CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2016

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

Dave Yost • Auditor of State

City Council
City of Cleveland
601 Lakeside Avenue
Room 24
Cleveland, Ohio 44114

We have reviewed the *Independent Auditor's Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2016 through December 31, 2016. 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 10, 2017

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
Direct Programs:				
Urban and Community Forestry Program 2015	10.675		$	$ 91,819
Urban and Community Forestry Program 2016	10.675			76,050
Subtotal			-	167,869
Pass-Through Programs:				
Ohio Department of Education Office of Child Nutrition Services:				
Summer Food Service Program for Children 2015	10.559	087593		63,159
Summer Food Service Program for Children 2016	10.559	087593		217,451
Subtotal			-	280,610
Total Department of Agriculture			-	448,479
Department of Health and Human Services				
Direct Programs:				
Healthy Start Initiative Yr 15	93.926		634,305	864,531
Healthy Start Initiative Yr 16	93.926		642,650	1,041,271
Subtotal			1,276,955	1,905,802
Pass-Through Programs:				
Ohio Department of Health:				
Substance Abuse and Mental Health Services Administration	93.243	1H79TI025119-01		303,162
Substance Abuse and Mental Health Services Administration	93.243	1H79TI026086-01		252,379
Subtotal			-	555,541
Public Health Emergency Preparedness 2016	93.074	18-100-12-PH-0716		119,260
Public Health Emergency Preparedness 2017	93.074	18-100-12-PH-0817		75,461
Public Health Emergency Preparedness - Emergency Ebola	93.074	18-100-12-EB-0116		45,566
City Readiness Initiative 2016	93.074	18-2-001-2-PH-0716		372,139
City Readiness Initiative 2017	93.074	18-2-001-2-PH-0817		128,022
Subtotal			-	740,448

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):				
Pass-Through Programs (Continued):				
Immunization Grants 2016	93.268	18-100-1-2-IM-0916		24,269
Subtotal			-	24,269
Family Planning Services Title X FY 2016	93.217	18-200-11-HW-0316		231,068
Family Planning Services Title X FY 2017	93.217	18-200-11-RH-0317	59,544	394,211
Subtotal			59,544	625,279
Family Planning Services Title X FY 2017	93.994	18-200-11-RH-0317		16,065
Subtotal			-	16,065
HIV Prevention 2015	93.940	18-2-001-2-HP-0815	92,583	92,583
HIV Prevention 2016	93.940	18-2-001-2-HP-0916	410,944	518,508
Subtotal			503,527	611,091
Sexually Transmitted Diseases Diagnosis & Treatment 2015	93.977	18-2-001-2-ST-0715		2,287
Sexually Transmitted Diseases Diagnosis & Treatment 2016	93.977	18-2-001-2-ST-0816		131,367
Subtotal			-	133,654
Cuyahoga County Board of Health:				
Block Grants for Prevention and Treatment of Substance Abuse:				
Alcohol, Drug Addiction and Mental Health Service 2015 Treatment	93.959			4,988
Alcohol, Drug Addiction and Mental Health Service 2016 Treatment	93.959			38,019
Alcohol, Drug Addiction and Mental Health Service 2015 Prevention	93.959			1,074
Alcohol, Drug Addiction and Mental Health Service 2016 Prevention	93.959			65,645
Subtotal			-	109,726
Western Reserve Area Agency on Aging (WRAAA):				
WRAAA OAA/ADRN Project 2015	93.044			4,794
WRAAA OAA/ADRN Project 2016	93.044			219,515
WRAAA Supporting Services 2015	93.044			5,018
WRAAA Supporting Services 2016	93.044			50,127
Subtotal			-	279,454
WRAAA Supportive Services/MIPPA 2014	93.071			7,358
Subtotal			-	7,358
WRAAA HEAP Outreach Program FY 2016	93.568			14,604
WRAAA HEAP Outreach Program FY 2017	93.568			1,358
Subtotal			-	15,962

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):				
Pass-Through Programs (Continued):				
Cuyahoga County:				
Temporary Assistance to Needy Families	93.558	AG1400113		172,032
Subtotal			-	172,032
Total Department of Health and Human Services			1,840,026	5,196,681
Department of Housing & Urban Development				
Direct Programs:				
CDBG Yr 36	14.218		6,619	13,533
CDBG Yr 37	14.218			30,727
CDBG Yr 38	14.218			101,606
CDBG Yr 39	14.218		253,507	508,690
CDBG Yr 40	14.218		2,361,800	3,882,087
CDBG Yr 41	14.218		5,878,212	12,378,021
CDBG Yr 42	14.218		2,755,111	4,528,796
Neighborhood Stabilization Program 1	14.218		5,066	393,414
Neighborhood Stabilization Program 3	14.218			576,144
Subtotal			11,260,315	22,413,018
ARRA Neighborhood Stabilization Program	14.256			7,840
Subtotal			-	7,840
HOME Investment Partnerships Program 2011	14.239			513,182
HOME Investment Partnerships Program 2012	14.239			319,500
HOME Investment Partnerships Program 2013	14.239			1,187,942
HOME Investment Partnerships Program 2014	14.239			2,380,516
HOME Investment Partnerships Program 2015	14.239			130,271
HOME Investment Partnerships Program 2016	14.239			160,434
Subtotal			-	4,691,845
Emergency Shelter Grants Program 2014	14.231		586,241	586,241
Emergency Shelter Grants Program 2015	14.231		923,127	945,560
Emergency Shelter Grants Program 2016	14.231			32,158
Subtotal			1,509,368	1,563,959
Housing Opportunities for Persons With AIDS 2014	14.241		126,272	126,272
Housing Opportunities for Persons With AIDS 2015	14.241		634,569	634,569
Housing Opportunities for Persons With AIDS 2016	14.241			578,135
Subtotal			760,841	1,338,976

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing & Urban Development (Continued):				
Direct Programs (Continued):				
Empowerment Zones Program	14.246			1,323,368
Midtown East 59th Street BEDI Grant	14.246			3,000,000
Subtotal			-	4,323,368
Midtown East 59th Street HUD 108	14.248			16,318
Empowerment Zone HUD 108	14.248			1,790,474
Subtotal			-	1,806,792
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		441,265	662,326
Subtotal			441,265	662,326
Pass-Through Programs:				
Ohio Department of Development:				
Neighborhood Stabilization Program - State	14.228	A-Z-08-264-1		300,523
Subtotal			-	300,523
Total Department of Housing & Urban Development			13,971,789	37,108,647
Department of Justice				
Direct Programs:				
Veterans Treatment - Residential	16.585			38,711
Residential Opiate Project	16.585			99,350
Subtotal			-	138,061
National Forum on Youth Violence	16.819			99,015
Subtotal			-	99,015
Public Safety Partnership and Community Policing Grants:				
Cleveland Universal Hiring II 2013	16.710			347,736
Cleveland Universal Hiring II 2014	16.710			340,612
Subtotal			-	688,348
2013-Edward Byrne Crime Justice Innovation	16.817			284,347
Subtotal			-	284,347
Edward Byrne Memorial Competitive Grant	16.751			33,191,471
Subtotal			-	33,191,471
2014-Edward Byrne Memorial-JAG	16.738			313,320
2015-Edward Byrne Memorial-JAG	16.738		14,339	111,397

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Justice (Continued):				
Pass-Through Programs:				
Ohio Department of Public Safety:				
2015-Edward Byrne Memorial-NOLETF	16.738	2015-JG-A01-6444		84,976
2014-Edward Byrne Memorial-NOVCC	16.738	2014-JG-A02-6947		30,008
Nationwide Crime Analysis Capability Building Project	16.738	2014-4078-006-01		74,162
Subtotal			14,339	613,863
State of Ohio - Office of Criminal Justice Services:				
Equitable Sharing Program - Asset Forfeiture Program	16.922			1,217,808
Subtotal			-	1,217,808
Violence Against Women Act Formula Grants:				
OVW Education, Training, and Enhanced Services to End Violence and Abuse of Women with Disabilities FY 2011	16.529	2011-FW-AX-K004		1,206
Subtotal			-	1,206
VAWA Team Approach 2015 Law	16.588	2015-VP-VA2-V041		114,290
VAWA Team Approach 2015 Safety	16.588	2015-VP-VA2-V042		53,682
Subtotal			-	167,972
Total Department of Justice			14,339	36,402,091
Department of Commerce				
Pass-Through Programs:				
Ohio Department of Jobs and Family Services:				
U S Department of Commerce, Economic Development Administration:				
Revolving Loan Fund Grant - Economic Adjustment Assistance	11.307	See Footnote 1		3,269,608
Subtotal			-	3,269,608
Total Department of Commerce			-	3,269,608
Department of Labor				
Pass-Through Programs:				
Cuyahoga County:				
LEAP: Linking to Employment Activities Pre-release Specialized American Job Centers	17.270	PE-27224-15-60-A-39		2,387
Subtotal			-	2,387

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Labor (Continued):				
Pass-Through Programs (Continued):				
Ohio Department of Jobs and Family Services:				
WIOA Adult Program	17.258	G-1415-15-0292		459,684
WIOA Adult Program	17.258	G-1617-15-0176		288,362
Subtotal			-	748,046
WIOA Youth Program	17.259	G-1415-15-0292		22,776
WIOA Youth Program	17.259	G-1617-15-0176		57,470
Subtotal			-	80,246
WIOA Dislocated Worker Program	17.278	G-1415-15-0292		176,298
WIOA Dislocated Worker Program	17.278	G-1617-15-0176		148,897
Subtotal			-	325,195
Subtotal - WIOA Cluster			-	1,153,487
WIOA Sector Partnership - NEG Grant	17.277	G-1617-15-0176		22,836
Subtotal			-	22,836
Total Department of Labor			-	1,178,710
Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106			2,124,198
Subtotal			-	2,124,198
National Infrastructure Investments	20.933			189,431
Subtotal			-	189,431
Pass-Through Programs:				
Highway Planning and Construction:		See Footnote 2		
West Sixth Streetscape	20.205	PID 89722		6,316
Cuy-Fleet Avenue	20.205	PID 94629		1,107,272
Subtotal			-	1,113,588
Impaired Driving Enforcement Program 2016	20.616	IDEP-2016-18-00-00-00384-00		10,764
Subtotal			-	10,764
Selective Traffic Enforcement Program 2016	20.600	STEP-2016-18-00-00-00461-00		2,290
Cuyahoga County OVI Task Force 2015	20.600	OVITF-2014-18-00-00-00397-00		3,890
Subtotal			-	6,180
Subtotal - Highway Safety Cluster			-	16,944

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Transportation (Continued):				
Pass-Through Programs (Continued):				
Cuyahoga County OVI Task Force 2015	20.608	OVITF-2015-18-00-00-00453-00		1,392
Subtotal			-	1,392
Total Department of Transportation			-	3,445,553
Department of Environmental Protection Agency				
Direct Programs:				
Air Pollution Control Program Support 2015	66.001			27,851
Air Pollution Control Program Support 2016	66.001			424,757
Air Pollution Control Program Support 2017	66.001			174,624
Subtotal			-	627,232
EPA West Side Market Parking Lot	66.469			500,000
Pass-Through Programs:				
Ohio Environmental Protection Agency:				
EPA Tremont Montessori School Parking Lot & Jefferson Avenue Green Infrastructure Retrofit	66.469	12SWIF-CUY-GLRI-12		14,845
Subtotal			-	514,845
Total Department of Environmental Protection Agency			-	1,142,077
Department of Homeland Security				
Direct Programs:				
FEMA Disaster Grant	97.036			100,338
Subtotal			-	100,338
Assistance to Firefighters 2014	97.044			21,380
Subtotal			-	21,380
Staffing for Adequate Fire and Emergency Response 2014	97.083			506,374
Subtotal			-	506,374
Bio-Watch Program 2017	97.091			75,778
Pass-Through Programs:				
Ohio Environmental Protection Agency:				
Bio-Watch Program 2016	97.091	EPAFBW16		339,903
Subtotal			-	415,681

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2016

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Federal Expenditures
Department of Homeland Security (Continued):				
Pass-Through Programs (Continued):				
Cuyahoga County Department of Justice Affairs:				
State Homeland Security Programs 2014	97.067	EMW-2014-SS-00101-S01		1,469
Subtotal			-	1,469
Total Department of Homeland Security			-	1,045,242
Department of the Interior National Park Service				
Pass-Through Programs:				
Ohio Department of Natural Resources:				
Land & Water Conservation	15.916			150,000
Subtotal			-	150,000
Total for Department of the Interior National Park Service			-	150,000
Grand Total			$ 15,826,154	$ 89,387,088

See notes to the Schedule of Expenditures of Federal Awards.

