payable	1,205	1,221
Current portion of accrued wages and benefits	3,370	3,855
Other accrued expenses	445	507
Customer deposits and other liabilities	1,100	1,111
TOTAL CURRENT LIABILITIES	36,012	33,945
TOTAL LIABILITIES	270,818	276,603
TOTAL NET POSITION AND LIABILITIES	$ 479,220	$ 485,148

See notes to financial statements. (Concluded)

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	(In thousands)	
	2013	Restated 2012
OPERATING REVENUES		
Charges for services	$ 170,342	$ 165,227
TOTAL OPERATING REVENUES	170,342	165,227
OPERATING EXPENSES		
Purchased power	100,929	95,788
Operations	21,338	21,379
Maintenance	18,849	19,820
Depreciation	18,171	16,971
TOTAL OPERATING EXPENSES	159,287	153,958
OPERATING INCOME (LOSS)	11,055	11,269
NON-OPERATING REVENUE (EXPENSE)		
Investment income	59	80
Interest expense	(10,023)	(9,677)
Amortization of bond premiums and discounts	68	78
Gain (loss) on disposal of assets	(2,224)	
Other	536	164
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(11,584)	(9,355)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(529)	1,914
Capital and other contributions	386	981
INCREASE (DECREASE) IN NET POSITION	(143)	2,895
NET POSITION, BEGINNING OF YEAR	208,545	205,650
NET POSITION END OF YEAR	$ 208,402	$ 208,545

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	(In thousands) 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 171,139	$ 168,740
Cash payments to suppliers for goods or services	(15,350)	(15,640)
Cash payments to employees for services	(19,172)	(22,056)
Cash payments for purchased power	(106,074)	(95,152)
Electric excise tax payments to agency fund and other	(5,407)	(4,813)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	25,136	31,079
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants	989	89
Other	(5)	
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	984	89
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds		15,325
Acquisition and construction of capital assets	(22,255)	(16,620)
Principal paid on long-term debt	(12,710)	(10,050)
Interest paid on long-term debt	(9,767)	(9,746)
Cash paid to escrow agent for refunding		(16,294)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(44,732)	(37,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(39,987)	(28,731)
Proceeds from sale and maturity of investment securities	43,726	30,010
Interest received on investments	77	120
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	3,816	1,399
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,796)	(4,818)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	110,529	115,347
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 95,733	$ 110,529

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	(In thousands) 2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 11,055	$ 11,269
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	18,171	16,971
Changes in assets and liabilities:		
Accounts receivable, net	(59)	3,155
Unbilled revenue	(415)	149
Recoverable costs of purchased power	(10,063)	
Due from other City of Cleveland departments, divisions or funds	658	(755)
Materials and supplies, net	1,012	263
Prepaid expenses	(77)	3
Accounts payable	1,894	135
Due to other City of Cleveland departments, divisions or funds	157	(423)
Accrued wages and benefits	(489)	206
Other accrued expenses	(62)	87
Customer deposits and other liabilities	(144)	19
Other long-term liabilities	3,498	
TOTAL ADJUSTMENTS	14,081	19,810
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 25,136	$ 31,079

See notes to financial statements. (Concluded)

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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 March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the Division implemented GASB Statement No. 65 and restated its comparative financial statements for 2012.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Division has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Division has determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of electricity to residential, commercial and industrial customers based upon actual consumption. Electricity rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury Bills, State Treasury Asset Reserve Fund of Ohio (STAROhio), commercial paper, mutual funds and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market prices.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has invested funds in STAROhio during fiscal year 2013 and 2012. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

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

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies GASB guidance pertaining to capitalization of interest cost for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2013 and 2012 total interest costs incurred amounted to $13,399,000 and $13,227,000 respectively, of which $3,359,000 and $3,533,000, respectively, was capitalized, net of interest income of $17,000 in 2013 and $17,000 in 2012.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings**:* Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

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

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid out within one year is reported as a long-term liability.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2013 and 2012 is as follows:

	Interest Rate	Original Issuance	2013	2012
			(In thousands)	
Revenue Bonds:				
Series 1994 A, due through 2013	Zero Coupon	$ 219,105	$	$ 7,325
Series 2006 A-1, due through 2024	4.25%-5.00%	95,265	95,265	95,265
Series 2006 A-2, due through 2017	5.00%	12,295	12,295	12,295
Series 2008 A, due through 2024	4.00%-4.50%	21,105	21,105	21,105
Series 2008 B-1, due through 2038	3.75%-5.00%	44,705	42,855	43,795
Series 2008 B-2, due through 2038	5.13%-5.40%	27,903	27,903	27,903
Series 2010 , due through 2017	3.00%-5.00%	23,915	23,470	23,915
Series 2012 , due through 2016	2.00%	15,325	9,510	13,510
		$ 459,618	$ 232,403	$ 245,113
Less:				
Unamortized discount-zero coupon bonds			(768)	(1,690)
Unamortized premium (discount)-current interest bonds (net)			2,687	3,678
Current portion			(13,195)	(12,710)
Total Long-Term Debt			$ 221,127	$ 234,391

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

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

Summary: Changes in long-term obligations for the year ended December 31, 2013 are as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(In thousands)		
Revenue Bonds:					
Series 1994 A, due through 2013	$ 7,325	$	$ (7,325)	$	$
Series 2006 A-1, due through 2024	95,265			95,265	
Series 2006 A-2, due through 2017	12,295			12,295	
Series 2008 A, due through 2024	21,105			21,105	
Series 2008 B-1, due through 2038	43,795		(940)	42,855	975
Series 2008 B-2, due through 2038	27,903			27,903	
Series 2010, due through 2017	23,915		(445)	23,470	8,145
Series 2012, due through 2016	13,510		(4,000)	9,510	4,075
Total revenue bonds	245,113		(12,710)	232,403	13,195
Accrued wages and benefits	4,354	3,366	(3,855)	3,865	3,370
Total	$ 249,467	$ 3,366	$ (16,565)	$ 236,268	$ 16,565

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

Summary: Changes in long-term obligations for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
			(In thousands)		
Revenue Bonds:					
Series 1994 A, due through 2013	$ 14,650	$	$ (7,325)	$ 7,325	$ 7,325
Series 2001, refunded in 2012	15,980		(15,980)	-	
Series 2006 A-1, due through 2024	95,265			95,265	
Series 2006 A-2, due through 2017	12,295			12,295	
Series 2008 A, due through 2024	21,105			21,105	
Series 2008 B-1, due through 2038	44,705		(910)	43,795	940
Series 2008 B-2, due through 2038	27,903			27,903	
Series 2010, due through 2017	23,915			23,915	445
Series 2012, due through 2016		15,325	(1,815)	13,510	4,000
Total revenue bonds	255,818	15,325	(26,030)	245,113	12,710
Accrued wages and benefits	4,148	3,841	(3,635)	4,354	3,855
Total	$ 259,966	$ 19,166	$ (29,665)	$ 249,467	$ 16,565

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(In thousands)	
2014	$ 13,195	$ 9,638	$ 22,833
2015	13,105	9,111	22,216
2016	13,710	8,591	22,301
2017	14,325	7,974	22,299
2018	14,990	7,295	22,285
2019 - 2023	85,955	24,999	110,954
2024- 2028	36,434	25,112	61,546
2029 - 2033	20,152	29,307	49,459
2034- 2038	20,537	28,939	49,476
Total	$ 232,403	$ 150,966	$ 383,369

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

The City has pledged future power system revenues, net of specified operating expenses, to repay $232,403,000 in various Public Power System Revenue Bonds issued in various years since 2006. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 77 percent of net revenues. The total principal and interest remaining to be paid on the various Power System Revenue Bonds is $383,369,000. Principal and interest paid for the current year and total net revenues were $22,477,000 and $29,267,000, respectively.

Effective February 24, 2012, the City issued $15,325,000 Public Power System Revenue Refunding Bonds, Series 2012, to refund all of the outstanding $15,980,000 Public Power System Refunding Revenue Bonds, Series 2001. Net proceeds of the Series 2012 Bonds and amounts on deposit in the Series 2001 Bond Fund together totaling $16,293,627 were placed in an irrevocable trust account to pay the principal and interest on the refunded Series 2001 Bonds on March 26, 2012. As a result, the refunded bonds were defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $1,169,000 or an economic gain (the difference between the present values of the old and new debt service) of approximately $1,148,000 or 7.18%. These bonds were sold through a private sale to Wells Fargo Bank, National Association.

The Division has, at various times, 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 has no defeased debt outstanding at December 31, 2013.

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, 2013 and 2012, 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.

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

***Debt Service Reserve Fund*:** Deposits will be made to this fund if the amount in the debt service fund at any time is less than the debt service reserve requirement. 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.

***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, 2013 and 2012, the Division had $42,011,000 and $46,195,000, respectively, of outstanding commitments for future constructions that will be funded by available bond proceeds and operating revenue. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding bonds to the extent that amounts in all other funds are insufficient. No payment needs to be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, the amounts are classified as restricted assets in the financial statements.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: At December 31, 2013 and 2012, the Division’s carrying amount of deposits totaled $13,543,000 and $14,096,000, respectively, and the Division’s bank balances totaled $13,029,000 and $14,002,000, 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,* $13,029,000 and $14,002,000 of the bank balances at December 31, 2013 and 2012, respectively, were insured or collateralized with securities held by the City or by its agent in the City’s name.

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

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Investments: The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table on the following page.

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, 2013 and 2012 include U.S. Treasury Bills, STAROhio, commercial paper and mutual funds. The Division maintains the highest ratings for its investments. Investments in STAROhio and First American Government Obligations mutual funds carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Division's investment in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

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, 2013 and 2012, 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	2013 Fair Value	2013 Cost	2012 Fair Value	2012 Cost	Investment Maturities Less than One Year
			(In thousands)		
U.S. Treasury Bills	$	$	$ 3,739	$ 3,739	$
STAROhio	35,182	35,182	45,475	45,475	35,182
Commercial Paper	1,134	1,134	1,133	1,133	1,134
Investment in Mutual Funds	45,874	45,874	49,825	49,825	45,874
Total Investments	82,190	82,190	100,172	100,172	82,190
Total Deposits	13,543	13,543	14,096	14,096	13,543
Total Deposits and Investments	$ 95,733	$ 95,733	$ 114,268	$ 114,268	$ 95,733

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value.

As of December 31, 2013, the investments in STAROhio, commercial paper and mutual funds are approximately 43%, 1% and 56%, respectively, of the Division’s total investments. As of December 31, 2012, the investments in U.S. Agency Treasury Bills, STAROhio, commercial paper and mutual funds are approximately 4%, 45%, 1% and 50%, respectively, of the Division’s total investments.