(Concluded)

CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Cleveland (the "City") and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Uniform Grant Guidance.

Footnote 1: Revolving Loan Fund
Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2016:

Beginning loans receivable balance as of January 1, 2016	$2,115,912
Loans made during 2016	241,838
Loan principal repaid on loans issued prior to 2016	(412,717)
Ending loans receivable balance as of December 31, 2016	$1,945,033

Cash balance on hand in the revolving loan fund as of December 31, 2016	
Cash balance, unobligated	$1,111,849
Revolving loan committed but not disbursed	576,016
Total unobligated cash and committed but not disbursed cash	1,687,865
Total value of revolving loan portion of the EDA 11.307 program	3,632,898
Less: City's matching share	(363,290)
Total federal value of revolving loan portion as of December 31, 2016	$3,269,608

Berry Insulation Company	$137,726
Binkowsky-Dougherty Distribution, LLC	59,457
Binkowsky-Dougherty Distribution, LLC	139,284
Certified Aircraft Maintenance	80,636
Evergreen Real Estate Corporation	123,134
Green City Growers Cooperative	121,912
Gypsy Brewery, LLC	363,910
Hansa Import House Co.	77,877
Hemingway at 7000 LLC (formerly Hemingway at 6555 LLC)	473,702
Jane & Arthur Ellison Ltd.	6,035
Northeast Ohio Neighborhood Real Estate	37,246
Northeast Ohio Lumber & Timber Co.	51,310
Ohio Cooperative Solar Inc.	43,528
Patterson-Britton	67,848
Tremont Athletic Club, LLC	161,428
Total	$1,945,033

Footnote 2: Ohio Department of Transportation (CFDA 20.205)

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

Amounts reimbursed to the City by ODOT during 2016	$282,215
Federal Expenditures reported in prior years schedule	(101,372)
Amount expended by the City in Fiscal Year 2016 not reimbursed in 2016	932,745
Expended and reported by the City in Fiscal Year 2016	$1,113,588

Footnote 3: Subrecipients

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

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

Footnote 4: Indirect Cost Rates

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

Footnote 5: Matching Requirements

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

CLARK SCHAEFER HACKETT
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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, 2016 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 27, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2017

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the City of Cleveland, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2017

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

- CFDA 11.307 – Economic Development Assistance
- CFDA 16.751 – Edward Byrne Memorial Competitive Grant

Dollar threshold to distinguish between Type A and Type B Programs:	$2,681,613
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

CITY OF CLEVELAND, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2016

CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2016

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, 2016

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June 27, 2017

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

Introduction

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Cleveland (the City) for the year ended December 31, 2016. 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 2016 activities. Our intention is to provide a clear, comprehensive and materially accurate overview of the City's financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City's finances, including financial trends, financial instruments and fund performances. The City has complete responsibility for all information contained in this report.

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

The City's financial statements have been audited by Clark, Schaefer, Hackett & Co. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2016, 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, 2016, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

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

Structure of this Comprehensive Annual Financial Report

This CAFR is designed to assist the reader in understanding the City's finances. This CAFR consists of the following sections:

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

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

- The 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 2007 through 2016.

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

Profile of the Government

The City

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

The City is included in the Cleveland-Elyria, OH Metropolitan Statistical Area (MSA), comprised of Cuyahoga, Lake, Lorain, Geauga and Medina counties. This MSA is the 31st largest of 382 Metropolitan Areas in the nation and the largest Metropolitan Area in the State of Ohio.

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

City Government

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

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

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

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

Financial Reporting Entity

The City has applied guidelines established by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. Provisions outlined in this statement define the operational, functional and organizational units for which the City, "acting as Primary Government", is required to include as part of its reporting entity. The inclusion of a component unit as part of the City's reporting entity requires the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

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

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

Internal Control

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

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

Accounting and Financial Reporting

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

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

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

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

Budgeting Procedures

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

In February of 2015, GASB Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required, the City has implemented GASB Statement No. 72 as of December 31, 2016.

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2015 — except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The City has determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the City has implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. As required, the City has implemented GASB Statement No. 77 as of December 31, 2016.

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The City has determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was issued. This Statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the City has implemented GASB Statement No. 79 as of December 31, 2016.

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 65 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 140.

Factors Affecting Financial Condition

Local Economy

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

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

Major Industries, Economic Conditions and Employment

The City, as well as most large urban municipalities across the nation, has faced significant economic challenges in recent years. Like all manufacturing cities across the country, the City has tried to combat the declining industry base with more professional and service industry opportunities. The City's budget basis income tax collections increased 1.9% in 2016.

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

For 2016, the U.S. Bureau of Labor Statistics (BLS) indicates that the Cleveland area employment base continues to become more diversified. The following table summarizes the percentage of nonfarm employment in the Cleveland area by major industry.

Industry	Percent of Workforce
Education and health services	19.88 %
Trade, transportation and utilities	17.63
Professional and business services	13.82
Government	13.01
Manufacturing	11.16
Leisure and hospitality	9.87
Financial activities	6.17
Other services	3.87
Mining, logging and construction	3.28
Information	1.31
Total	100.00 %

Current Projects and 2016 Accomplishments

The 2016 budget focused on continuing the City's commitment to improve the quality of life of its citizens by strengthening its neighborhoods, fostering a favorable business climate and providing superior services.

Despite fiscal constraints and economic challenges, the City achieved the following 2016 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- The Department continued implementing neighborhood strategies to alleviate blight and promote recovery from the economic downturn by making or supporting investments in demolition, housing renovation, home repair and land reutilization. All approaches are consistent with the citywide plan to deploy sustainable and "green" principles. In 2016, the Department submitted and the U.S. Department of Housing and Urban Development approved its Five-Year Consolidated Plan governing the intended uses of the federal entitlement funding received through Housing and Urban Development (HUD).

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

- Several noteworthy multifamily projects were completed in 2016, including Emerald Alliance VIII, a 66-unit permanent supportive housing project for former chronically homeless persons, and A Place for Us Housing, a 54-unit newly constructed senior transit-oriented development.

- Construction started on several projects that promoted strategic citywide or neighborhood objectives, including the first phase of Cuyahoga Metropolitan Housing Authority's Cedar Redevelopment (Sankofa Village), breaking ground on 50 townhouse units and 60 multifamily housing units.

- The Department addressed lead hazards in 43 units of housing through the Lead Hazard Reduction Demonstration Grant. The Department anticipates applying for the next round of funding in 2017.

Department of Building and Housing

- Since January 2006, the Department has inspected, condemned and razed over 8,807 structures, of which 450 were demolished in 2016.

- Initiated 1,513 court cases against negligent property owners.

- Issued 3,890 violation notices.

- Issued 16,125 construction permits valued at $1.468 billon in new construction.

- Boarded-up and secured 2,820 vacant structures.

- Issued 1,337 condemnation notices.

Department of Economic Development

- The Department received grant and pass through loan funding totaling $5.4 million. The grants include Link 59, Green Infrastructure and Westown-Dollar Tree. The Department also secured funding from the State of Ohio's new Abandoned Gas Station Cleanup Program. This was to remove underground storage tanks at a vacant former gas station site, for the development of a Dollar Tree.

- The Small Business Administration (SBA) provides recoverable grants to businesses that may face difficulties meeting the SBA's 25.0% equity requirement. The City provides up to $50,000 of total project cost to each borrower, reducing the business' equity needs to as little as 10.0%. The Department provided

$441,650 in 2016 with total project costs of $7.7 million. Some of the recipients include Masthead Brewing Company, North Coast Shuffleboard Club, Noble Beast Brewing, LLC and Bean Rock Capital.

- The Neighborhood Retail Assistance Program provided $385,700 of assistance for 12 projects that leveraged $6.8 million of total project investment. Vacant storefronts are being replaced by restaurants, cafés and locally-owned retail shops. The small businesses will create 32 new jobs. A few of the loan recipients include Left Side Developments Managers, LLC, LaSalle Arts and Media Center and Bloom Artisan Baker and Café.

- Under the Vacant Property Initiative (VPI) Program, the City provided approximately $2.0 million in assistance to 10 borrowers. The total project cost for these borrowers is $121.9 million and will create over 400 new jobs. A few borrowers include W2D, LLC, Variety Theatre, Worthington Yards and HEC Properties.

Department of Public Health (CDPH)

- The Division of Environment inspected approximately 7,000 food operators, 114 pools, 293 schools, barber shops, hotels and solid waste facilities. The Division responded to over 600 cases where high levels of lead were found in a child's blood. The Division investigated over 5,700 citizen nuisance complaints.

- The Division of Health program, Health Cleveland, led the effort to enact Tobacco 21 legislation making it illegal to sell tobacco products to individuals under the age of 21 in the City.

- The Division of Health program, Mom's First, expanded their services to young women within juvenile detention centers and helped welcome over 1,000 people to the 2016 Statewide Infant Mortality Summit.

- The HIV programs distributed over 86,000 condoms and conducted 3,000 HIV tests.

- Over 1,500 childhood immunizations and 1,300 flu shots were administered.

- Behavioral Health had an increase in demand for services, particularly as opiate use continued to grow.

- Vital statistics issued 58,611 birth certificates and 63,348 death certificates.

- The Division of Air Quality issued eight action referrals, 148 notices of violation and 142 resolutions of violation signifying a 96.0% compliance rate.

- The Division of Air Quality completed 250 asbestos inspections, 18 Title V facilities, 175 gasoline dispensing facilities and six anti-tampering used car dealership inspections.

- The Division of Air Quality investigated over 450 citizen complaints and distributed eight Citizen Air Monitoring Program canisters to the community.

Department of Aging

- Provided core services to 5,693 unduplicated clients, seniors and adults with disabilities.

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

- The Annual Senior Day attracted more than 2,000 senior citizens. The Annual Cleveland Senior Walk, held in September had over 1,000 participants. The Annual Disability Awareness Day luncheon held in October included over 250 participants.

- The Age Friendly Cleveland plan was successfully submitted to the World Health Organization's Global Network of Age Friendly Cities and to the American Association of Retired People (AARP) Network of Age Friendly Communities in December. This plan outlines 21 strategies to make Cleveland more age friendly over the next three years.

The Office of Equal Opportunity (OEO)

- Under Codified Ordinance No. 188, OEO penalizes contractors that fail to meet the Cleveland Resident Employment Law. Since 2009, over $378,000 in penalties have been collected for non-compliance with Codified Ordinance No. 188.

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

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

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

- In 2016, OEO continued to maintain a registry of certified contractors. The certifications team handled approximately 200 consultations in 2016 and provided in-depth information to applicants assisting with certification as contractors engage in doing business with the City.

Department of Public Works

- The Division of Recreation served 123,685 nutritious after school and summer meals.

- The Division of Park Maintenance serviced 60,954 vacant properties.

- The Division of Motor Vehicle Maintenance purchased 86 new vehicles. Included in the total are 68 police vehicles, 11 plow trucks, one ambulance and six fire trucks.

- The Division of Park Maintenance, Urban Forestry section, trimmed 759 trees, removed 1,068 trees and planted 343 new trees.

- The Division of Waste Collection collected and disposed of 241,911 tons of debris and recycled 25,600 tons of materials.

- The Division of Streets resurfaced 279,170 square yards of curb-to-curb projects. The Division also performed crack-sealing on approximately 48 miles of roadway to extend each road’s useful life.

- The Division of Traffic Engineering painted 629 miles of lane lines and replaced 3,321 traffic light bulbs.

- In partnership with the Cleveland Browns, a new teen center and computer room was created at Glenville Recreation Center.

- In partnership with the Cleveland Indians and their “Field of the Future Program”, a baseball field at Gunning Recreation Center was completely renovated.

- In partnership with the Greater Cleveland Sports Commission, 150 bicycles were given to children who chose healthy choices during the summer.

- The Division of Recreation awarded over 350 people with a trip to Cedar Point for their community service, attendance and participation.

- The Division of Recreation developed a partnership with the Cleveland Museum of History to develop a program to identify various species of insects, birds and other animals at Camp Forbes.

- The Division of Recreation in collaboration with Cleveland Municipal Court's Redirecting Our Curfew Kids (ROCK) program and the Mayor's office has placed seven youths in the School One and placed 89 youths in an educational community service program where grades and attendance are tracked.

Department of Public Safety

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

- The Division of Police continued the implementation of the Body Worn Camera Project. These cameras create a video record of police interactions with the public thereby enhancing accountability, transparency and public trust. Upon completion in 2017, all police officers will have been issued body cameras.

- The 2016 Republic National Convention (RNC) hosted by the City was a huge success and recognized throughout the Country. The Division of Police was the lead local law enforcement agency tasked with planning, needs assessment, asset procurement and coordination of law enforcement and security efforts for the RNC. The Department with assistance from federal, state and local law enforcement partners ensured the safety of all participants, visitors and citizens at the event.

- The U.S. Department of Justice (DOJ) review of the Division of Police continued. The Division worked closely with the Monitoring Team to implement policies and procedures to improve operations.

- The Department continued its program to equip every police cruiser with first aid kits and to train police officers on first aid procedures.

- The Division of Police, in partnership with the Alcohol, Drug Addiction and Mental Health Services (ADAMHS) Board of Cuyahoga County, implemented a community based mental health response pilot program in the Second Police District. The program partners civilian mental health experts with trained crisis intervention team officers. The team responds to mental health crisis incidents. Additionally, the team acts proactively by working with individuals in the community to assist them in obtaining and maintaining continuity of mental, emotional and other social needs.

- The new Fire and Emergency Medical Services (EMS) facility, which replaced the outdated Fire Station #36 was completed and opened in 2016. The new facility is designed to headquarter firefighters and paramedics and has a community meeting room. The facility is Leadership in Energy and Environmental Design (LEED) silver certified.

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

- The Division of EMS continued to partner with local hospital systems to meet the increasing medical needs of the community. In 2016, one of the collaborative efforts included the agreement of the four hospital systems to have the emergency departments remain open to EMS traffic at all times.

- The Division of EMS assisted the Department of Aging on their new initiative program for seniors. The Matter of Balance Program was piloted at two recreation centers, focused on improving balancing and decreasing fear of falling. The Division of EMS provided instruction for one of the sessions.

- In 2016, the Division of EMS collaborated with Project Dawn to dispense Project Dawn Kits to the public. Project Dawn Kits provide naloxone to individuals, family members or friends of those at risk of opioid overdose. During the second half of 2016, over 130 kits were dispensed by the Division of EMS which directly resulted in twenty lives being saved by reversing the effects of an opioid overdose.

- A site for the new kennel for the Division of Animal Care and Control has been approved. The Department has engaged community stakeholders in the design of the new facility and groundbreaking is scheduled for 2017. The Division continues to work with their regional partners to develop a regional approach to animal care and control.

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

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

- The Office of Professional Standards (OPS) continues to make progress in updating their procedures for investigations. The City and DOJ signed a settlement agreement that will mark a new way of policing in the City. One built on a strong foundation of progressive change, sustained trust and accountability. The agreement with the DOJ is a reflection of ideas from people and groups across the community, including residents, civil rights organizations, activists, clergy, student groups, business and philanthropic organizations and elected officials, as well as the police unions and the Division of Police.

- The OPS provided the community with on-line access to the complaint process, free parking for complaints and installed audio and video cameras in the lobby of every police district.

Department of Public Utilities

- The Division of Water services not only the City, but also 69 direct service communities, eight master meter communities and three emergency standby communities. They provide water to approximately 422,309 city and suburban accounts in the Cleveland metropolitan area. Of these 422,309 accounts, approximately 124,278 accounts were located within the City; accounting for 24.0% of the Division's metered sales revenue. The Division also sells water to master meter communities that operate their own distribution systems and they provide billing and payment services for the Northeast Ohio Regional Sewer District and other communities. In 2016, the major capital projects for the Division of Water included the meter automation and replacement program, suburban water main renewal and network upgrades.

- The Division of Cleveland Public Power (CPP) provided approximately 73,700 residential and business customers in the City with reliable and affordable power. In 2016, CPP sold approximately 1.613 billion Kilowatt hours (kWh) of electricity. In 2016, the major capital projects for the Division of CPP included the Ridge Road Substation, underground duct line and security improvements.

- The Division of Water Pollution Control maintains the local sanitary sewer and storm water collection system within the City. The system is comprised of over 1,400 miles of sewer lines, more than 44,000 storm drains and 12 pump stations. In 2016, the Division's sewers transported 1,788,294 thousand cubic feet (Mcf's) of water. In 2016, the major capital projects for the Division included sewer replacement and rehabilitation, Bryant Avenue and Rockwell Avenue.

Department of Port Control

- During 2016, Cleveland Hopkins International Airport (CLE) enplaned 4,206,000 passengers and had aircraft landed weight of 5,117,105,000 pounds.

- In 2016, the implementation of the Airport Signage Program, Phase 1 project was completed. The effort included interior wayfinding and directional signage prior to the security checkpoints on all levels of the terminal.

- In May 2016, Information Technology (IT) completed a project to modernize and upgrade the flight and baggage information displays throughout CLE. The new system has made a positive impact with regards to communicating flight information to customers and has provided the Department with visual emergency alert paging capabilities.

- In June 2016, the Department completed the Burke (BKL) Signature Flight Support Executive Terminal and Hangar. The project provides a new executive terminal and hangar facility for Signature's operation.

- The CLE Terminal Exterior/Façade/Ticketing Lobby Project was completed in June. Also included in the project was the implementation of a new rental car shuttle pick-up and drop-off area on the lower roadway, along with other aesthetic improvements to the ticketing lobby and baggage claim levels.

- Phase II of the CLE Parking Redevelopment was completed in July. This project provided a vehicle canopy system over the premium Red Lot as well as the economy Blue Lot, which are the closest patron parking lots to the terminal.

- In November, the Department executed agreements with rideshare operators Uber and Lyft that requires the payment of a per trip fee for all pick-ups and drop-offs at both CLE and BKL.

Department of Law

- Drafted approximately 581 contracts and reviewed 1,006 contracts for legal form and correctness.

- Prepared and processed 402 pieces of legislation for introduction to City Council.

- Obtained 761 search warrants for Housing Court enforcement actions and helped Building and Housing obtain legal authorization for 233 demolitions of unsafe structures in the City.

- Responded to 2,544 citizen requests for non-routine public records and responded to 212 subpoenas for public records.

- Processed 715 claims for property damage and other losses.

- Represented the City in 783 civil cases pending in various Ohio state and federal courts and represented the City in 75 labor and employment related matters pending before various tribunals including arbitrators and commissioners.

- Prosecuted 1,513 criminal complaints in Housing Court for failing to comply with Building and Housing administrative orders at sites with code violations found at properties. Successfully prosecuted civil nuisance abatement actions for numerous properties across the City.

- Processed 2,856 citizen complaints in the Prosecutor's office.

- Issued 15,732 misdemeanor charges, of which, 2,494 were domestic-violence and issued 4,136 felony charges, of which, 581 were domestic violence.

- Issued 1,484 Operating Vehicle Impaired charges and 38,624 traffic offense charges.

Office of Capital Projects

- The Office of Capital Projects completed construction on several projects including I-90 Marginal North and South (East 9th Street to East 55th Street); Cedar Redevelopment Phase II East 28th Street Extension; Warren Road resurfacing (I-90 to Munn Road); West 130th Street (Brookpark Drive to Lorain Road); Cedar Road Bridge No. 229; Old Pearl Road Bridge Replacement; Pearl Rehab (Brookpark Road to I-71); Wiley Avenue (Columbus Road to Scranton Road) and Warner Road Rehab (Grand Division Avenue to Broadway Avenue).

- In conjunction with the City's resurfacing program, 1,416 American with Disability Act (ADA) ramps were installed.

- There were 88 required inspections and inventory of bridges completed.

- The Office of Capital Projects inspected 321 roads, bridges, subdivisions and utility cut projects in the public right-of-way to ensure quality control.

- The Office of Capital Projects furthered the City's neighborhood revitalization efforts through the implementation, construction and/or rehabilitation of City facilities and infrastructure, design and/or construction was completed on the Fire Station #6 – boiler work, Fire Station #36, First Energy Stadium 300 Level Bridge Repair Phase 1 and 2, Gateway East Parking Garage Elevator Replacements and/or Repairs and Concrete Repairs, Halloran Ice Rink Equipment Replacement and Willard Park Garage Trench Drain Improvements Phase 1.

- The Office of Capital Projects oversaw right-of-way and real estate matters for roads and bridge reconstruction projects including Opportunity Corridor, West Shoreway, Carter and Scranton Roads, West 73rd Street and Battery Park Avenue Extension, Circle Drive Extension and East 116th Street, East 28th Street, East 152nd Street and West 19th Street.

- Handled real estate transactions needed for various Public Works projects and various private development projects including the Towpath Trail, Phase 1 of the new Canal Basin Park, a new parking lot at Collinwood Athletic Fields, Circle Square, West 25th Street and Detroit Road development, The Foundry, Flats East Phase 2, The Edison at Gordon Square and the Cleveland Lakefront Development.

- Completed and negotiated lease renewals with Cleveland Public Library for the Eastman Reading Garden, Cleveland Museum of Art and Cleveland Museum of Natural History. The Office entered into a new lease with Case Western Reserve University for its Nord Family Greenway.