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 5,249	$	$ (220)	$ 5,029
Construction in progress	46,583	20,944	(19,440)	48,087
Total capital assets, not being depreciated	51,832	20,944	(19,660)	53,116
Capital assets, being depreciated:				
Land improvements	305			305
Utility plant	495,234	22,281	(4,759)	512,756
Buildings, structures and improvements	21,413	6	(71)	21,348
Furniture, fixtures, equipment and vehicles	81,036	2,215	(1,058)	82,193
Total capital assets, being depreciated	597,988	24,502	(5,888)	616,602
Less: Accumulated depreciation	(314,193)	(18,106)	3,602	(328,697)
Total capital assets being depreciated, net	283,795	6,396	(2,286)	287,905
Capital assets, net	$ 335,627	$ 27,340	$ (21,946)	$ 341,021

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NOTE D - CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 4,863	$ 386	$	$ 5,249
Construction in progress	52,049	18,246	(23,712)	46,583
Total capital assets, not being depreciated	56,912	18,632	(23,712)	51,832
Capital assets, being depreciated:				
Land improvements	305			305
Utility plant	473,921	21,313		495,234
Buildings, structures and improvements	20,080	1,333		21,413
Furniture, fixtures, equipment and vehicles	79,996	2,980	(1,940)	81,036
Total capital assets, being depreciated	574,302	25,626	(1,940)	597,988
Less: Accumulated depreciation	(299,162)	(16,971)	1,940	(314,193)
Total capital assets being depreciated, net	275,140	8,655	-	283,795
Capital assets, net	$ 332,052	$ 27,287	$ (23,712)	$ 335,627

Commitments: The Division has outstanding commitments of approximately $53,669,000 and $59,544,000 for future capital expenditures at December 31, 2013 and 2012, respectively. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E - DEFINED BENEFIT PENSION PLAN

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

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

2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were $2,513,000, $2,037,000 and $2,012,000 each year, respectively. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTE F - OTHER POST-EMPLOYMENT BENEFITS

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2013, 2012, and 2011. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 1.00% for members of the Traditional Plan in 2013 and 4.00% in 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were $193,000 in 2013, $815,000 in 2012 and $804,000 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTE 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 intended to develop a pulverized coal power plant in Meigs County, Ohio. The Division's share was 80,000 kilowatts of a total 771,281 kilowatts, giving the Division a 10.37 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Division's estimated share at March 31, 2014 of the impaired costs is $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, leaving a net impaired cost estimate of $3,747,981. Because payment is now probable and reasonably estimable, the Division is reporting a payable to AMP 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 liability. These amounts will be recorded as they become estimable.

The Division intends to recover fifty-percent of these costs and repay AMP over the next 15 years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a recoverable cost of purchased power, as allowed by GASB Statement No. 65.

In addition, various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division carries insurance to cover particular liabilities and property protection. Otherwise, the Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2013. There were no significant decreases in any insurance coverage in 2013.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. The City participates in the State of Ohio's workers' compensation retrospective rating program. As the result of a claim incurred in 2013, the expense for workers compensation increased.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is reported as part of accounts payable on the statement of net position and is immaterial.

The Division suffered a loss of a transformer amounting to $1,120,000 in 2012. The Division submitted a claim with their insurance company and expects to receive reimbursement for a portion of the loss in 2014.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides services to the City, including its various departments and divisions. The usual and customary rates are charged to all City departments and divisions.

Operating Expenses: The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
	(In thousands)	
City Administration	$ 1,109	$ 1,092
Telephone Exchange	994	727
Division of Water	414	435
Utilities Administration and Fiscal Control	1,128	947
Motor Vehicle Maintenance	611	700

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 $1,048,000 and $1,023,000 for the years ended December 31, 2013 and 2012, respectively.

NOTE J - KILOWATT PER HOUR TAX

In May 2001, the Division started billing its customers the electric deregulation kilowatt-hour tax according to the laws of the State of Ohio. This law requires the Division to remit the proceeds to the City's General Fund, except for any proceeds attributable to sales outside the City which are remitted to the State of Ohio. The Division billed $5,304,000 and $5,284,000 for this tax in 2013 and 2012, of which $6,593 and $6,563 was remitted to the State. As directed by City Ordinance the General Fund retained 100% of the tax remittance during calendar years 2011, 2012 and 2013. In accordance with Ordinance No. 193-13 passed in March 2013, the General Fund will retain 50% of the tax remittance during the calendar year 2014.

NOTE K – INCREMENTAL CHARGES

In 2000, Cleveland City Council passed Ordinance No. 910-98, which increased rates to CPP customers. The rate increase was originally scheduled to expire December 31, 2005, but was extended through legislation several times, most recently to June 30, 2012. The legislation originally restricted the use of the rate increase proceeds to the payment of bonded indebtedness. In recent years, City Council authorized additional uses and in December 2005, Council removed the restriction related to bond indebtedness. Council made the incremental charge permanent by Ordinance No. 216-12 effective April 20, 2012. The incremental charges billed were $13,575,000 and $13,448,000 in 2013 and 2012, respectively.

NOTE L – SEAMS ELIMINATION COST ADJUSTMENT (SECA) PAYMENTS

Seams are price inefficiencies arising from operational or rate schedule differences in markets that cross borders. Between December 2004 and March 2006, the Division was required by the FERC to pay SECA payments totaling $10,800,000. The payments arose from a transmission restructuring effort aimed at reducing transmission costs by allowing users such as Cleveland Public Power to pay a single rate for transmission across a regional system consisting of multiple utilities. These payments, made subject to refund and the outcome of litigation proceedings, were intended as a temporary replacement for revenues previously received by transmission owners in neighboring regional systems for transmission access across their systems.

The FERC has issued a SECA order requiring compliance filing, which the Division has filed, but so far it has not acted on the compliance filings. There have been appeals of the SECA orders and the parties involved have been negotiating the briefing schedule. At December 31, 2013, it was determined the Division will not receive any further reimbursements for the remaining SECA charges of $5,144,000. The Division will bill 50% of this amount to customers as part of future Energy Adjustment Charges beginning July 2014.

NOTE M – RESTATEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. The Statement changed the treatment of bond issuance costs. Previously, the costs were recorded as assets and amortized over the life of the related debt issue. The GASB evaluated these costs and concluded that with the exception of prepaid insurance, the costs relate to services provided in the current period and thus they should be expensed in the current period. As a result, the following restatements are necessary:

Impact on Statements of Net Position	December 31, 2012	Restatement	Restated December 31, 2012
		(In thousands)	
Unamortized Bond Issuance Costs	$ 2,646	$ (2,646)	$ -
Unrestricted net position	52,470	(2,646)	49,824
Deferred Outflows of Resources			
Unamortized Loss on Debt Refunding	-	14,189	14,189
Long-Term Obligations			
Revenue Bonds	220,202	14,189	234,391

Impact on Statements of Revenues, Expenses and Changes in Net Position	2012	Restatement	Restated 2012
		(In thousands)	
Amortization of bond issuance costs and discounts	$ (276)	$ 354	$ 78
Other	217	(53)	164
Total Non-Operating Revenue (Expense), Net	(9,656)	301	(9,355)
Increase (Decrease) in Net Position	2,594	301	2,895
Net Position, Beginning of Year	208,597	(2,947)	205,650

NOTE N – SUBSEQUENT EVENTS

On May 19, 2014, City Council approved Ordinance No. 572-14 authorizing the issuance of one or more series of bonds to refund outstanding public power system revenue bonds for the purpose of restructuring the Division's debt.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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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 years ended December 31, 2013 and 2012 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Water, Department of Public Utilities, City of Cleveland, Ohio, (as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note J to the basic financial statements, in 2013, the Division adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2013 and 2012. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 18.

The Division services not only the City, but also sixty-eight direct service communities, eight master meter communities, and three emergency standby communities. They provide water to approximately 417,605 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 2013, the Division provided services to approximately 124,223 accounts located within Cleveland and approximately 293,382 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 23% of the Division's metered sales revenue, while the direct service and master meter communities accounted for 67% and 10% of metered sales revenue, respectively.

The Division, along with the Division of Utilities Fiscal Control (UFC), provides a complete array of processing services including billing, payment processing, mailing delinquency notices, terminating water service on delinquent accounts and distributing the money collected to the communities. UFC processes approximately 5,000 payments daily, which include bills for water only, sewer only, water and sewer, final notices and delinquent bills.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The Division's net position was $1,287,764,000, $1,254,321,000 and $1,193,226,000 at December 31, 2013, 2012 and 2011, respectively. Of these amounts, $274,517,000, $252,427,000 and $200,394,000 are unrestricted net position at December 31, 2013, 2012 and 2011, respectively, and may be used to meet the Division's ongoing obligations to customers and creditors.

- In 2013, the operating revenues of the Division decreased by $7,649,000 mainly due to a water pumpage decrease. In 2012, the operating revenues of the Division increased by $43,697,000 mainly due to a water rate increase.

- In 2013 the Division had a decrease in water pumpage of 4.6%. The major users of water consumption were ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Nestle Inc., Cleveland Clinic Foundation, Northeast Ohio Regional Sewer District, Pepsi Inc., Case Western Reserve University and Alcoa Inc. In 2012 the Division had a decrease in water pumpage of 0.2%. The major users of water consumption were ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Nestle Inc., Cleveland Clinic Foundation, Alcoa Inc., Northeast Ohio Regional Sewer District, Pepsi Inc. and Case Western Reserve University.

FINANCIAL HIGHLIGHTS (Continued)

- The Division's overall net position increased by $33,443,000 and $61,095,000 in 2013 and 2012, respectively.

- The Division had increases in capital assets, net of accumulated depreciation, of $24,224,000 and $26,286,000 in 2013 and 2012, respectively. The Division added the water mains for three suburbs in 2013 totaling $11,030,000, net of accumulated depreciation. The major additions during these years were related to the continuing renovation projects for plant enhancements at the Morgan, Baldwin, Crown and Nottingham sites, suburban water main renewal and the meter reading program. The Division added the water mains for three suburbs in 2012 totaling $20,044,000. The major projects that were closed in construction in progress and moved to assets were Cleveland Security Contracts, Keller II Water Tower, Warehouse Improvements, Baldwin Residuals and Fairmount, Morgan Chemical Facility and the Plant Enhancements Program.

- The total long-term revenue bonds and loans payable of the Division decreased $25,945,000 in 2013. This decrease is primarily attributed to the issuance of $11,950,000 of Ohio Water Development Authority Loans, which was offset by $37,895,000 of debt retired. The total long-term revenue bonds and loans payable of the Division increased $81,844,000 in 2012. This increase is primarily attributed to the issuance of $44,410,000 of Senior Lien, Series X Bonds and $76,710,000 Second Lien, Series A Bonds, which was offset by $40,239,000 of debt retired.