- Oversaw and coordinated real estate matters for the Cleveland Metropolitan School District's master facilities plan, Northeast Ohio Regional Sewer District's Project Clean Lake green and grey infrastructure projects and various projects with the Cleveland Metroparks. The Office handled real estate matters for the City's Public Utilities, including Cleveland Public Power's Capacity Expansion Program and Cleveland Water Division's expansion of service into the Village of Richfield.

Office of Sustainability

- Launched the Cleveland Energy Saver Program to provide residents the opportunity for free onsite energy assessments to identify cost-effective energy saving improvements.

- Conducted four Level II energy audits and 28 energy assessments of City facilities to help prioritize future energy efficiency upgrades.

- Worked with other City departments to assess the City's potential for cost-effective solar projects on 20 different sites, including brownfields, City land, large rooftops and other vacant land.

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

- Applied for and received $100,000 grant funding from the Great Lakes Restoration Initiative to plant at least 150 trees in the Cudell and Buckeye Shaker neighborhoods.

- Continued implementation of the City's Bikeway Implementation Plan by adding 18 miles of bikeway.

2017 Budget

During 2016, the City maintained existing staffing levels. In 2016, the City hosted three major events, the National Basketball Association (NBA) Championship, Republic National Convention and the World Series. These events created tourism along with an increase in downtown business activities, which resulted in a 36.0% admission tax collection increase. Our municipal budget is supported primarily by income taxes and other taxes. During November 2016, the citizens of the City supported Issue 32, passing a half percent municipal income tax increase from 2.0% to 2.5%. This tax increase will generate an estimated $83.5 million for the City's General Fund and additional funds for Restricted Income Tax (RIT) in the amount of $9.3 million. This income tax increase produced a structurally balanced 2017 General Fund budget. The 2017 budget will provide for the restoration and enhancement of city services.

The estimate of receipts and expenditures for all General Fund departments and divisions for the 2017 budget are:

- Revenues and other sources are projected to increase from $526.2 million in 2016 to $607.3 million in 2017. This increase is attributed to the income tax increase of 0.5%, effective January 1, 2017.

- Expenditures and other uses are estimated to increase from $555.5 million in 2016 to $601.4 million in 2017. This increase, again, can be attributed to the increase in income tax receipts, as the City will provide additional and enhanced services. The major city service enhancements will be supported through the addition of more than 350 new employees. The majority of service related enhancements will impact the Departments of Public Safety, Public Works and Public Health. The Division of Police will increase personnel by 93 employees, adding two Captains, three Lieutenants, 11 Sergeants, 65 Patrol Officers and 12 Safety Radio Dispatchers. The Division of Fire's budget will increase with the addition of a fire company, four support personnel, ballistic vests and a Records Management System. The Division of Emergency Medical Services will add 60 new Paramedics, eight Dispatchers and four Captains. They will purchase five new ambulances. These additions will allow the Division to reduce response times. The Division of Animal Control will add 16 new employees in order to support the new $4.0 million kennel which will open in the fall of 2017. The Department of Public Works will add employees to improve services such as street sweeping, pothole repair, waste collection, leaf removal, improved playground maintenance and urban forestry, staff increases at recreation centers and a focus on illegal dumping reduction and clean-up. The Department of Public Health will increase by 21 employees to focus on lead poisoning prevention, reducing infant mortality, addressing the opiate epidemic and reducing youth violence as a public health issue.

Long-term financial planning:

The City has a long-term goal of increasing the Rainy Day Reserve Fund to 5.0% of General Fund budgetary expenditures and other uses (approximately $28.0 million). The fund balance in the Rainy Day Reserve Fund at December 31, 2016 was $18.8 million. This will allow the City to obtain the lowest rates possible when issuing debt and also withstand economic downturns with minimum disruptions to City services. The City also has a goal of having a structurally balanced budget where the cost to run the City is in line with the revenue collected. A structurally balanced budget allows the City to eliminate the dependency on a carry-over balance.

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

- Construction began on a $60.0 million mixed-use project that will change a key intersection at the juncture of the Ohio City neighborhood and downtown Cleveland. The intersection of West 25th Street and Detroit Avenue will be the new home of a 194-unit apartment building. The apartment building will have a rooftop deck with a swimming pool, a music school and other commercial tenants.

- The Cleveland Clinic and Case Western Reserve University continued construction in 2016. This project is intended to burnish the City's image as a center of medicine and medical education. The four-story building will house the Cleveland Clinic Lerner College of Medicine, Case Western Reserve University's School of Medicine, School of Dental Medicine and Frances Payne Bolton School of Nursing. It will include a free-standing, two or three story dental clinic. The Health Education Campus is scheduled to open in the summer of 2019.

Business Incentives and Creating Economic Development

Note 20 titled "Tax Abatement Disclosures" is a requirement in our CAFR, based upon GASB Statement No. 77. This footnote disclosure focuses on lost tax dollars and the costs to government entities. The following will reveal the benefits derived from offering business incentives.

Department of Economic Development

In 2011, the City provided a 10-year 60% tax abatement for Battery Park redevelopment, located on the City's west side. The site was a former brownfield. The Battery Park Powerhouse, with its landmark smokestack, was formerly the home of the Eveready Battery plant. The site is now improved with newly constructed townhomes, restaurants, and an apartment building. Residents have convenient Lake Erie access to Edgewater Park as well as the Gordon Square arts and entertainment district.

Anchored by a local grocer, Dave's Supermarket, Arbor Park Place is a 39,000 square foot revitalized neighborhood retail center. Located in the City's Central Neighborhood—also the largest concentration of families relying on public assistance—Arbor Park Place was at risk of losing the supermarket due to a future increase in lease rates. In 2015, the City amended the tax abatement agreement with Arbor Park Place to extend the term of the abatement from 10 to 15 years. The extension of the abatement allows the center to keep operating costs and lease rates low and thus retain the supermarket and other tenants, and ultimately 43 full-time equivalent jobs.

Department of Community Development

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

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

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

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

Monitoring incentives:

The City is required by statute, to file online annually, by March 31, all CRA tax abatement information with the State of Ohio.

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

Tax Abatement is available to both homeowners and developers. Work must be completed under a permit issued by the City's Department of Building and Housing on property located in the City only. The length or term of abatement varies from 10 to 15 years depending on the type of project respectively.

The Residential Property Tax Abatement Program aims to:

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

Residents and developers seeking tax abatement for residential projects must meet Cleveland Green Building Standards.

The Cleveland Green Building Standard (GBS) is designed to save homeowners money on utilities and support local green jobs, while also improving the health of the community and reduce our collective contribution to climate change. GBS also creates direct benefits for developers and builders, including cost savings from efficient operation, a marketing advantage, and public recognition for high performance homes. Tax abatement has contributed to the development of 20,410 units of housing dating back to 1994. Since 2010 (the first year of the GBS), 4,290 GBS units were completed. Since 2015, a total of 769 units met the GBS.

- Single family – 40 new construction, 76 rehabs
- Multi-family – 62 new construction, 591 rehabs

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

The City has additional development programs that do not meet the requirements of GASB Statement No. 77.

Major Initiatives

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

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

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

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

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

Awards and Acknowledgements

The Independent Audit: The City Charter requires an annual audit of the financial statements of all accounts of the City by an Independent Certified Public Accountant. Accordingly, this year's audit was completed by Clark, Schaefer, Hackett & Co. The year ended December 31, 2016, represents the 36th consecutive year the City has prepared a CAFR. In addition to the independent auditors, the City maintains its own Internal Audit Division. Along with the duty of assisting the independent auditors, the Internal Audit Division is responsible for strengthening and reviewing the City's internal controls. The Internal Audit Division performs its own independent operational and financial audits of the City's many funds, departments and divisions. We believe that the City's internal control structure adequately safeguards its assets and provides reasonable assurance of proper recording of all financial transactions.

Government Finance Officers Association (GFOA) Certificate of Achievement Award: The GFOA of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland, Ohio for its CAFR for the fiscal year ended December 31, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFR's must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 32 years (years ended 1984 – 2015). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

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

Very truly yours,

Sharon Dumas

Sharon Dumas, Director
Department of Finance

James E. Gentile

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

City Officials

Frank G. Jackson, Mayor

EXECUTIVE STAFF

Ken Silliman .... Chief of Staff

Darnell Brown .... Chief Operating Officer

Valarie J. McCall .... Chief of Government and International Affairs/Acting Chief of Communications

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

Dan Williams .... Director, Media Relations

Matt Gray .... Chief of Sustainability

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

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

Duane Deskins……………………………………...…….Chief of Prevention, Intervention and Opportunity for Youth and Young Adults

Sharon Dumas .... Director, Department of Finance

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

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

ADMINISTRATION

Mary McNamara .... Director, Department of Aging

Ayonna Blue Donald .... Interim Director, Department of Building and Housing

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

Barry Withers .... Interim Secretary, Civil Service Commission

Michael Cosgrove. .... Director, Department of Community Development

Grady Stevenson .... Interim Director, Community Relations Board

David Ebersole .... Interim Director, Department of Economic Development

Merle Gordon .... Director, Department of Public Health

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

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

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

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

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

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

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

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

CITY OF CLEVELAND, OHIO

City Council

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland

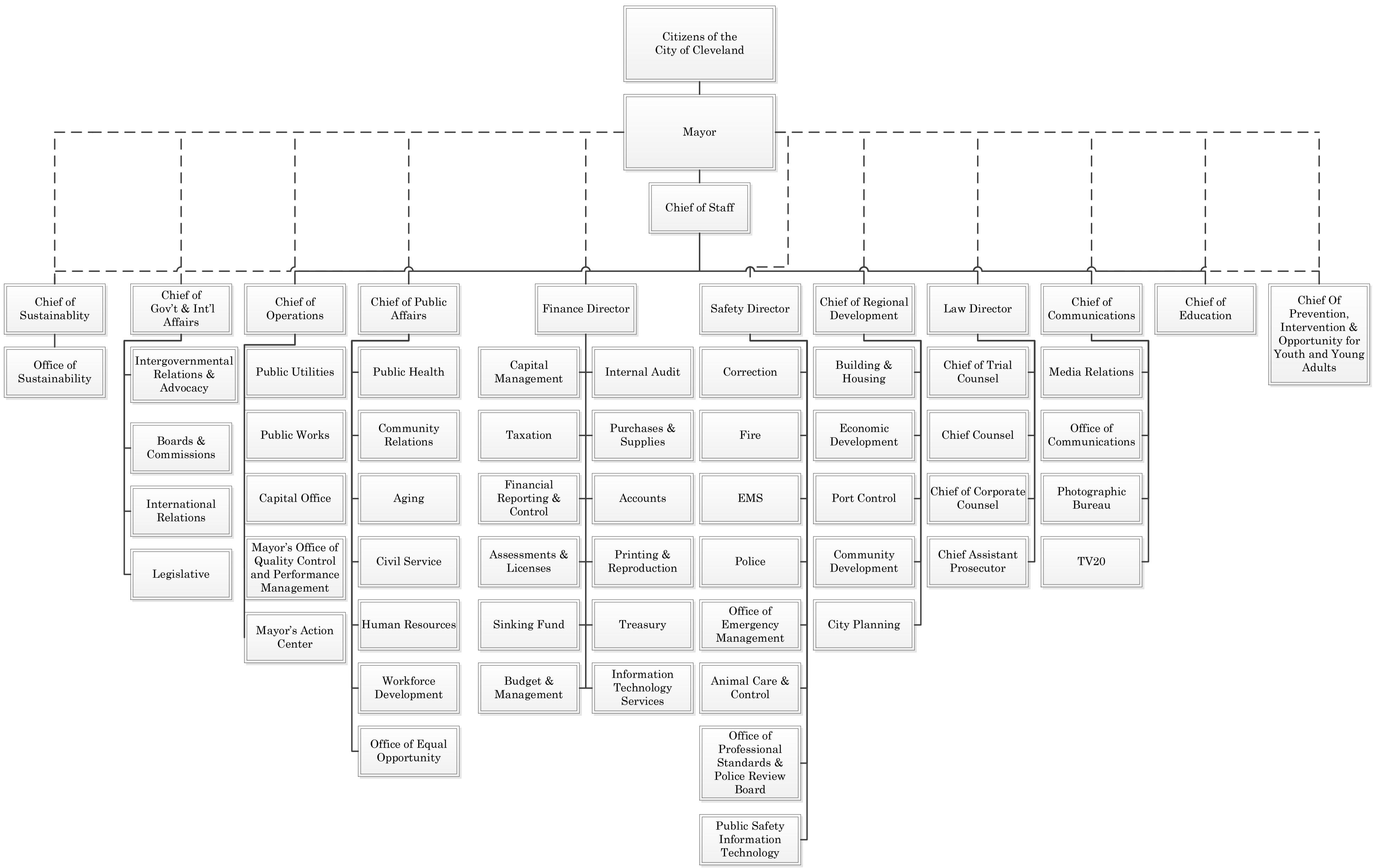
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