- In July 2012, the Division issued $50,000,000 of Water Revenue Subordinate Lien Notes, Series 2012 in order to refund notes issued in 2011 to fund a portion of the Automated Meter Reading program. The 2012 Notes were redeemed in November 2012 with a portion of the proceeds from Second Lien, Series A 2012 Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Water.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 18 – 22 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 23 - 46 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2013, 2012 and 2011:

	2013	Restated 2012	Restated 2011
		(In thousands)	
Assets:			
Capital assets, net	$ 1,711,163	$ 1,686,939	$ 1,660,653
Restricted assets	169,617	211,843	171,598
Current assets	332,252	308,093	271,720
Total assets	2,213,032	2,206,875	2,103,971
Deferred outflows of resources:			
Derivative instruments-interest rate swaps	17,206	27,699	27,955
Loss on bond refunding	23,338	25,704	28,492
Total deferred outflows of resources	40,544	53,403	56,447
Total assets and deferred outflows	2,253,576	2,260,278	2,160,418
Net Position, Deferred Inflows and Liabilities:			
Net position:			
Net investment in capital assets	916,392	914,193	899,231
Restricted for capital projects	99	99	
Restricted for debt service	96,756	87,602	93,601
Unrestricted	274,517	252,427	200,394
Total net positon	1,287,764	1,254,321	1,193,226
Deferred inflows of resources:			
Derivative instruments-interest rate swaps	17,206	27,699	27,955
Total deferred inflows of resources	17,206	27,699	27,955
Liabilities:			
Long-term obligations	854,030	894,744	794,032
Current liabilities	94,576	83,514	145,205
Total liabilities	948,606	978,258	939,237
Total net position, deferred inflows and liabilities	$ 2,253,576	$ 2,260,278	$ 2,160,418

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Total Assets and Deferred Outflows: The Division's investment in total assets and deferred outflows as of December 31, 2013, amounted to $2,253,576,000, which is a decrease of $6,702,000 from 2012. The Division had an increase in current assets of $24,159,000, due primarily to an increase in unrestricted cash and cash equivalents of $18,147,000 and an increase in investments of $10,021,000. The Division had a decrease in restricted assets of $42,226,000, due primarily to the repayment of revenue bonds of $37,895,000. The Division had a decrease in deferred outflows of resources of $12,859,000, primarily due to the fair value of the Division's interest rate swap agreements decreasing from $27,699,000 in 2012 to $17,206,000 in 2013. The fair value of the swaps is determined by the taxable LIBOR rate as of December 31, 2013. The Division's net capital assets as of December 31, 2013, amounted to $1,711,163,000, which is an increase of $24,224,000.

The Division's plant enhancements continue to be the primary reason for the increase in capital assets. Utility plant had additions of $48,192,000, buildings, structures and improvements had additions $23,555,000 and furniture, fixtures, equipment and vehicles had additions of $24,126,000. Included in these additions is $11,030,000, net of accumulated depreciation, of distribution mains acquired from three suburbs.

Also, construction in progress had deletions of $76,451,000 due to the completion of several major projects: M. Harvard Yard Warehouse Rehabilitation and the Roof Repair and Replacement Project, offset by several ongoing major projects: Automated Meter Reading program, Crown Water Plant Improvements, Suburban Water Main Renewal, Morgan Chemical Facility Improvements, plant enhancement program improvements and 800MHz radio system renewal.

The Division's investment in total assets and deferred outflows as of December 31, 2012, amounted to $2,260,278,000, which is an increase of $99,860,000 from 2011. The increase in restricted assets of $40,245,000 in 2012 is mainly attributed to decreased cash balances in the debt service fund and restricted funds for revenue bonds Series K, N, O and T. The Division's net capital assets as of December 31, 2012 amounted to $1,686,939,000, which is an increase of $26,286,000 from the previous year.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital Assets: In 2013, the Division of Water entered into amended Water Service Agreements with three member communities. The amended Water Service Agreements transferred the ownership of their distribution mains to the Division. These new assets account for $11,030,000, net of accumulated depreciation, or 10.9% of the additions recorded in 2013.

The Division's investment in capital assets, as of December 31, 2013 amounted to $1,711,163,000 (net of accumulated depreciation). The total increase in the Division's investment in net capital assets for the current year was approximately 1.4%. The Division's investment in capital assets, as of December 31, 2012 amounted to $1,686,939,000 (net of accumulated depreciation). The total increase in the Division's investment in net capital assets for 2012 was approximately 1.6%. A summary of the activity in the Division's capital assets during the years ended December 31, 2013 and 2012 is as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Land	$ 5,463	$	$	$ 5,463
Land improvements	16,549			16,549
Utility plant	1,497,878	48,192	(2,195)	1,543,875
Buildings, structures and improvements	238,532	23,555		262,087
Furniture, fixtures, equipment and vehicles	586,549	24,126	(12,244)	598,431
Construction in progress	201,167	87,710	(76,451)	212,426
Total	2,546,138	183,583	(90,890)	2,638,831
Less: Accumulated depreciation	(859,199)	(82,748)	14,279	(927,668)
Capital assets, net	$ 1,686,939	$ 100,835	$ (76,611)	$ 1,711,163

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
		(In thousands)		
Land	$ 5,463	$	$	$ 5,463
Land improvements	16,549			16,549
Utility plant	1,354,191	145,112	(1,425)	1,497,878
Buildings, structures and improvements	221,373	17,159		238,532
Furniture, fixtures, equipment and vehicles	566,679	21,158	(1,288)	586,549
Construction in progress	275,907	71,505	(146,245)	201,167
Total	2,440,162	254,934	(148,958)	2,546,138
Less: Accumulated depreciation	(779,509)	(82,370)	2,680	(859,199)
Capital assets, net	$ 1,660,653	$ 172,564	$ (146,278)	$ 1,686,939

Major events during 2013 affecting the Division's capital assets included the following:

- The Construction, Renovations and Plant Enhancements Phase II Project, as well as the Customer Service Information System Project were completed in 2013. Capital project expenses totaling $75,816,000 involved additions to the rehabilitation of water mains and water tanks. The major projects still under construction include: Security Enhancements Program, Plant Enhancement Program, Pump Station Enhancement Program, Water Tank Rehabilitation, Suburban Water Main Renewal and Automated Meter Reading Program.

- Three cities signed asset transfer agreements that turned over their distribution water mains in the amount of $11,030,000, net of accumulated depreciation.

Major events during 2012 affecting the Division's capital assets included the following:

- The construction, renovations and plant enhancements were completed on the Morgan, Baldwin and Nottingham facilities, the rehabilitation of the Fairmount and Kirtland Pump Stations and the rehabilitation of water mains and water tanks amounted to $148,401,000 in 2012. The major projects still under construction include: Security Enhancements Program, Plant Enhancement Program, Pump Station Enhancement Program, Water Tank Rehabilitation and Automated Meter Reading Program.

- Three cities signed asset transfer agreements that turned over their distribution water mains in the amount of $20,044,000, net of accumulated depreciation.

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D to the basic financial statements.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

***Liabilities*:** In 2013, the factors for the Division's net decrease in long-term obligations of $40,714,000 is primarily attributed to debt retirement of $37,895,000 and a decrease in the unamortized discount and premium of $5,681,000, offset by the issuance of $11,950,000 of new loans.

In 2012, the factors for the Division's net increase in long-term obligations of $100,712,000 is primarily attributed the issuance of $122,083,000 of new bonds and loans and an increase in the unamortized discount and premium of $16,686,000, offset by $40,239,000 of debt retirement. The increase in long-term obligations occurred due to the Division issuing bonds in order to refinance the $50,000,000 Series 2012 Notes with the balance of the proceeds used to fund the Automated Meter Reading program.

Current Liabilities: In 2013, total current liabilities increased by $11,062,000. The significant component of the change was an increase to the current portion of long-term debt obligations of $9,118,000, which was primarily due to the current portion of Series O and Series P becoming due. Other increases included customer deposits and other liabilities of $1,877,000, accrued interest of $1,221,000, due to other city divisions of $744,000 and accounts payable of $1,377,000. These increases were offset by decreases in accrued wages and benefits of $1,802,000 and payable from restricted assets of $1,473,000.

In 2012, total current liabilities decreased by $61,691,000. The significant component of the change was a reduction to the current portion of long-term debt obligations and short-term notes of $52,281,000, which was primarily due to the retirement of the $50,000,000 Series 2011 short-term notes. Other decreases included customer deposits and other liabilities of $8,062,000, which was due to recognizing completed construction deposits and current payable from restricted assets of $2,087,000. These reductions were offset by a minor increase in accrued interest payable of $794,000.

Long-term Debt: At the end of 2013, the Division had total long-term debt outstanding of $866,994,000. All bonds are backed by the revenues generated by the Division. The Ohio Water Development Authority (OWDA) loans do not have a lien on revenues of the Division.

At the end of 2012, the Division had total long-term debt outstanding of $892,939,000. 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.

Short-term Debt: The Division had no short-term debt outstanding at the end of 2013.

The Division had no short-term debt outstanding at the end of 2012. The Division issued $50,000,000 Subordinate Lien Water Revenue Notes, Series 2012 in July 2012 to retire the Series 2011 Notes. The Series 2012 Notes were then redeemed on November 1, 2012 from the proceeds of the Second Lien Series A, 2012 Bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2013 is summarized below (excluding unamortized discounts and premiums):

	Balance January 1, 2013	Debt Issued	Debt Retired	Balance December 31, 2013
	(In thousands)			
Long-Term Debt				
Water Revenue Bonds:				
Series G, 1993	$ 66,860	$	$ (310)	$ 66,550
Series N, 2005	28,015		(5,280)	22,735
Series O, 2007	130,610			130,610
Series P, 2007	113,280			113,280
Series Q, 2008	90,800			90,800
Series T, 2009	71,330		(6,180)	65,150
Series U, 2010	54,935			54,935
Series V, 2010	26,495			26,495
Series W, 2011	82,090		(19,330)	62,760
Series X, 2012	44,410			44,410
Second Lien, Series A 2012	76,710			76,710
Ohio Water Development Authority Loans	107,404	11,950	(6,795)	112,559
Total	$ 892,939	$ 11,950	$ (37,895)	$ 866,994

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2012 is summarized below (excluding unamortized discounts and premiums):

	Balance January 1, 2012	Debt Issued	Debt Retired	Balance December 31, 2012
		(In thousands)		
Long Term Debt				
Water Revenue Bonds:				
Series G, 1993	$ 81,225	$	$ (14,365)	$ 66,860
Series N, 2005	33,045		(5,030)	28,015
Series O, 2007	133,315		(2,705)	130,610
Series P, 2007	119,095		(5,815)	113,280
Series Q, 2008	90,800			90,800
Series T, 2009	77,415		(6,085)	71,330
Series U, 2010	54,935			54,935
Series V, 2010	26,495			26,495
Series W, 2011	82,090			82,090
Series X, 2012		44,410		44,410
Second Lien, Series A 2012		76,710		76,710
Ohio Water Development Authority Loans	112,680	963	(6,239)	107,404
Total	$ 811,095	$ 122,083	$ (40,239)	$ 892,939

	Balance January 1, 2012	Debt Issued	Debt Retired	Balance December 31, 2012
		(In thousands)		
Short-Term Debt				
Water Revenue Notes:				
Sub. Lien Revenue Notes, 2011	$ 50,000	$	$ (50,000)	$ -
Sub. Lien Revenue Notes, 2012		50,000	(50,000)	-
Total	$ 50,000	$ 50,000	$ (100,000)	$ -

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds as of December 31, 2013 are as follows:

	Moody's Investors Service	Standard & Poor's
Waterworks Revenue Bonds	Aa1	AA
Second Lien Water Revenue Bonds	Aa2	AA-

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2013, 2012 and 2011 was 173%, 231% and 144%, respectively.

Additional information on the Division's long-term debt can be found in Note B on pages 27 - 37.

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows exceed liabilities and deferred inflows by $1,287,764,000, $1,254,321,000 and $1,193,226,000 at December 31, 2013, 2012 and 2011, respectively.

Of the Division's net position, $916,392,000 or 71.2% and $914,193,000 or 72.9% at December 31, 2013 and 2012, respectively, reflects its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Division's net position, $96,855,000 or 7.5%, and $87,701,000 or 7.0%, at December 31, 2013 and 2012, respectively, represents resources that are subject to external restrictions. These funds are set aside for the payment of revenue bonds and capital projects. The remaining balance of unrestricted net position, $274,517,000 or 21.3% and $252,427,000 or 20.1%, at December 31, 2013 and 2012, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's net position increased during 2013 and 2012 by $33,443,000 and $61,095,000, respectively. The following table identifies the key elements of the Division's results of operations as of and for the years ended December 31, 2013, 2012 and 2011:

	2013	Restated 2012	Restated 2011
		(In thousands)	
Operating revenues	$ 272,674	$ 280,323	$ 236,626
Operating expenses	229,164	216,624	207,844
Operating income (loss)	43,510	63,699	28,782
Non-operating revenue (expense):			
Investment income	1,650	1,965	2,349
Interest expense	(28,413)	(28,322)	(27,071)
Amortization of bond premiums and discounts	5,681	5,118	3,470
Gain (loss) on disposal of capital assets	(84)	(15)	
Other revenue (expense)		(1,468)	(394)
Total non-operating revenue (expense), net	(21,166)	(22,722)	(21,646)
Income (loss) before capital and other contributions	22,344	40,977	7,136
Capital and other contributions	11,099	20,118	558
Increase (decrease) in net position	33,443	61,095	7,694
Net position, beginning of year (as restated)	1,254,321	1,193,226	1,185,532
Net position, end of year	$ 1,287,764	$ 1,254,321	$ 1,193,226

Operating revenue: In 2013, total operating revenues decreased by $7,649,000. The Division of Water had a decrease in pumpage of 4.6% offset by a rate increase. The major users of water were as follows: ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Nestle Inc., Cleveland Clinic Foundation, Northeast Ohio Regional Sewer District, Pepsi Inc., Case Western Reserve University and Alcoa Inc.

In 2012, total operating revenues increased by $43,697,000. The Division of Water had a minor decrease in pumpage of 0.2% and an increase in new rates and a full year of the fixed rate fee in 2012. The major users of water were as follows: ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Nestle Inc., Alcoa Inc., Cleveland Clinic Foundation, Pepsi Inc., Northeast Ohio Regional Sewer District and Case Western Reserve University.

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

Operating expenses: In 2013, the overall increase in operating expenses of $12,540,000 was primarily due to a $1,720,000 increase in sewer charges, a $1,521,000 increase in professional services charges, a $3,357,000 increase in maintenance of utility systems and a $6,762,000 increase in depreciation expense. Depreciation increased because several assets were brought into service during the year.

In 2012, the overall increase in operating expenses of $8,780,000 was primarily due to a $3,466,000 increase in operations expense and a $5,844,000 increase in depreciation expense. Operations expense increases were identified in the following areas: bad debt expense and professional services. Depreciation increased because several assets were brought into service during the year.

Non-operating revenue (expense): The major changes in 2013 were an increase in other revenues (expenses) of $1,468,000 due to not incurring bond issuance costs in 2013, offset by a decrease in investment income of $315,000 primarily caused by the maturity of a high-yielding guaranteed investment contract in June 2013.

The major changes in 2012 were an increase of $1,251,000 in interest expense and an increase of $1,648,000 in amortization of bond premiums and discounts.

Capital and other contributions: In 2013, there was a $9,019,000 decrease in capital and other contributions as compared to 2012. The decrease is primarily attributed to the Division acquiring three suburban distribution mains totaling $11,030,000, net of accumulated depreciation, throughout the year versus twenty-four in 2012. In 2012, there was a $19,560,000 rise in capital and other contributions as compared to 2011. The increase is primarily attributed to the Division acquiring suburban distribution mains totaling $20,044,000 throughout the year.

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

Water rate increases will continue to have a positive impact on the financial position of the Division:

WATER RATES				
CLEVELAND - PER 1st .6 MCF (Thousand cubic feet)			CLEVELAND - PER ADDITIONAL MCF (Thousand cubic feet)	
EFFECTIVE	REGULAR	HOMESTEAD	REGULAR	HOMESTEAD
January 1, 2014	$17.34	$10.41	$31.22	$10.41
January 1, 2015	$19.26	$12.52	$32.74	$12.52

WATER RATES				
DIRECT SERVICE SUBURBS - PER 1st .6 MCF (Thousand cubic feet)			DIRECT SERVICE SUBURBS-PER ADDITIONAL MCF (Thousand cubic feet)	
EFFECTIVE	REGULAR	HOMESTEAD	REGULAR	HOMESTEAD
January 1, 2014	$23.63-$33.00	$14.18-$19.80	$42.53-$59.39	$14.18-$19.80
January 1, 2015	$25.04-$35.63	$16.27-$23.16	$42.56-$60.57	$16.27-$23.16

These increase in rates, fixed customer charges and recommended modifications to the Division's water rate structure were adopted by the Cleveland City Council on May 23, 2011. The new fixed customer charges are based on meter size. The first increase in a series of annual increases in water consumption charges became effective January 1, 2012. The annual rate increases for the years 2014 through 2015 are expected to increase operating revenues to adequately cover anticipated operating expenses. The increases in rates within the City of Cleveland average 11.8% and 11.1% for the first .6 MCF and 5.9% and 4.9% for each additional MCF for the years 2014 and 2015, respectively. The increases in rates within the suburbs average 6.9% and 6.0% for the first .6 MCF and 1.2% and 0.1% for each additional MCF for the years 2014 and 2015, respectively. The increases for fixed customer charges for Cleveland and suburbs average 14.3% and 12.5% for the years 2014 and 2015, respectively.

ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	Restated 2012
	(In thousands)	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CAPITAL ASSETS		
Land	$ 5,463	$ 5,463
Land improvements	16,549	16,549
Utility plant	1,543,875	1,497,878
Buildings, structures and improvements	262,087	238,532
Furniture, fixtures, equipment and vehicles	598,431	586,549
	2,426,405	2,344,971
Less: Accumulated depreciation	(927,668)	(859,199)
	1,498,737	1,485,772
Construction in progress	212,426	201,167
CAPITAL ASSETS, NET	1,711,163	1,686,939
RESTRICTED ASSETS		
Cash and cash equivalents	169,569	211,759
Accrued interest receivable	48	84
TOTAL RESTRICTED ASSETS	169,617	211,843
CURRENT ASSETS		
Cash and cash equivalents	212,524	194,377
Restricted cash and cash equivalents	11,282	12,755
Investments	10,021	
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $15,727,000 in 2013 and $15,299,000 in 2012	45,787	48,868
Unbilled revenue	31,171	31,540
Due from other City of Cleveland departments, divisions or funds	15,599	14,662
Accrued interest receivable	1	
Materials and supplies - at average cost, net of allowance for obsolescence of $80,000 in 2013 and $127,200 in 2012	4,669	4,713
Prepaid expenses	1,198	1,178
TOTAL CURRENT ASSETS	332,252	308,093
DEFERRED OUTFLOWS OF RESOURCES		
Derivative instruments-interest rate swaps	17,206	27,699
Unamortized loss on bond refunding	23,338	25,704
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,544	53,403
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,253,576	$ 2,260,278

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	(*In thousands*) 2013	Restated 2012
NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$ 916,392	$ 914,193
Restricted for capital projects	99	99
Restricted for debt service	96,756	87,602
Unrestricted	274,517	252,427
TOTAL NET POSITION	1,287,764	1,254,321
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Revenue bonds	747,088	792,679
OWDA loans	105,547	100,700
Accrued wages and benefits	1,395	1,365
TOTAL LONG-TERM OBLIGATIONS	854,030	894,744
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year and short-term notes	46,922	37,804
Accounts payable	6,328	4,951
Current payable from restricted assets	11,282	12,755
Due to other City of Cleveland departments, divisions or funds	3,374	2,630
Accrued interest payable	14,742	13,521
Current portion of accrued wages and benefits	8,281	10,083
Other accrued expenses	395	395
Customer deposits and other liabilities	3,252	1,375
TOTAL CURRENT LIABILITIES	94,576	83,514
TOTAL LIABILITIES	948,606	978,258
DEFERRED INFLOW OF RESOURCES		
Derivative instruments-interest rate swaps	17,206	27,699
TOTAL DEFERRED INFLOWS OF RESOURCES	17,206	27,699
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	$ 2,253,576	$ 2,260,278

See notes to financial statements. (Concluded)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	2013	Restated 2012
	(In thousands)	
OPERATING REVENUES		
Charges for services	$ 272,674	$ 280,323
TOTAL OPERATING REVENUES	272,674	280,323
OPERATING EXPENSES		
Operations	98,865	103,687
Maintenance	56,082	45,482
Depreciation	74,217	67,455
TOTAL OPERATING EXPENSES	229,164	216,624
OPERATING INCOME (LOSS)	43,510	63,699
NON-OPERATING REVENUE (EXPENSE)		
Investment income	1,650	1,965
Interest expense	(28,413)	(28,322)
Amortization of bond premiums and discounts	5,681	5,118
Gain (loss) on disposal of capital assets	(84)	(15)
Other revenues (expenses)		(1,468)
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(21,166)	(22,722)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	22,344	40,977
Capital and other contributions	11,099	20,118
INCREASE (DECREASE) IN NET POSITION	33,443	61,095
NET POSITION, beginning of year (as restated)	1,254,321	1,193,226
NET POSITION, end of year	$ 1,287,764	$ 1,254,321

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	(In thousands) 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 271,954	$ 264,534
Cash payments to suppliers for goods or services	(73,222)	(66,921)
Cash payments to employees for services	(76,436)	(76,526)
Other	195	140
NET CASH PROVIDED BY(USED FOR) OPERATING ACTIVITIES	122,491	121,227
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(77,308)	(67,355)
Capital grant proceeds	69	
Proceeds of OWDA loan	11,950	
Principal paid on long-term debt	(37,895)	(90,239)
Interest paid on long-term debt	(36,561)	(34,236)
Cash paid to escrow agent for refunding		(50,000)
Proceeds of bonds, premiums and discounts		142,924
Proceeds from sale of notes		50,000
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(139,745)	(48,906)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(69,929)	(99,959)
Proceeds from sale and maturity of investment securities	59,982	112,004
Interest received on investments	1,685	2,158
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(8,262)	14,203
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,516)	86,524
CASH AND CASH EQUIVALENTS, beginning of year	418,891	332,367
CASH AND CASH EQUIVALENTS, end of year	$ 393,375	$ 418,891

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
	(In thousands)	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 43,510	$ 63,699
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	74,217	67,455
Changes in assets and liabilities:		
Accounts receivable, net	3,081	5,307
Unbilled revenue	369	(4,315)
Due from other City of Cleveland departments, divisions or funds	(937)	(2,213)
Materials and supplies, net	45	(991)
Prepaid expenses	(20)	(40)
Accounts payable	1,377	81
Due to other City of Cleveland departments, divisions or funds	744	(140)
Accrued wages and benefits	(1,772)	(95)
Customer deposits and other liabilities	1,877	(7,521)
TOTAL ADJUSTMENTS	78,981	57,528
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 122,491	$ 121,227
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution of capital assets	$ 11,030	$ 20,044

See notes to financial statements. (Concluded)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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 March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the Division implemented GASB Statement No. 65 and restated its comparative financial statements for 2012.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Division has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Division has determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

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. The implementation of the new GASB statements did result in a change in the Division's beginning net position/equity balance as previously reported.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of water to residential, commercial and industrial customers based upon actual water consumption and from a fixed charge based upon meter size. Water rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing, and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market prices.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has invested funds in STAROhio during 2013 and 2012. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies Governmental Accounting Standards Board guidance pertaining to capitalization of interest costs for its revenue bonds. This statement requires capitalization of interest cost of eligible borrowings, less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2013 and 2012, total interest costs incurred amounted to $40,257,000 and $37,094,000, respectively, of which $11,771,000 and $8,581,000, respectively, was capitalized, net of interest income of $73,000 in 2013 and $191,000 in 2012.