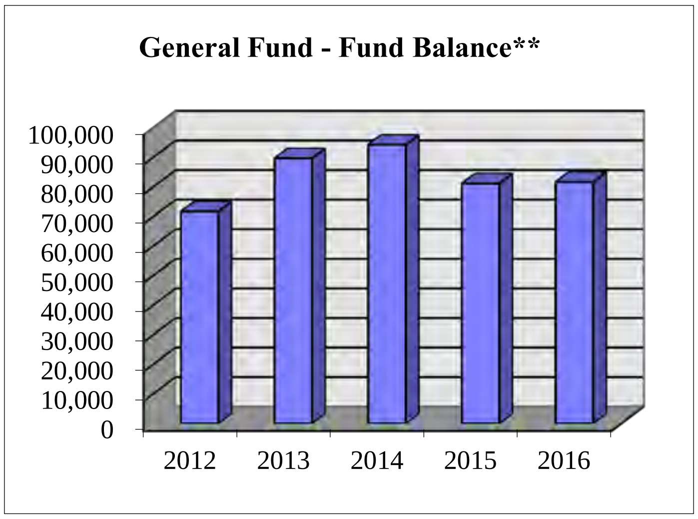
Executive Director/CEO

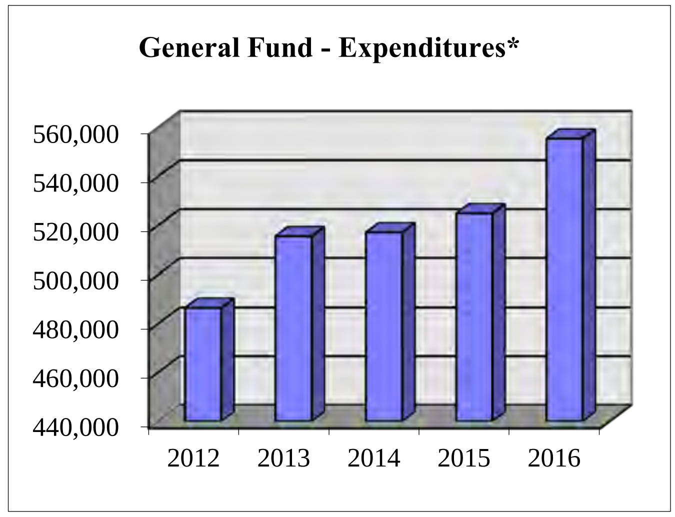
CITY OF CLEVELAND, OHIO
ADMINISTRATIVE ORGANIZATION CHART

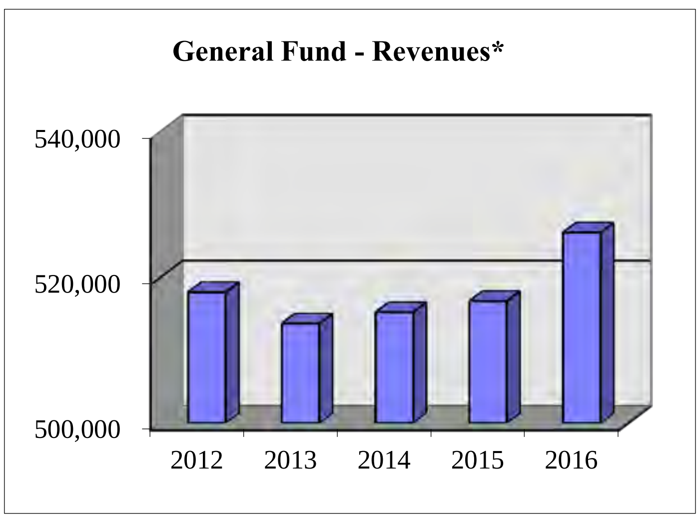


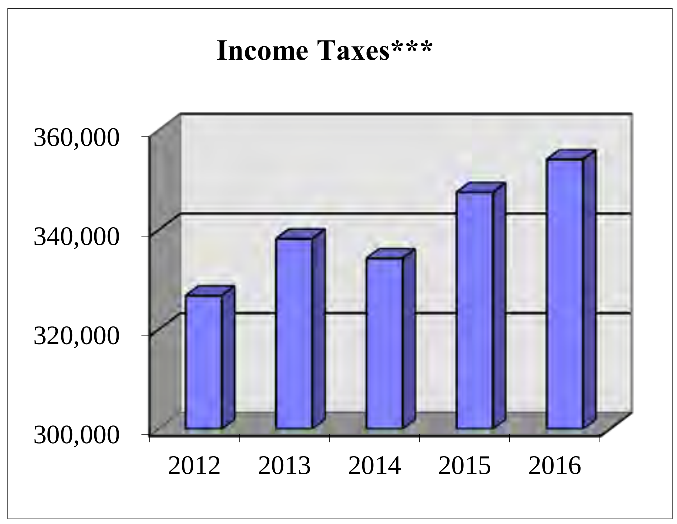
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(Amounts in Thousands)









For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
2012	71,750	518,001	486,484	326,783
2013	89,748	513,698	515,594	338,229
2014	94,327	515,233	517,156	334,264
2015	81,209	516,783	524,938	347,565
2016	81,722	526,199	555,470	354,151

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

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FINANCIAL SECTION

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017 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 27, 2017

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CITY OF CLEVELAND, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cleveland (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 58.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2016 by approximately $2.555 billion (net position). Of this amount, $72.5 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- Of the approximately $2.555 billion of net position, governmental activities accounted for approximately $418 million of net position, while business-type activities net position accounted for approximately $2.137 billion.

- The City's net position increased by $77.2 million as compared to 2015. The governmental activities net position increased by $19.3 million and the business-type activities net position increased by $57.9 million.

- At the end of the current year, unassigned fund balance for the General Fund was $66.1 million, which represents the amount available for spending at the City's discretion. The unassigned fund balance equals 12.8% of the total General Fund expenditures and other financing uses.

- In 2016, the City's total long-term debt and other long-term debt-related obligations, excluding premiums, accreted interest and discounts decreased by $111.7 million. The decrease indicates that the City's debt service payments and debt refunded or defeased exceeded new debt issued in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Public Health and Economic Development. The business-type activities of the City principally include: water; electricity; and airport facilities.

The government-wide financial statements can be found on pages 58-61 of this report.

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

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

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

The City presents 31 individual governmental funds on a modified accrual basis. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 30 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 62-65 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 66-70 of this report.

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

The basic fiduciary fund financial statement can be found on page 71 of this report.

Notes to the financial statements. The notes provide additional information that is essential to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 73-131 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Summary Statements of Net Position
as of December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities (Amounts in Thousands)		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Assets:						
Current and other assets	$ 761,797	$ 805,159	$ 1,164,818	$ 1,105,759	$ 1,926,615	$ 1,910,918
Capital assets	1,244,467	1,179,281	3,025,511	3,074,319	4,269,978	4,253,600
Total assets	2,006,264	1,984,440	4,190,329	4,180,078	6,196,593	6,164,518
Deferred outflows of resources	202,042	91,301	124,269	98,048	326,311	189,349
Liabilities:						
Pension	661,360	539,489	140,764	99,105	802,124	638,594
Long-term obligations	879,198	910,656	1,817,648	1,886,217	2,696,846	2,796,873
Other liabilities	158,770	164,738	201,525	191,683	360,295	356,421
Total liabilities	1,699,328	1,614,883	2,159,937	2,177,005	3,859,265	3,791,888
Deferred inflows of resources	90,773	62,016	18,088	22,419	108,861	84,435
Net position:						
Net investment in capital assets	722,785	653,925	1,367,544	1,354,871	2,090,329	2,008,796
Restricted	155,224	167,042	236,772	240,979	391,996	408,021
Unrestricted	(459,804)	(422,125)	532,257	482,852	72,453	60,727
Total net position	$ 418,205	$ 398,842	$ 2,136,573	$ 2,078,702	$ 2,554,778	$ 2,477,544

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

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

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

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

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

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

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

As a result of implementing GASB Statement No. 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $2.555 billion at the close of the most recent fiscal year. This represents an increase of 3.1% in 2016. Of the City's net position, 16.4% represents its governmental net position and 83.6% represents its business-type net position.

Of the net position from governmental activities, $722.8 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, $155.2 million, represents resources that are subject to external restrictions on how they may be used. There was a decrease in unrestricted net position of $37.7 million.

In 2016, the total assets and deferred outflows of resources from governmental activities increased by $132.6 million. This increase is primarily attributed to increases in capital assets of $65.2 million and deferred outflows of resources of $110.7 million offset by a decrease in cash and cash equivalents of $48.9 million. The increase in capital assets relates largely to various infrastructure improvements within the City such as Public Square for the Republican National Convention. The increase in deferred outflows of resources is a result of a difference between projected and actual earnings on pension plan investments.

Also in 2016, the total liabilities and deferred inflows of resources from governmental activities increased by $113.2 million. This was caused primarily by an increase in net pension liability of $121.9 million and deferred inflows of resources of $28.8 million offset by a decrease in long-term obligations of $31.5 million.

Of the business-type net position, $1.368 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 $236.8 million of net position is subject to external restrictions on their use. The remaining balance of $532.2 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

In 2016, business-type total assets and deferred outflows of resources increased by $36.5 million. Restricted and unrestricted cash and cash equivalents increased by $21.4 million, deferred outflows of resources increased by $26.2 million and restricted investments increased by $22.5 million. This was offset by a decrease in capital assets of $48.8 million and a decrease in investments by $14.0 million. The decrease in capital assets largely relates to depreciation expense. The increase in deferred outflows of resources is primarily due to a difference between projected and actual earnings on pension plan investments.

Business-type total liabilities and deferred inflows of resources decreased by $21.4 million due to pension liability increase of $41.7 million offset by a decrease in other long-term liabilities of $68.6 million. This is primarily due to the Division of Airports' net change in revenue bonds payable of $58.0 million.