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow and is amortized over the shorter of the defeased bond or the newly issued bond.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

Interfund Transactions: During the course of normal operations the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2013 and 2012 is as follows:

	Interest Rate	Original Issuance	2013	2012
			(In thousands)	
Water Revenue Bonds:				
Series G, 1993, due through 2021	5.50%	$ 228,170	$ 66,550	$ 66,860
Series N, 2005, due through 2023	3.50%-5.00%	64,480	22,735	28,015
Series O, 2007, due through 2037	4.25%-5.00%	143,570	130,610	130,610
Series P, 2007, due through 2028	4.50%-5.00%	135,410	113,280	113,280
Series Q, 2008, due through 2033	Variable	90,800	90,800	90,800
Series T, 2009, due through 2021	2.50%-5.00%	84,625	65,150	71,330
Series U, 2010, due through 2033	Variable	54,935	54,935	54,935
Series V, 2010, due through 2033	Variable	26,495	26,495	26,495
Series W, 2011, due through 2026	2.00%-5.00%	82,090	62,760	82,090
Series X, 2012, due through 2042	3.63%-5.00%	44,410	44,410	44,410
Second Lien, Series A 2012, due 2027	4.00%-5.00%	76,710	76,710	76,710
Ohio Water Development Authority Loans				
payable annually through 2033	0.00%-4.14%	153,828	112,559	107,404
		$ 1,185,523	866,994	892,939
Adjustments:				
Unamortized discount and premium			32,563	38,244
Current portion			(46,922)	(37,804)
Total Long-Term Debt			$ 852,635	$ 893,379

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

Summary: Changes in long and short-term obligations for the year ended December 31, 2013 are as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series G, 1993, due through 2021	$ 66,860	$	$ (310)	$ 66,550	$ 330
Series N, 2005, due through 2023	28,015		(5,280)	22,735	870
Series O, 2007, due through 2037	130,610			130,610	2,950
Series P, 2007, due through 2028	113,280			113,280	9,290
Series Q, 2008, due through 2033	90,800			90,800	
Series T, 2009, due through 2021	71,330		(6,180)	65,150	8,130
Series U, 2010, due through 2033	54,935			54,935	
Series V, 2010, due through 2033	26,495			26,495	
Series W, 2011, due through 2026	82,090		(19,330)	62,760	18,340
Series X, 2012, due through 2042	44,410			44,410	
Second Lien, Series A 2012 due through 2027	76,710			76,710	
Ohio Water Development Authority Loans payable annually through 2033	107,404	11,950	(6,795)	112,559	7,012
Total revenue bonds/loans	892,939	11,950	(37,895)	866,994	46,922
Accrued wages and benefits	11,448	8,311	(10,083)	9,676	8,281
Total	$ 904,387	$ 20,261	$ (47,978)	$ 876,670	$ 55,203

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012

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

Summary: Changes in long-term obligations for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series G, 1993, due through 2021	$ 81,225	$	$ (14,365)	$ 66,860	$ 310
Series N, 2005, due through 2023	33,045		(5,030)	28,015	5,280
Series O, 2007, due through 2037	133,315		(2,705)	130,610	
Series P, 2007, due through 2028	119,095		(5,815)	113,280	
Series Q, 2008, due through 2033	90,800			90,800	
Series T, 2009, due through 2021	77,415		(6,085)	71,330	6,180
Series U, 2010, due through 2033	54,935			54,935	
Series V, 2010, due through 2033	26,495			26,495	
Series W, 2011, due through 2026	82,090			82,090	19,330
Series X, 2012, due through 2042		44,410		44,410	
Second Lien Series A 2012, due through 2027		76,710		76,710	
Ohio Water Development Authority Loans payable annually through 2032	112,680	963	(6,239)	107,404	6,704
Total revenue bonds/loans	811,095	122,083	(40,239)	892,939	37,804
Accrued wages and benefits	11,543	9,984	(10,079)	11,448	10,083
Total	$ 822,638	$ 132,067	$ (50,318)	$ 904,387	$ 47,887

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
			(In thousands)		
Water Revenue Notes:					
Subordinate Lien Revenue Notes, due 2012	$ 50,000	$	$ (50,000)	$ -	$
Subordinate Lien Revenue Notes, due 2013		50,000	(50,000)	-	
Total revenue notes	$ 50,000	$ 50,000	$ (100,000)	$ -	$ -

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

Minimum principal and interest payments on long-term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
		(In thousands)	
2014	$ 46,922	$ 38,159	$ 85,081
2015	48,437	36,119	84,556
2016	48,754	33,849	82,603
2017	51,499	31,439	82,938
2018	47,058	29,102	76,160
2019-2023	245,083	110,714	355,797
2024-2028	214,397	58,147	272,544
2029-2033	108,236	25,453	133,689
2034-2038	45,735	7,742	53,477
2039-2042	11,935	1,231	13,166
Total	$ 868,056	$ 371,955	$ 1,240,011

The above schedule of minimum principal and interest payments on long-term debt includes the amortization on eleven loans provided to the City by the Ohio Water Development Authority (OWDA).

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant items(s) for each of the eleven loans. From the information received, the City prepared a detailed amortization schedule for each loan based upon the amount expected to be financed. However, the amortization schedule is tentative and will be adjusted if, and when, OWDA revises the amount to be financed.

Further, OWDA requires the City to begin making semi-annual payments for each loan based on the agreed upon initial repayment date, regardless of whether the City has received all loan proceeds or has completed the project(s).

In 2013, the Division expended $9,747,000 on the Crown Chemical project which is funded by a 2.0% OWDA loan maturing in July 2032. The Division also expended $2,203,000 on a new Shaker Heights Water Main Replacement project. This project is funded by a 20 year 1.88% loan from OWDA which matures in January 2033.

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

At December 31, 2013, the amount financed on these eleven loan projects, less principal payments made, totaled $113,621,000 and is reflected in the debt service payment schedule. However, the total of the actual loan balances received by the Division was $112,559,000 as reflected on the schedules of long-term debt outstanding and changes in long-term debt obligations as of December 31, 2013. The difference of $1,062,000 will be received or accrued in future years.

The Division has 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 aggregate amount of defeased debt outstanding at December 31, 2013 and 2012 is as follows:

Bond Issue	2013	2012
	(In thousands)	
Series O, 2007	$	$ 2,825
Series P, 2007		6,075
Total	$ -	$ 8,900

In 1996, the City authorized the adoption of the eighth supplemental indenture to amend and restate the existing indenture, subject to the receipt of consent of the requisite number of bondholders. With the issuance of the Series J bonds, the City reached the 66.7% consent required to enact the Amended and Restated Indenture. Effective October 5, 2001, all outstanding bonds and any future bonds are secured by the Amended and Restated Indenture. Under the new indenture, the bonds are no longer secured by a mortgage lien. All bonds are secured by the Division's net revenues and by the pledged funds.

The Division's indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees to customers are sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal and maintenance of properties in good condition.

The indenture requires that at all times the Division will charge rates and fees for the products and services of the waterworks system, so that revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the waterworks system and the greater of (1) an amount equal to 1.25 times the payments of principal, premium, if any, and interest on the revenue bonds then outstanding due in that year or (2) an amount sufficient to maintain the required balances in all funds and accounts created under the indenture. As of December 31, 2013 and 2012, the Division was in compliance with the terms and requirements of the bond indenture.

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

The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds. An amount equal to one-sixth of the operating expenses, before depreciation, for the preceding fiscal year must be maintained in this fund.

Debt Service Fund: Deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund: Deposits will be made to this fund if the amount in the debt service fund at any time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the revenue bonds and represent the maximum annual debt service requirement of these bonds.

Contingency Fund: The balance in this fund must be maintained at $3,500,000.

Construction Fund: Proceeds from the revenue bonds were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the waterworks system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding revenue bonds to the extent that amounts in all other funds are insufficient. No payments need be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in any fund may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and accordingly, the funds are classified as restricted assets in the accompanying financial statements.

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

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

Effective October 24, 2012, the City issued $44,410,000 of Senior Lien Water Revenue Bonds, Series X, 2012 and $76,710,000 of, Second Lien Water Revenue Bonds, Series A, 2012. Proceeds of the Series X Bonds will be used to pay costs of improvements to the Waterworks System and to pay costs of issuing the bonds. From the proceeds of the Series A 2012 Bonds, $42,000,000 will be used to fund the rest of the Automated Meter Reading program and the remainder was used to refund all of the outstanding $50,000,000 Water Revenue Subordinate Notes, Series 2012 and to pay issuance costs.

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

On July 24, 2012, the City issued $50,000,000 Subordinate Lien Water Revenue Notes, Series 2012. Proceeds of the notes were used to retire the $50,000,000 Subordinate Lien Water Revenue Notes issued in 2011. The Series 2012 Notes were subsequently redeemed on November 1, 2012 from the proceeds of the Second Lien Series A, 2012 Bonds. The original notes, which were issued in 2010, provided a portion of the funds needed for a new automated meter reading system for the Division. At the end of 2012, the Division no longer had any notes outstanding.

The City has pledged future water system revenues, net of specified operating expenses, to repay $754,435,000 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 60% of net revenues. The total principal and interest remaining to be paid on the various Water Revenue Bonds is $1,100,416,000. Principal and interest requirements for the current year on the senior lien bonds and total net revenues were $70,646,000 and $119,377,000, respectively.

Interest Rate Swap Transactions:

Upon the refunding of the Series M Bonds in 2009, the Division's swap became associated with the Series Q, Series R and Series S Bonds. When the Series R and Series S Bonds were refunded in 2010, the swap associated with these bonds was transferred to a portion of the new Series U and Series V Bonds.

Terms: Simultaneously with the issuance of the City's $175,000,000 Water Revenue Bonds, Series M, on August 10, 2004, the City entered into floating to fixed rate swap agreements with notional amounts equal to the total declining balance of the Series M Bonds. Bear Stearns Financial Products Inc. (Bear Stearns), (which has since been acquired by JPMorgan Chase Bank, N.A. (JPM)), was the counterparty on a two-thirds pro-rata share of the transaction and Morgan Stanley Capital Services Inc. (Morgan Stanley) was the counterparty on a one-third pro-rata share of the transaction.