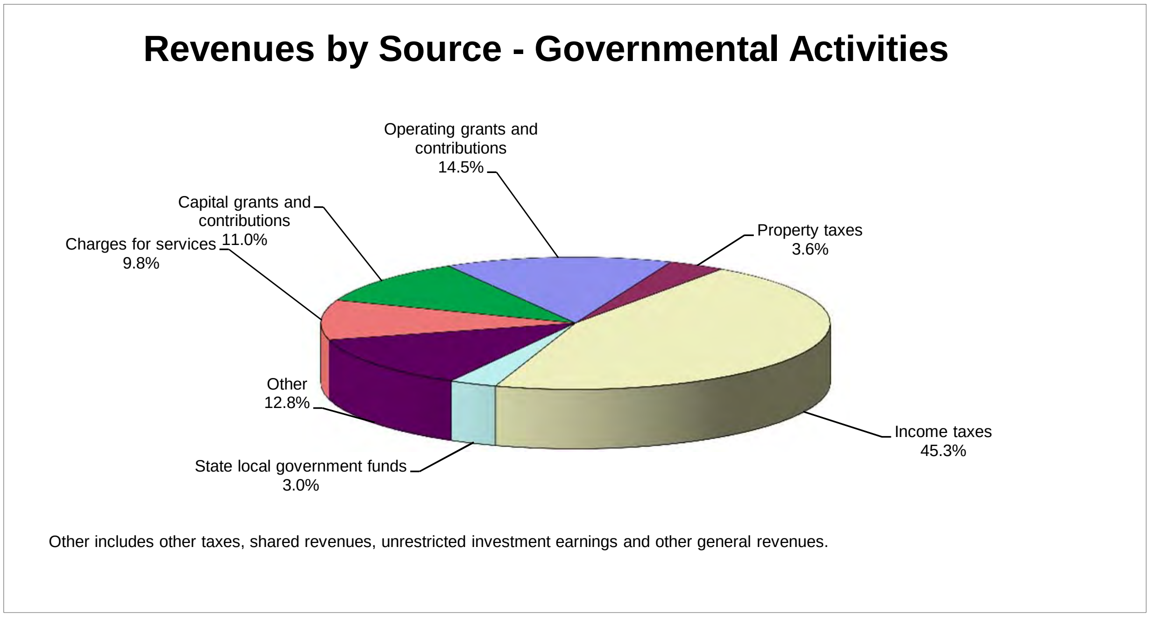
At the end of the current year, the City is able to report positive balances in total net position for both its governmental activities and its business-type activities. Information regarding government-wide changes in net position is provided below:

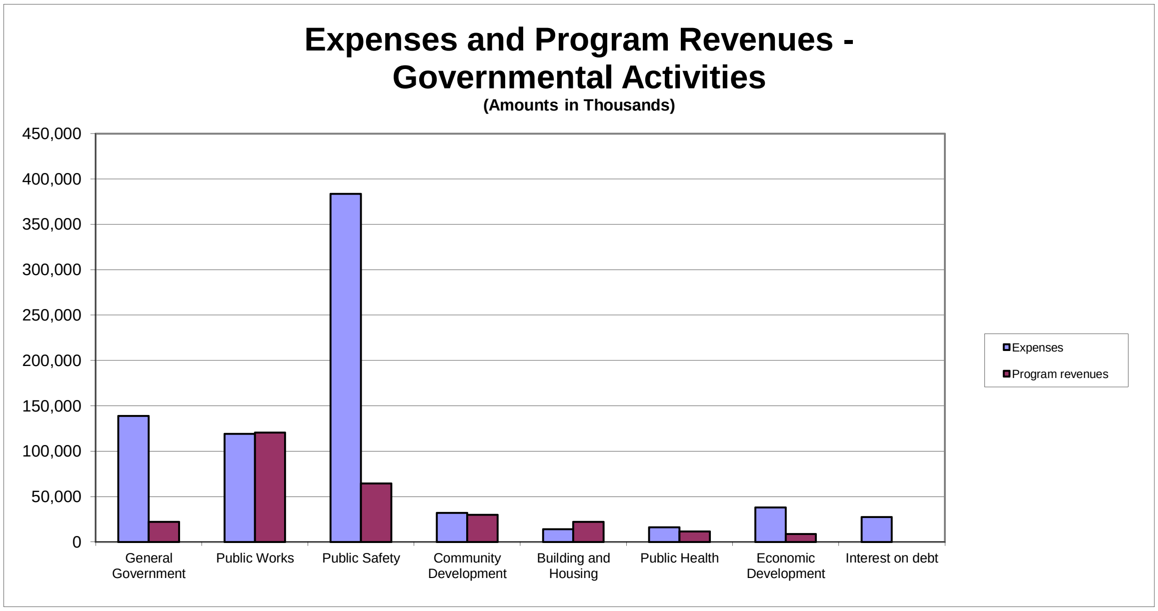
Changes in Net Position
For the Years Ended December 31, 2016 and 2015

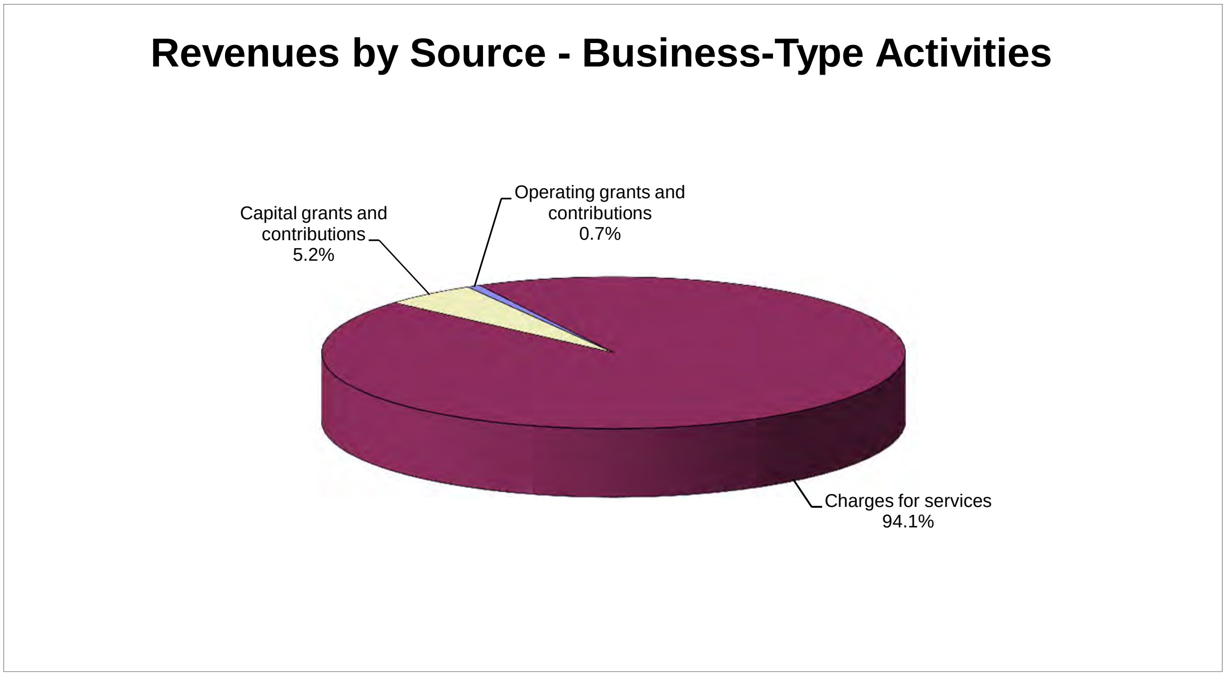
	Governmental Activities		Business-Type Activities (Amounts in Thousands)		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 77,247	$ 73,525	$ 687,644	$ 661,528	$ 764,891	$ 735,053
Operating grants and contributions	114,757	79,972	5,427	4,022	120,184	83,994
Capital grants and contributions	87,444	46,087	38,052	47,043	125,496	93,130
General revenues:						
Income taxes	359,668	346,797			359,668	346,797
Property taxes	28,634	55,017			28,634	55,017
Other taxes	48,945	38,904			48,945	38,904
Shared revenues	35,888	34,974			35,888	34,974
State local government funds	24,061	26,567			24,061	26,567
Unrestricted investment earnings	1,801	1,060	7	4	1,808	1,064
Other	14,906	8,760	11		14,917	8,760
Total revenues	793,351	711,663	731,141	712,597	1,524,492	1,424,260
Expenses:						
General Government	139,022	140,946			139,022	140,946
Public Works	119,019	117,040			119,019	117,040
Public Safety	383,453	328,453			383,453	328,453
Community Development	32,173	35,026			32,173	35,026
Building and Housing	14,111	13,433			14,111	13,433
Public Health	16,110	16,841			16,110	16,841
Economic Development	37,913	29,474			37,913	29,474
Interest on debt	27,596	36,489			27,596	36,489
Water			270,014	259,892	270,014	259,892
Electricity			196,092	197,823	196,092	197,823
Airport facilities			172,254	162,499	172,254	162,499
Nonmajor activities			39,501	37,088	39,501	37,088
Total expenses	769,397	717,702	677,861	657,302	1,447,258	1,375,004
Changes in net position before transfers	23,954	(6,039)	53,280	55,295	77,234	49,256
Transfers	(4,591)	(1,957)	4,591	1,957	-	-
Changes in net position	19,363	(7,996)	57,871	57,252	77,234	49,256
Net position at beginning of year	398,842	406,838	2,078,702	2,021,450	2,477,544	2,428,288
Net position at end of year	$ 418,205	$ 398,842	$ 2,136,573	$ 2,078,702	$ 2,554,778	$ 2,477,544

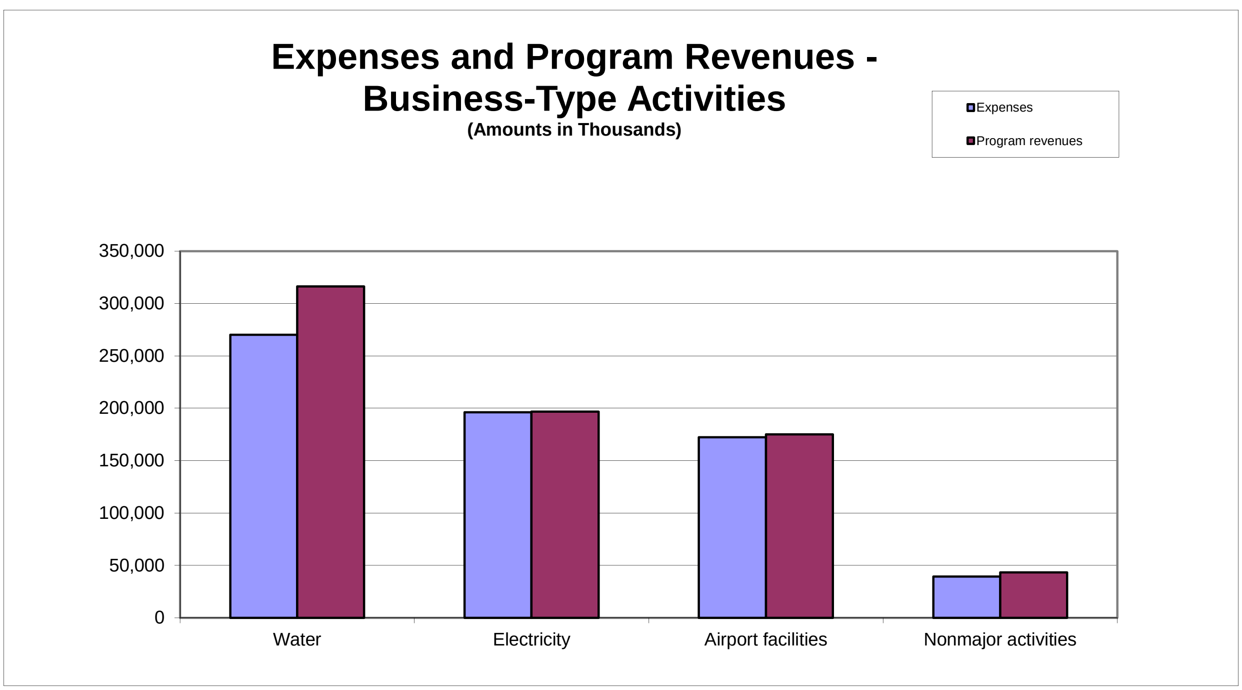
Governmental activities increased the City's net position by $19.3 million as compared to an $8.0 million decrease in 2015. Operating grants and contributions increased $34.8 million or 43.5% due to the City receiving a $49.9 million grant for the Republican National Convention from the U.S. Department of Justice. Capital grants and contributions also increased $41.4 million due to the infrastructure renovations at Public Square. Property tax revenues decreased in 2016 by $26.4 million compared to 2015 primarily due to successful challenges by taxpayers on delinquent taxes. In addition, other taxes also contributed to the overall increase in governmental activities net position by increasing $10.0 million due to an $8.4 million increase in admission tax and $1.0 million in parking tax revenue because of the sporting events leading up to and including the National Basketball Association Championships and Major League Baseball World Series. These revenues were offset by increases in expenses of $55.0 million or 16.7% in Public Safety relating to payroll expenditures incurred and supplies obtained for the Republican National Convention.

The change in net position in business-type activities in 2016 compared to 2015 stayed relatively consistent as business-type activities increased the City's net position by $57.9 million in 2016 compared to $57.3 million in 2015. Increases in charges for services of $26.1 million or 3.9% in 2016 was mainly attributed to the Water and Airport facilities. The increase in Water is primarily attributed to an increase in water consumption, while the increase in Airport facilities relates to an increase in landing fees. These revenues were offset by increases in expenses in Water of $10.1 million or 3.9% and Airport facilities of $9.8 million or 6.0% which were mainly attributed to higher operating costs. In addition, the increase in Nonmajor activities of $2.4 million is mainly attributed to the Division of Water Pollution and Control. Expenses relating to operations increased $1.5 million or 16.5% in 2016 and the Division of Water Pollution and Control also incurred costs of $792,000 for the issuance of the Series 2016 Revenue Bonds.


Revenues by Source - Governmental Activities
Operating grants and contributions 14.5%
Capital grants and contributions 11.0%
Charges for services 9.8%
Property taxes 3.6%
Other 12.8%
State local government funds 3.0%
Income taxes 45.3%
Other includes other taxes, shared revenues, unrestricted investment earnings and other general revenues.


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


Revenues by Source - Business-Type Activities
Capital grants and contributions 5.2%
Operating grants and contributions 0.7%
Charges for services 94.1%


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

Business-type activities are principally accounted for in the City's Enterprise Funds. The City operates three major Enterprise Funds encompassing two airports, a water system and an electric distribution system. The City also operates other Enterprise Funds consisting of a sewer system, cemeteries, a public auditorium, municipal parking lots and public market facilities. The City owns two golf courses 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 sixty-nine direct service, eight master meter and three emergency standby suburban municipalities in Cuyahoga, Medina, Summit, Portage, Lake and Geauga counties. They provide water to approximately 422,309 city and suburban accounts in the Cleveland Metropolitan Area. Operating revenue in 2016 increased to $310.1 million from $301.3 million in 2015. The rise is primarily attributed to a 1.7% increase in net consumption and associated charges. Operating expenses, exclusive of depreciation, decreased approximately 2.0% to $162.6 million compared to $166.0 million in 2015.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 73,700 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 2016 operating revenue increased by less than 1% to $193.0 million from $192.9 million in 2015. Purchased power expense increased by less than 1% to $124.9 million in 2016 from $123.8 million in 2015. Operating expenses, exclusive of depreciation and purchased power decreased 1.6% to $41.7 million compared to $42.4 million in 2015.

Department of Port Control: The City's Department of Port Control includes the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport. During 2016, 23 passenger airlines provided scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities. The airports' operating income increased $7.1 million in 2016 largely due to a 54.6% increase in landing fees from signatory airlines. Total operating expenses for 2016 increased $7.3 million primarily due to higher pension retirement benefits, utilities, repairs & maintenance and indirect costs.

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 $428.1 million, a decrease of $48.3 million and approximately 10.1% in comparison with the prior year. The components of the governmental fund balances include an unassigned balance of $54.6 million, which indicates the amount available for spending at the City's discretion. An additional $287.3 million of fund balance is available for expenditures that are legally restricted for a particular purpose. An additional $70.6 million is committed to fund specific purposes and cannot be reassigned without legislative approval. The remaining assigned balance of $15.6 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 $66.1 million and the total fund balance was $81.7 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 12.8% of total General Fund expenditures and other financing uses, while total fund balance represents approximately 15.9% of that same amount.

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

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance Information - GAAP Basis
2016 and 2015

(Amounts in Thousands)

	2016	2015
Revenues:		
Income taxes	$ 315,731	$ 311,174
Property taxes	32,421	32,673
State local government funds	24,431	26,433
Other taxes	48,945	38,904
Other shared revenues	15,846	16,564
Licenses and permits	18,391	16,741
Charges for services	34,010	31,740
Fines, forfeits and settlements	11,417	15,169
Investment earnings	860	498
Grants	59	399
Miscellaneous	11,450	5,036
Total revenues	513,561	495,331
Expenditures:		
General Government	89,973	79,272
Public Works	64,821	66,301
Public Safety	304,498	306,492
Community Development	181	265
Building and Housing	8,915	9,135
Public Health	5,751	6,150
Economic Development	1,609	1,480
Other	7,388	8,635
Capital outlay	585	3,750
Principal retirement	250	250
Total expenditures	483,971	481,730
Excess (deficiency) of revenues over (under) expenditures	29,590	13,601
Other financing sources (uses):		
Transfers in	1,617	1,693
Transfers out	(30,988)	(28,727)
Sale of City assets	294	315
Net change in fund balance	513	(13,118)
Fund balance at beginning of year	81,209	94,327
Fund balance at end of year	$ 81,722	$ 81,209

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $515.5 million in 2016, an increase of approximately $18.1 million from 2015. 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 2016, approximately 90% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax revenue increased approximately $4.6 million in 2016, primarily due to increased employment throughout the City.

Property Taxes

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

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

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

Tax Collection Year	**Real Property**	**Public Utility Tangible Personal**	**Total Assessed Valuation**
		(Amounts in Thousands)	
2016	$ 4,257,595	$ 331,843	$ 4,589,438
2015	$ 4,629,285	$ 318,829	$ 4,948,114

Property tax revenue decreased by $252,000 as both residential and commercial property valuations and collection rates have stabilized.

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 $2.0 million or 7.6% due to the State's decision to redirect some of the fund's collections to villages and townships in 2016. Other Taxes increased by $10.0 million or 25.8% from 2015 levels primarily as a result of increases in admission tax receipts, parking tax revenues and hotel tax revenues. Other Shared Revenues decreased by $718,000 or 4.3% from 2015 levels primarily as a result of the phase out of estate tax.

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

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

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled $515.0 million in 2016, an increase of 0.9% from 2015. 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 2016**	**% of Total**	**Actual 2015**	**% of Total**	**Increase (Decrease)**	**% Change**
			(Amounts in Thousands)			
Current:						
General Government	$ 89,973	17.47	$ 79,272	15.53	$ 10,701	13.50
Public Works	64,821	12.59	66,301	12.99	(1,480)	(2.23)
Public Safety	304,498	59.13	306,492	60.04	(1,994)	(0.65)
Community Development	181	0.04	265	0.05	(84)	(31.70)
Building and Housing	8,915	1.73	9,135	1.79	(220)	(2.41)
Public Health	5,751	1.12	6,150	1.21	(399)	(6.49)
Economic Development	1,609	0.31	1,480	0.29	129	8.72
Other	7,388	1.43	8,635	1.69	(1,247)	(14.44)
Capital Outlay	585	0.11	3,750	0.73	(3,165)	(84.40)
Principal retirement	250	0.05	250	0.05	-	0.00
Transfers Out	30,988	6.02	28,727	5.63	2,261	7.87
Total Expenditures and Other Financing Uses	$ 514,959		$ 510,457		$ 4,502	

The total expenditures and other financing uses increased by $4.5 million. The growth was primarily caused by an increase in General Government due to various legal settlements paid by the City.

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 $370.1 million, $26.9 million and $106.8 million, respectively, at December 31, 2016. The change in net position for each of the respective funds amounted to increases of $45.7 million, $487,000 and $2.6 million during 2016. 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, 2016 and 2015, the City had approximately 6,750 and 6,970 full-time employees, respectively. Of the 6,750 full-time employees, approximately 5,108 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 – 1,005 members; Cleveland Police Patrolmen's Association (CPPA) – 1,198 members; the Association of Cleveland Firefighters – 688 members; Municipal Foreman and Laborers Union, Local 1099 – 403 members; and Local 244 – 364 members.

There have been no significant labor disputes or work stoppages in the City within the last 33 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 Thousands)	
2016	$	440,194
2015	$	430,189

In 2016, there was an increase in salaries and wages payable due to a 2% increase in cost of living.

GENERAL FUND BUDGETARY ANALYSIS

In 2016, the principal differences between the original and final revenue and other sources budget included a $4.1 million increase in other taxes which was a result of an increase in admission tax collections due to sporting events. There was an increase of $3.9 million in the general government expenditures budget which was attributed to various legal settlements paid by the City.

The major differences between the final amended budget and the actual total revenues were increases of $3.6 million in other taxes and decreases of $2.9 million in fines, forfeits and settlements. The increase in other taxes was primarily attributed to increased admission tax collections. Fines, forfeits and settlements decreased primarily due to a decline in criminal fines and costs.

The major differences between the final amended budget and the actual total expenditures were decreases of $4.3 million in General Government and $6.1 million in Public Safety both due to increased operating efficiencies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

***Capital assets*:** The City's capital assets for its governmental and business-type activities as of December 31, 2016, amounts to $4.270 billion (net of accumulated depreciation). This capital assets balance includes land; land improvements; utility plant; buildings, structures and improvements; furniture, fixtures, equipment and vehicles; infrastructure; and construction in progress. The total increase in the City's capital assets for the current fiscal year was 0.39% (a 5.53% increase for governmental activities and a 1.59% decrease for business-type activities). A summary of the City's capital assets at December 31, 2016 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
		(Amounts in Thousands)	
Land	$ 67,169	$ 192,216	$ 259,385
Land improvements	82,513	60,979	143,492
Utility plant		1,658,315	1,658,315
Buildings, structures and improvements	362,232	301,846	664,078
Furniture, fixtures, equipment and vechicles	80,948	103,528	184,476
Infrastructure	399,245	392,842	792,087
Construction in progress	252,360	315,785	568,145
Total	$ 1,244,467	$ 3,025,511	$ 4,269,978

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

- The Division of Cleveland Public Power incurred $14.4 million of capital additions relating to the Denison Avenue, Ridge Road Substation, Lake Road, and Customer ATO (Automatic Throw Over) Switches.