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

Under the original swap agreements for the Series M Bonds, the Water System was the fixed rate payor, paying a fixed rate of 3.533%. Each counterparty was a floating rate payor, with each paying the Water System 61.25% of one month LIBOR plus a spread of 28 basis points. Net payments were exchanged semiannually on January 1 and July 1. The obligation of the Water System to make periodic payments (but not any termination payment) was secured by a pledge of and lien on the net revenues of the Water System on a parity with the pledge and lien securing the payment of debt service on the bonds. Both the bond debt service payments on the Series M bonds and the periodic swap payments were insured by Financial Security Assurance (FSA). As part of the refunding of the Series M Bonds, the City amended and restated the original swap agreements to (a) eliminate the swap insurance and related insurer rights, (b) modify the payment frequency, (c) transfer the original swap agreement from Bear Stearns to JPM and (d) split each original swap agreement into two separate interest rate swaps in order to hedge separate series of bonds. The original Bear Stearns swap, which has been assumed by JPM, hedged the entire principal amount of Series R and certain maturities of the Series Q Bonds. The original Morgan Stanley swap hedged the entire principal amount of Series S and a portion of the Series Q Bonds. The floating rate received by the City was not altered. However, the fixed rate paid by the City was adjusted to 3.553% for the JPM swap and 3.5975% for the Morgan Stanley swap. The termination date for the swaps associated with the Series Q Bonds is January 1, 2021 while the termination date for the Series R and Series S swaps is January 1, 2033. Net payments are now exchanged monthly. With the refunding of the Series R and Series S Bonds, the JPM swap now hedges all but $200,000 of the Series U Bonds and the Morgan Stanley Swap hedges all but $200,000 of the Series V Bonds.

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

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

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

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

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, 2013 and December 31, 2012 as reported by JPM and Morgan Stanley totaled $17,206,000 and $27,699,000, respectively, which would be payable by the City.

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.

	Changes in Fair Value		Fair Value at December 31, 2013		
	Classification	Amount	Classification	Amount	Notional
			(In thousands)		
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred inflow	$ 3,316	Debt	$ (6,253)	$ 69,880
2010 U Water Swap	Deferred inflow	4,793	Debt	(7,303)	54,735
2010 V Water Swap	Deferred inflow	2,384	Debt	(3,650)	26,295

	Changes in Fair Value		Fair Value at December 31, 2012		
	Classification	Amount	Classification	Amount	Notional
			(In thousands)		
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred inflow	$ 592	Debt	$ (9,569)	$ 76,375
2010 U Water Swap	Deferred outflow	(192)	Debt	(12,096)	54,735
2010 V Water Swap	Deferred outflow	(144)	Debt	(6,034)	26,295

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

The following table presents the objective and significant terms of the City's derivative instruments at December 31, 2013, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 45,860,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 24,020,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/A+
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	Baa2/A-/A

The following table presents the aggregate debt service requirements on the City's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2013. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2013, 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.

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(In thousands)		
2014	$	$ 763	$ 4,558	$ 5,321
2015		763	4,277	5,040
2016		763	4,219	4,982
2017		763	4,180	4,943
2018		763	3,853	4,616
2019-2023	32,415	3,387	12,658	48,460
2024-2028	80,240	860	2,243	83,343
2029-2033	59,575	125	169	59,869
Total	$ 172,230	$ 8,187	$ 36,157	$ 216,574

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

Ohio Water Development Authority (OWDA) Loans: These loans are payable from net revenues derived from the Waterworks System. These obligations do not have a lien on revenues of the Division. The Division received an increase in OWDA loans in the amount of $11,950,000 and $963,000 during 2013 and 2012, respectively. 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, 2013 and 2012 totaled $91,649,000 and $133,643,000, respectively, and the Division's bank balances were $85,060,000 and $134,956,000, 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, $85,060,000 and $134,956,000 of the bank balances at December 31, 2013 and 2012, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers 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)

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-term 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 table on the following page.

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, 2013 and 2012 include U.S. Treasury Notes, STAROhio, commercial paper, mutual funds, guaranteed investment contracts and other investments. The Division maintains the highest ratings for their investments. Investments in STAROhio, PNC Government Money Market Funds and First American government Obligations carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Division's investment in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2013 and 2012, 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	2013 Fair Value	2013 Cost	2012 Fair Value	2012 Cost	Investment Maturities Less than One Year	Investment Maturities 1 - 5 Years
	(In thousands)					
U.S. Treasury Notes	$ 10,021	$ 9,984	$	$	$	$ 10,021
STAROhio	129,575	129,575	63,604	63,604	129,575	
Commercial Paper	102,901	102,901	89,164	89,164	102,901	
Mutual Funds	7,400	7,400	94,252	94,252	7,400	
Guaranteed Investment Contracts	16,850	16,850	36,850	36,850	16,850	
Other	45,000	45,000	1,378	1,378	45,000	
Total Investments	311,747	311,710	285,248	285,248	301,726	10,021
Total Deposits	91,649	91,649	133,643	133,643	91,649	
Total Deposits and Investments	$ 403,396	$ 403,359	$ 418,891	$ 418,891	$ 393,375	$ 10,021

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Investment type "Other Investments" consist of deposits into collective cash escrow pools managed by U.S. Bank, as trustee.

The City's current guaranteed investment contracts are not categorized as investments on the financial statements because they are reserved against future debt service requirements and may need to be liquidated prior to maturity.

As of December 31, 2013, the investments in U.S. Treasury Notes, STAROhio, commercial paper, mutual funds, guaranteed investment contracts and other are approximately 3%, 42%, 33%, 2%, 5% and 15%, respectively, of the Division's total investments. As of December 31, 2012, the investments in STAROhio, commercial paper, mutual funds, guaranteed investment contracts and other are approximately 22%, 31%, 33%, 13% and 1%, respectively, of the Division's total investments.

NOTE D – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 5,463	$	$	$ 5,463
Construction in progress	201,167	87,710	(76,451)	212,426
Total capital assets, not being depreciated	206,630	87,710	(76,451)	217,889
Capital assets, being depreciated:				
Land improvements	16,549			16,549
Utility plant	1,497,878	48,192	(2,195)	1,543,875
Buildings, structures and improvements	238,532	23,555		262,087
Furniture, fixtures, equipment and vehicles	586,549	24,126	(12,244)	598,431
Total capital assets, being depreciated	2,339,508	95,873	(14,439)	2,420,942
Less: Accumulated depreciation	(859,199)	(82,748)	14,279	(927,668)
Total capital assets being depreciated, net	1,480,309	13,125	(160)	1,493,274
Capital assets, net	$ 1,686,939	$ 100,835	$ (76,611)	$ 1,711,163

NOTE D – CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 5,463	$	$	$ 5,463
Construction in progress	275,907	71,505	(146,245)	201,167
Total capital assets, not being depreciated	281,370	71,505	(146,245)	206,630
Capital assets, being depreciated:				
Land improvements	16,549			16,549
Utility plant	1,354,191	145,112	(1,425)	1,497,878
Buildings, structures and improvements	221,373	17,159		238,532
Furniture, fixtures, equipment and vehicles	566,679	21,158	(1,288)	586,549
Total capital assets, being depreciated	2,158,792	183,429	(2,713)	2,339,508
Less: Accumulated depreciation	(779,509)	(82,370)	2,680	(859,199)
Total capital assets being depreciated, net	1,379,283	101,059	(33)	1,480,309
Capital assets, net	$ 1,660,653	$ 172,564	$ (146,278)	$ 1,686,939

Commitments: The Division has outstanding commitments at December 31, 2013 and 2012 of approximately $102,497,000 and $93,395,000, respectively, for future capital expenditures. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

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

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were $6,921,000, $5,452,000 and $5,406,000 each year, respectively. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2013, 2012, and 2011. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 1.00% for members of the Traditional Plan in 2013 and 4.00% in 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were $532,000 in 2013, $2,180,000 in 2012 and $2,162,000 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2013 or 2012.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. 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, 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 and collection services for the Division of Water Pollution Control for a fee. This fee is based on the number of billings made on behalf of that division during the year at the same rates as charged to other users of the billing system. Revenue realized from the Division of Water Pollution Control for such services was approximately $2,426,000 and $2,421,000 in 2013 and 2012, respectively. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $4,778,000 and $3,586,000 in 2013 and 2012, respectively.

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 years ended December 31 were as follows:

	2013	2012
	(In thousands)	
Electricity purchases	$ 13,585	$ 12,988
City administration	2,655	2,612
Motor Vehicle Maintenance	2,998	3,572
Telephone Exchange	1,074	955
Utilities Administration and Utilities Fiscal Control	3,961	3,313
Street Construction	152	451

NOTE I – CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $5,955,000 and $5,258,000 for the years ended December 31, 2013 and 2012, respectively.

NOTE J – RESTATEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 effective for periods beginning after December 15, 2012. The Statement changed the treatment of bond issuance costs. Previously, the costs were recorded as assets and amortized over the life of the related debt issue. The GASB evaluated these costs and concluded that with the exception of prepaid insurance, the costs relate to services provided in the current period and thus they should be expensed in the current period. As a result, the following restatements are necessary:

Impact on Statements of Net Position	December 31, 2012	Restatement	Restated December 31, 2012
		(In thousands)	
Unamortized Bond Issuance Costs	$ 5,151	$ (5,151)	$ -
Unrestricted Net Position	257,578	(5,151)	252,427
Deferred Outflows of Resources			
Loss on Debt Refunding		25,704	25,704
Long-Term Obligtions			
Revenue Bonds	766,975	25,704	792,679

NOTE J – RESTATEMENT (Continued)

Impact on Statements of Revenues, Expenses and Changes in Net Position	2012	Restatement	Restated 2012
		(In thousands)	
Amortization of bond premiums and discounts	$ 4,284	$ 834	$ 5,118
Other revenues (expenses)		(1,468)	(1,468)
Total Non-Operating Revenue (Expense), Net	(22,088)	(634)	(22,722)
Increase (Decrease) in Net Position	61,729	(634)	61,095
Beginning Net Position	1,197,743	(4,517)	1,193,226

NOTE K – SUBSEQUENT EVENT

City Council approved Ordinance Number 1354-13 on November 11, 2013 and subsequently became law on December 11, 2013. The Ordinance authorized the Division to recoup stranded costs and cost to cure other communities still in the water system from communities that exit the system. On February 7, 2014 the Court of Common Pleas, Cuyahoga County issued a preliminary injunction that prevents the Division from imposing said costs on the City of Westlake and shall remain in effect pending further order from the Court.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

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 years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2014

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water Pollution Control (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2013 and 2012. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 14.

The Division was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area. Embarking with a rudimentary system in the late 1800's, the Cleveland Sewer System developed as the City itself expanded. Until the early 1970's, the City operated the entire system and managed all aspects of sewage treatment and disposal.

In 1972, a court order created the Northeast Ohio Regional Sewer District (NEORSD) and transferred the operation of all wastewater treatment plants and interceptors to the NEORSD in December 1973.

The City retained responsibility for the sewer collector system in Cleveland. The Division serves a significant portion of the entire metropolitan area by managing the sanitary sewage and storm water drainage collection system. The sewer collection system transfers sanitary and storm sewage from its point of origin to an interceptor sewer or treatment plant for processing. The system is comprised of over 1,400 miles of sewer lines with attendant catch basins and includes 15 pump/lift stations. The Division is also responsible for the cleaning of 127,000 catch basins and for maintaining two storm detention basins.

The Division currently has 126,555 customer accounts in the City of Cleveland of which 96.1% are residential and 3.9% commercial. Also, in 2013, the Division's sewers transported 1,822,980 Mcf's (thousand cubic feet) of water.

The Division's capital improvement program is supported by a "pay as you go" system funded by its operating revenue and loans. The Division has a low debt burden. The Division maintains an unencumbered cash balance that allows its current debts to be paid. Maintaining this approach helps the Division stabilize the rates charged to its customers.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities (net position) by $99,284,000, $99,204,000 and $100,384,000 at December 31, 2013, 2012 and 2011, respectively. Of these amounts, $32,267,000, $32,655,000 and $34,208,000 are unrestricted net position at December 31, 2013, 2012 and 2011, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net position increased by $80,000. The main components of the change were a decrease in operating revenues of $327,000, offset by a decrease of $1,833,000 in operating expenses and a decrease of $343,000 in capital and other contributions.

FINANCIAL HIGHLIGHTS (Continued)

- The regular sewage rate was $12.53 per thousand cubic feet in 2012 and 2013. Also, the homestead sewage rate was $7.43 per thousand cubic feet in 2012 and 2013.

- During 2013, the Division's current assets decreased by $207,000. The primary component was a decrease of $1,463,000 in cash and cash equivalents, offset by a $734,000 increase in due from other City departments, divisions or funds and a $522,000 increase in net accounts receivable.

- The Division's total debt decreased in 2013 and 2012 by $525,000 and $505,000, respectively, due to the continuing scheduled debt payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Division of Water Pollution Control is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

The basic financial statements of the Division can be found on pages 14 - 18 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 - 32 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, 2013, 2012 and 2011:

	2013	2012	2011
		(In thousands)	
Assets:			
Capital assets, net	$ 68,652	$ 68,709	$ 69,019
Restricted assets	558	586	1,081
Current assets	138,245	138,452	151,519
Total assets	207,455	207,747	221,619
Net Positon and Liabilities:			
Net position:			
Net investment in capital assets	66,839	66,371	66,176
Restricted for capital projects	178	178	
Unrestricted	32,267	32,655	34,208
Total net position	99,284	99,204	100,384
Liabilities:			
Long-term obligations	1,406	1,949	2,482
Current liabilities	106,765	106,594	118,753
Total liabilities	108,171	108,543	121,235
Total net position and liabilities	$ 207,455	$ 207,747	$ 221,619

Current Assets: In 2013, there was a decrease of $207,000 in current assets due to the decrease in current cash and cash equivalents of $1,463,000, offset by an increase in due from other City departments, divisions or funds and net accounts receivable of $734,000 and $522,000, respectively. In 2012, there was a decrease of $13,067,000 in current assets due to the increase in current cash and cash equivalents of $10,070,000, which was the product of increased collection activity, offset by a decrease in net accounts receivable of $23,141,000, which was the result of increased write-offs.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital Assets: In 2013, the Division's net capital assets amounted to $68,652,000. This was a decrease of $57,000 from 2012. The change was primarily due to scheduled depreciation. In 2012, the Division's net capital assets amounted to $68,709,000. This was a decrease of $310,000 from the prior year and the change was primarily due to scheduled depreciation. A summary of the activity in the Division's capital assets during the years ended December 31, 2013 and 2012 is as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Land	$ 297	$	$	$ 297
Utility plant	137,728	4,055		141,783
Buildings, structures and improvments	8,963			8,963
Furniture, fixture, equipment and vehicles	13,046	2,551	(551)	15,046
Construction in progress	6,143	4,041	(5,483)	4,701
Total	166,177	10,647	(6,034)	170,790
Less: Accumulated depreciation	(97,468)	(5,221)	551	(102,138)
Capital assets, net	$ 68,709	$ 5,426	$ (5,483)	$ 68,652

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
	(In thousands)			
Land	$ 297	$	$	$ 297
Utility plant	131,132	6,660	(64)	137,728
Buildings, structures and improvments	8,948	15		8,963
Furniture, fixture, equipment and vehicles	12,481	1,320	(755)	13,046
Construction in progress	9,340	4,368	(7,565)	6,143
Total	162,198	12,363	(8,384)	166,177
Less: Accumulated depreciation	(93,179)	(5,108)	819	(97,468)
Capital assets, net	$ 69,019	$ 7,255	$ (7,565)	$ 68,709

During 2013, the three largest capital additions were the Emergency Sewer Repairs 2013 for $687,000, the West 54 Street and Franklin Emergency Repair for $395,000 and the Gooding Avenue Sewer Replacement for $388,000. The major capital projects/expenses for the year included:

- 800MHZ System Upgrade
- Rehabilitating and Relining Sewers
- Emergency Sewer Repairs
- Earle Avenue Sewer

During 2012, the two largest capital additions were the 800MHZ System Upgrade for $1,281,000 and the Rehabilitating and Relining Sewers for $651,000. The major capital projects/expenses for the year included:

- Big Creek Project
- Sewer Replacement City Wide
- Storm Water Management Initiative
- Emergency Sewer Repairs

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Current Liabilities: Total current liabilities increased by $171,000. The major components were an increase of $900,000 in due to other City departments, divisions or funds, an increase of $301,000 in accounts payable and an increase of $249,000 in amounts due for billings on behalf of others, offset by a $1,122,000 decrease in construction payable. During 2012, total current liabilities decreased by $12,159,000. The major component was a decrease of $15,133,000 in amounts due for billings on behalf of others, which was the result of $20,000,000 in write-offs, offset by a $1,979,000 increase in due to other City departments, divisions or funds.

Long-Term Debt: At the end of the current year, the Division had total debt outstanding of $1,813,000 associated with five OWDA construction loans and two OPWC construction loans. At the end of 2012, the Division had total debt outstanding of $2,338,000 associated with five OWDA construction loans and two OPWC construction loans. These loans are payable by revenues generated by the Division.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2013 is summarized below:

	Balance January 1, 2013	Debt Issued	Debt Retired	Balance December 31, 2013
	(In thousands)			
Ohio Water Development Authority Loans (OWDA)	$ 2,123	$	$ (501)	$ 1,622
Ohio Public Works Commission Loans (OPWC)	215		(24)	191
Total	$ 2,338	$ -	$ (525)	$ 1,813

The activity in the Division's debt obligations outstanding during the year ended December 31, 2012 is summarized below:

	Balance January 1, 2012	Debt Issued	Debt Retired	Balance December 31, 2012
	(In thousands)			
Ohio Water Development Authority Loans (OWDA)	$ 2,604	$	$ (481)	$ 2,123
Ohio Public Works Commission Loans (OPWC)	239		(24)	215
Total	$ 2,843	$ -	$ (505)	$ 2,338

Additional information on the Division's long-term debt can be found in Note B on pages 22 - 24.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $99,284,000, $99,204,000 and $100,384,000 at December 31, 2013, 2012 and 2011, respectively.

The largest portion of the Division's net position, $66,839,000 and $66,371,000, at December 31, 2013 and 2012, respectively, reflects its investment in capital assets (e.g., land, buildings, utility plant, machinery and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted for capital projects portion of the Division's net position was $178,000 at December 31, 2013 and 2012. These funds are set aside for the payment of capital projects.

The remaining balance of net position, $32,267,000 and $32,655,000, at December 31, 2013 and 2012, respectively, are 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

The Division's operations for 2013 increased its net position by $80,000. During 2012, net position decreased by $1,180,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
		(In thousands)	
Operating revenues	$ 22,549	$ 22,876	$ 22,199
Operating expenses	22,544	24,377	22,884
Operating income (loss)	5	(1,501)	(685)
Non-operating revenue (expense):			
Investment income	58	59	53
Interest expense	(82)	(102)	(121)
Other	99	21	53
Total non-operating revenue (expense), net	75	(22)	(15)
Income (loss) before other contributions	80	(1,523)	(700)
Capital and other contributions		343	1,980
Increase (decrease) in net position	80	(1,180)	1,280
Net position, beginning of year	99,204	100,384	99,104
Net position, end of year	$ 99,284	$ 99,204	$ 100,384

Operating revenues: Total operating revenues amounted to $22,549,000 in 2013. This was a decrease of $327,000 from the prior year, mainly due to a decrease in consumption. In 2012, total operating revenues amounted to $22,876,000. This was an increase of $677,000 from the prior year, mainly due to an increase in consumption.

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

Operating expenses: In 2013, total operating expenses decreased by $1,833,000. There was a decrease in operations costs of $962,000. The major component was accrued bad debt expense, which decreased by $1,945,000. Also, maintenance costs decreased by $984,000. The major components were transfers of wages and benefits to capital and maintenance utility systems, which decreased by $374,000 and $309,000, respectively. The transfer of wages and benefits to capital was calculated using the Safe Harbor Rate Method, which decreased overhead costs and increased capital projects costs. In 2012, total operating expenses increased by $1,493,000. There was an increase in operations costs of $879,000. The major component was accrued bad debt expense, which increased by $1,061,000.

Non-operating revenues and expenses: In 2013, other revenues increased by $78,000. The major component was an increase of $89,000 in expenditure recoveries, offset by a $11,000 decrease in sale of scrap. In 2012, other revenues decreased by $32,000. The major component was a decrease of $40,000 in prior year expenditure recovery.

ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	(*In thousands*) 2013	2012
ASSETS		
CAPITAL ASSETS		
Land	$ 297	$ 297
Utility plant	141,783	137,728
Buildings, structures and improvements	8,963	8,963
Furniture, fixtures, equipment and vehicles	15,046	13,046
	166,089	160,034
Less: Accumulated depreciation	(102,138)	(97,468)
	63,951	62,566
Construction in progress	4,701	6,143
CAPITAL ASSETS, NET	68,652	68,709
RESTRICTED ASSETS		
Cash and cash equivalents	558	586
CURRENT ASSETS		
Cash and cash equivalents	47,167	48,630
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $2,269,000 in 2013 and $3,007,000 in 2012	86,656	86,134
Unbilled revenue	2,830	2,831
Due from other City of Cleveland departments, divisions or funds	1,229	495
Materials and supplies - at average cost	363	362
TOTAL CURRENT ASSETS	138,245	138,452
TOTAL ASSETS	$ 207,455	$ 207,747

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	(*In thousands*) 2013	2012
NET POSITION AND LIABILITIES		
NET POSITION		
Net investment in capital assets	$ 66,839	$ 66,371
Restricted for capital projects	178	178
Unrestricted	32,267	32,655
TOTAL NET POSITION	99,284	99,204
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OWDA loans	1,101	1,622
OPWC loans	167	191
Accrued wages and benefits	138	136
TOTAL LONG-TERM OBLIGATIONS	1,406	1,949
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	545	525
Accounts payable	472	171
Construction payable	928	2,050
Amounts due for billing on behalf of others	90,953	90,704
Due to other City of Cleveland departments, divisions or funds	12,299	11,399
Current portion of accrued wages and benefits	1,390	1,557
Other accrued expenses	49	55
Customer deposits and other liabilities	129	133
TOTAL CURRENT LIABILITIES	106,765	106,594
TOTAL LIABILITIES	108,171	108,543
TOTAL NET POSITION AND LIABILITIES	$ 207,455	$ 207,747

(Concluded)

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	(*In thousands*) 2013	2012
OPERATING REVENUES		
Charges for services	$ 22,549	$ 22,876
TOTAL OPERATING REVENUES	22,549	22,876
OPERATING EXPENSES		
Operations	9,232	10,194
Maintenance	8,091	9,075
Depreciation	5,221	5,108
TOTAL OPERATING EXPENSES	22,544	24,377
OPERATING INCOME (LOSS)	5	(1,501)
NON-OPERATING REVENUE (EXPENSE)		
Investment income	58	59
Interest expense	(82)	(102)
Other	99	21
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	75	(22)
INCOME (LOSS) BEFORE OTHER CONTRIBUTIONS	80	(1,523)
Capital and other contributions		343
INCREASE (DECREASE) IN NET POSITION	80	(1,180)
NET POSITION, BEGINNING OF YEAR	99,204	100,384
NET POSITION, END OF YEAR	$ 99,284	$ 99,204

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	(In thousands) 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 21,462	$ 22,996
Cash payments to suppliers for goods or services	(4,938)	(5,484)
Cash payments to employees for services	(10,063)	(9,947)
Agency activity on behalf of other sewer authorities	(1,216)	6,265
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	5,245	13,830
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,239)	(3,996)
Principal paid on long-term debt	(525)	(505)
Interest paid on long-term debt	(82)	(102)
Capital grant proceeds	52	289
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(6,794)	(4,314)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	58	59
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	58	59
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,491)	9,575
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,216	39,641
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 47,725	$ 49,216

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	(In thousands) 2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 5	$ (1,501)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	5,221	5,108
Write-off of bad debt expense		20,000
Changes in assets and liabilities:		
Accounts receivable, net	(522)	3,141
Accrued and unbilled revenue	1	118
Due from other City of Cleveland departments, divisions or funds	(734)	(79)
Materials and supplies, net	(1)	(43)
Accounts payable	301	(533)
Other accrued expenses	(6)	(5)
Amounts due for billings on behalf of others	249	(15,133)
Due to other City of Cleveland departments, divisions or funds	900	1,979
Accrued wages and benefits	(165)	(13)
Customer deposits and other liabilities	(4)	791
TOTAL ADJUSTMENTS	5,240	15,331
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 5,245	$ 13,830

(Concluded)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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 March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Division has determined that GASB Statement No. 65 has no impact on its financial statements as of December 31, 2013.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Division has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Division has determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and is divided into the following categories:

- Net investment in capital assets.
- Restricted for capital projects.
- Remaining unrestricted amount.

In addition, certain additional financial information regarding the Division is included in these footnotes. The implementation of the new GASB statements did not result in a change in the Division's beginning net position/equity balance as previously reported.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of sewer services to residential, commercial and industrial customers based upon actual water consumption. Sewer rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Accounts Receivables: The Division's share of the accounts receivable balance is $13,132,000 and $12,112,000, net of allowance for doubtful accounts of $2,269,000 and $3,007,000, for 2013 and 2012, respectively. The remaining accounts receivable balances of $73,524,000 and $74,022,000 for 2013 and 2012, respectively, belong to the Northeast Ohio Regional Sewer District and other municipalities in the Greater Cleveland Region and are offset by the corresponding amounts due for billings on behalf of others.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the Governmental Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, State Treasury Asset Reserve of Ohio (STAROhio), mutual funds and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market rates.

The City has invested funds in STAROhio during years 2013 and 2012. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Building, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

NOTE B - LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2013 and 2012 as follows:

	Interest Rate	Original Issuance	2013	2012
			(In thousands)	
Ohio Water Development Authority (OWDA)				
Loans payable annually through 2017	4.04% - 4.18%	$ 7,897	$ 1,622	$ 2,123
Ohio Public Works Commission (OPWC) Loans				
payable annually through 2022	0.00%	481	191	215
		$ 8,378	1,813	2,338
Less:				
Current portion			(545)	(525)
Total Long-Term Debt			$ 1,268	$ 1,813

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2013 are as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
			(In thousands)		
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	$ 2,123	$	$ (501)	$ 1,622	$ 521
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	215		(24)	191	24
Total loans	2,338	-	(525)	1,813	545
Accrued wages and benefits	1,693	1,392	(1,557)	1,528	1,390
Total	$ 4,031	$ 1,392	$ (2,082)	$ 3,341	$ 1,935

Summary: Changes in long-term obligations for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
			(In thousands)		
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	$ 2,604	$	$ (481)	$ 2,123	$ 501
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	239		(24)	215	24
Total loans	2,843	-	(505)	2,338	525
Accrued wages and benefits	1,706	1,549	(1,562)	1,693	1,557
Total	$ 4,549	$ 1,549	$ (2,067)	$ 4,031	$ 2,082

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(In thousands)	
2014	$ 545	$ 61	$ 606
2015	515	40	555
2016	482	20	502
2017	177	3	180
2018	24		24
2019-2022	70		70
Total	$ 1,813	$ 124	$ 1,937

The Ohio Water Development Authority and Ohio Public Works Commission Loans are being paid from the revenues derived from operations of the Division.

Water Pollution Control Loans: Under Title VI of the Clean Water Act, Congress created the State Revolving Fund (SRF). The SRF program provides federal capitalization grants to states, in addition to the 20% state matching funds, in order to capitalize state level revolving loan funds. Besides the traditional types of municipal wastewater treatment projects, Congress expanded the potential use of SRF funds to include correction of combined sewer overflows, major sewer rehabilitation and new collector sewers.

In Ohio, this SRF program is known as the Water Pollution Control Loan Fund and is jointly administered by the Ohio EPA and the Ohio Water Development Authority. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project. The repayment period for each loan commences no later than the 1st of January or July following the expected completion date of the project to which it relates utilizing an estimate of total eligible project costs as the preliminary loan amount. Construction loans and design loans are to be repaid in semi-annual payments of principal and interest over a period of twenty years and five years, respectively. The Division had five SRF loan awards related to projects as of December 31, 2013.

In addition, the Division had two OPWC loan awards as of December 31, 2013. The loan related projects are for sewer repair and replacement at the Hamlet and Adolpha Streets intersection, and a storm water detention basin project at Kerruish Park. Both loans are interest-free and principal repayment will be made from the Division's operating revenues.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at years ended December 31, 2013 and 2012 totaled $22,903,000 and $26,347,000, and the Division's bank balances were approximately $25,421,000 and $26,752,000, 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,* $25,421,000 and $26,752,000 of the bank balances at December 31, 2013 and 2012, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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

***Interest rate risk*:** As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table on the following page.

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

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

***Credit Risk*:** The Division's investments as of December 31, 2013 and 2012 include STAROhio and mutual funds. The Division maintains the highest ratings for their investments. Investments in STAROhio and the PNC Government Money Market Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

***Concentration of Credit Risk*:** The Division places a limitation on the amount it may invest in any one issuer to minimize the concentration of credit risk. The Division had the following investments at December 31, 2013 and 2012, 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	2013 Fair Value	2013 Cost	2012 Fair Value	2012 Cost	Investment Maturities Less than One Year
			(In thousands)		
STAROhio	$ 11,826	$ 11,826	$ 21,815	$ 21,815	$ 11,826
Mutual Funds	12,996	12,996	1,054	1,054	12,996
Total Investments	24,822	24,822	22,869	22,869	24,822
Total Deposits	22,903	22,903	26,347	26,347	22,903
Total Deposits and Investments	$ 47,725	$ 47,725	$ 49,216	$ 49,216	$ 47,725

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2013, the investments in STAROhio and mutual funds are 48% and 52%, respectively, of the Division's total investments. As of December 31, 2012, the investments in STAROhio and mutual funds were 95% and 5%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	6,143	4,041	(5,483)	4,701
Total capital assets, not being depreciated	6,440	4,041	(5,483)	4,998
Capital assets, being depreciated:				
Utility plant	137,728	4,055		141,783
Buildings, structures and improvements	8,963			8,963
Furniture, fixtures, equipment and vehicles	13,046	2,551	(551)	15,046
Total capital assets, being depreciated	159,737	6,606	(551)	165,792
Less: Accumulated depreciation	(97,468)	(5,221)	551	(102,138)
Total capital assets being depreciated, net	62,269	1,385	-	63,654
Capital assets, net	$ 68,709	$ 5,426	$ (5,483)	$ 68,652

NOTE D - CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	9,340	4,368	(7,565)	6,143
Total capital assets, not being depreciated	9,637	4,368	(7,565)	6,440
Capital assets, being depreciated:				
Utility plant	131,132	6,660	(64)	137,728
Buildings, structures and improvements	8,948	15		8,963
Furniture, fixtures, equipment and vehicles	12,481	1,320	(755)	13,046
Total capital assets, being depreciated	152,561	7,995	(819)	159,737
Less: Accumulated depreciation	(93,179)	(5,108)	819	(97,468)
Total capital assets being depreciated, net	59,382	2,887	-	62,269
Capital assets, net	$ 69,019	$ 7,255	$ (7,565)	$ 68,709

Commitments: The Division had outstanding commitments of approximately $9,716,000 and $11,744,000 for future capital expenses at December 31, 2013 and 2012, respectively. It is anticipated that these commitments will be financed from the Division’s cash balances. However, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

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

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were $874,000, $686,000 and $704,000 each year, respectively. The required payments due in 2013, 2012 and 2011 have been made.

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

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2013, 2012, and 2011. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 1.00% for members of the Traditional Plan in 2013 and 4.00% for 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were $67,000 in 2013, $274,000 in 2012 and $281,000 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2013 or 2012.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. The Division participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides sewer services to the City, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City, which by ordinance are provided free sewer services.

Billing and collection services for the Division are performed by the Division of Water for a fee. This fee is based on the number of billings made on behalf of the Division during the year at the same rates as charged to other users of the billing system. These fees were approximately $2,426,000 and $2,421,000 in 2013 and 2012, respectively.

NOTE H - RELATED PARTY TRANSACTIONS (Continued)

Operating Expenses*:* The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2013 and 2012 were as follows:

	(In thousands) 2013	2012
Electricity purchases	$ 218	$ 198
Street construction and maintenance	2	134
City Administration	454	469
Motor Vehicle Maintenance	359	472
Utilities Administration and Utilities Fiscal Control	492	473
Services provided by the Division of Water	1,116	315

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 $24,063 and $24,552 for the years ended December 31, 2013 and 2012, respectively.

Dave Yost • Auditor of State

CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 9, 2014