- The Division of Water incurred $39.3 million of capital additions mainly consisting of engineering services related to renewals of various water mains and the Boosted Third High Pump Station, which is an elevated storage tank regulating water capacity and fire flow fluctuations.

- The Department of Port Control capital improvements totaled approximately $24.7 million. Major projects were the Airport Signage Program Phase I, CLE Terminal Exterior Façade/Ticketing Lobby Project, Main Substations, CLE Airport Wide In-Line Baggage Project and Recapitalization, CLE Parking Redevelopment Phase II and Snow Removal Equipment Acquisition.

- The Division of Water Pollution Control had capital improvements of $9.8 million. The largest capital additions were the Bryant Avenue, Rehabilitating and Relining Sewers, Manholes & Catch Basins, and Rockwell Avenue Sewer.

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

The primary sources for financing the City's Capital Improvement Projects are general obligation bond proceeds, certificates of participation proceeds, urban renewal bond proceeds, revenue bond proceeds, proceeds from capital leases, interest earned on funds during the construction period, restricted income taxes and funds from the State Issue 2 and Local Transportation Improvement Programs. The City has three primary goals relating to its Capital Improvements: (1) preservation and revitalization of the City's neighborhoods, (2) economic development and job creation and (3) providing cost-effective, basic City services to Cleveland residents and the business community. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 14 – Capital Assets.

Long-term debt and certain other obligations: At the end of the current fiscal year, the City had total long-term debt and certain other obligations outstanding of $2.416 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, 2016 is summarized below (excluding unamortized discounts, premiums and accreted interest).

	Balance January 1, 2016	Debt Issued	Debt Refunded or Defeased	Debt Retired	Balance December 31, 2016
			(Amounts in Thousands)		
Governmental Activities:					
General Obligation Bonds	$ 228,740	$ 51,805	$ (24,300)	$ (22,345)	$ 233,900
Urban Renewal Bonds	2,345			(730)	1,615
Subordinated Income Tax Refunding Bonds	38,885			(3,610)	35,275
Subordinate Lien Income Tax Bonds	265,995			(7,835)	258,160
Non-Tax Revenue Bonds	63,829			(3,501)	60,328
Annual Appropriation Bonds	10,020			(275)	9,745
Certificates of Participation	105,595			(6,495)	99,100
Capital Lease Obligations	11,354			(4,010)	7,344
Note/Loans Payable	2,240			(569)	1,671
Total Governmental Activities	729,003	51,805	(24,300)	(49,370)	707,138
Business –Type Activities:					
Revenue Bonds	1,699,688	218,770	(213,220)	(87,460)	1,617,778
Loans Payable	99,220			(7,904)	91,316
Total Business –Type Activities	1,798,908	218,770	(213,220)	(95,364)	1,709,094
Total	$ 2,527,911	$ 270,575	$ (237,520)	$ (144,734)	$ 2,416,232

Funds used to meet the debt service requirements of the City's General Obligation Bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to $16.9 million in 2016 which represents approximately 50% of the debt service requirements on the General Obligation Bonds. These taxes were derived from a levy of $4.35 per $1,000 of assessed property. The remaining 50% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, homestead and rollback reimbursement from the State, interest earnings and other miscellaneous revenue sources generated within the Debt Service Funds.

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

The City's bond ratings for governmental and revenue bonds are as follows as of December 31, 2016:

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
General Obligation Bonds	A1	AA	A+
Subordinate Lien Income Tax Bonds	A1	AA	N/A
Non-tax Revenue Bonds	A2	A	N/A
Stadium Certificates of Participation	A3	A	N/A
Waterworks Improvement Revenue Bonds	Aa1	AA	N/A
Second Lien Water Revenue Bonds	Aa2	AA-	N/A
Public Power System Revenue Bonds	A3	A-	N/A
Airport System Revenue Bonds	Baa1	A-	BBB+
Parking Facility Refunding Revenue Bonds (Insured Ratings)*	A2	AA	N/A
Water Pollution Control Revenue Bonds	Aa3	A+	N/A

* Parking Facilities' bonds only carry an insured rating.

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, 2016 was:

Net General Bonded Debt:	$228,821,000
Ratio of Net Bonded Debt to Assessed Valuation:	4.99%
Net General Bonded Debt Per Capita:	$576.64

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%) $481,890,967 and unvoted debt limit (5.50%) is $252,419,078. At December 31, 2016, the City had capacity under the indirect debt limitation calculation per the Ohio Revised Code to issue less than $30 million in additional unvoted debt. However, these debt limitations are not expected to affect the financing of any currently planned facilities or services.

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

The City reports a deferred outflow of resource and a liability in the amount of the fair value of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2016 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

- During November 2016, the citizens of the City supported Issue 32, passing a half percent municipal income tax increase from 2.0% to 2.5%. This tax increase will generate an estimated $83.5 million for the City's General Fund and additional funds for Restricted Income Tax in the amount of $9.3 million.

- Effective February 1, 2017, the City entered into an amendment to extend the period of time during which U.S. Bank National Association will be the holder of the Airport System Revenue Bonds, Series 2014A & 2014B.

- On May 24, 2017 S&P Global Ratings raised its rating on the City's Series 2017A Subordinate Lien Income Tax Bonds to AA+ with a stable outlook from AA.

- Effective June 13, 2017, the City issued $65,400,000 Subordinate Lien Income Tax Improvement and Refunding Bonds, Series 2017A.

See Note 21- Subsequent Events for additional information.

NEED ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2016
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 371,184	$ 539,074	$ 910,258
Investments	14,200		14,200
Receivables:			
Taxes	124,834		124,834
Accounts	41,048	193,502	234,550
Recoverable costs of purchased power		3,989	3,989
Grants	32,945		32,945
Loans	155,605		155,605
Unbilled revenue		45,366	45,366
Accrued interest	69	19	88
Assessments	5,041		5,041
Less: Allowance for doubtful accounts	(27,735)	(22,701)	(50,436)
Receivables, net	331,807	220,175	551,982
Internal balances	1,972	(1,972)	-
Due from other governments	41,569	8,538	50,107
Inventory of supplies	1,048	20,603	21,651
Prepaid expenses and other assets	17	1,262	1,279
Restricted assets:			
Cash and cash equivalents		352,630	352,630
Investments		22,488	22,488
Accrued interest receivable		99	99
Accrued passenger facility charge		1,921	1,921
Total restricted assets	-	377,138	377,138
Capital assets:			
Land and construction in progress	319,529	508,001	827,530
Other capital assets, net of accumulated depreciation	924,938	2,517,510	3,442,448
Total capital assets	1,244,467	3,025,511	4,269,978
Total assets	2,006,264	4,190,329	6,196,593
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps		14,537	14,537
Loss on refunding	15,218	55,995	71,213
Pension	186,824	53,737	240,561
Total deferred outflows of resources	202,042	124,269	326,311

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2016
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 16,150	$ 32,397	$ 48,547
Accrued wages and benefits	22,553	7,218	29,771
Claims payable	9,386		9,386
Due to other governments	99,300	125,408	224,708
Accrued interest payable	4,878	27,296	32,174
Unearned revenue	6,503		6,503
Liabilities payable from restricted assets		9,206	9,206
Long-term obligations:			
Due within one year	91,999	113,220	205,219
Due in more than one year	787,199	1,704,428	2,491,627
Pension	661,360	140,764	802,124
Total liabilities	1,699,328	2,159,937	3,859,265
DEFERRED INFLOWS OF RESOURCES			
Property tax	49,434		49,434
Special assessment - TIF	11,258		11,258
Derivative instruments-interest rate swaps	34	14,755	14,789
Pension	30,047	3,333	33,380
Total deferred inflows of resources	90,773	18,088	108,861
NET POSITION			
Net investment in capital assets	722,785	1,367,544	2,090,329
Restricted for:			
Capital	28,417	530	28,947
Debt service	36,832	224,097	260,929
Loans	46,890		46,890
Other purposes	43,085	12,145	55,230
Unrestricted	(459,804)	532,257	72,453
Total net position	$ 418,205	$ 2,136,573	$ 2,554,778

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs:			
Governmental activities:			
General Government	$ 139,022	$ 18,636	$ 3,468
Public Works	119,019	18,301	14,802
Public Safety	383,453	18,075	46,421
Community Development	32,173	952	28,950
Building and Housing	14,111	17,717	4,380
Public Health	16,110	3,463	8,122
Economic Development	37,913	103	8,614
Interest on debt	27,596		
Total governmental activities	769,397	77,247	114,757
Business-type activities:			
Water	270,014	310,111	1,678
Electricity	196,092	192,967	3,340
Airport facilities	172,254	142,433	191
Nonmajor activities:			
Sewer	25,040	28,730	159
Public Auditorium	2,726	1,413	
Westside Market	2,080	1,216	7
Eastside Market	93		
Municipal Parking Lots	7,111	9,232	
Cemeteries	2,307	1,542	29
Golf Courses	144		23
Total business-type activities	677,861	687,644	5,427
Total	$ 1,447,258	$ 764,891	$ 120,184

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

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

	Net (Expense) Revenue and Changes in Net Positon		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ 134	$ (116,784)	$	$ (116,784)
87,304	1,388		1,388
6	(318,951)		(318,951)
	(2,271)		(2,271)
	7,986		7,986
	(4,525)		(4,525)
	(29,196)		(29,196)
	(27,596)		(27,596)
87,444	(489,949)	-	(489,949)
4,326		46,101	46,101
354		569	569
32,280		2,650	2,650
272		4,121	4,121
68		(1,245)	(1,245)
552		(305)	(305)
		(93)	(93)
22		2,143	2,143
178		(558)	(558)
		(121)	(121)
38,052	-	53,262	53,262
$ 125,496	(489,949)	53,262	(436,687)
	359,668		359,668
	28,634		28,634
	48,945		48,945
	35,888		35,888
	24,061		24,061
	1,801	7	1,808
	14,906	11	14,917
	(4,591)	4,591	-
	509,312	4,609	513,921
	19,363	57,871	77,234
	398,842	2,078,702	2,477,544
	$ 418,205	$ 2,136,573	$ 2,554,778

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 61,405	$ 278,645	$ 340,050
Investments		14,200	14,200
Receivables:			
Taxes	94,601	30,233	124,834
Accounts	41,021		41,021
Grants		32,945	32,945
Loans		155,605	155,605
Accrued interest		69	69
Assessments		5,041	5,041
Less: Allowance for doubtful accounts	(27,735)		(27,735)
Receivables, net	107,887	223,893	331,780
Due from other funds	9,473	8,261	17,734
Due from other governments	20,889	20,680	41,569
TOTAL ASSETS	$ 199,654	$ 545,679	$ 745,333
LIABILITIES			
Accounts payable	$ 6,814	$ 10,442	$ 17,256
Accrued wages and benefits	20,431	1,612	22,043
Due to other governments	1,036	97,178	98,214
Unearned revenue	65	6,438	6,503
Due to other funds	4,746	17,500	22,246
Total liabilities	33,092	133,170	166,262
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow	84,840	66,174	151,014
Total deferred inflows of resources	84,840	66,174	151,014
FUND BALANCES			
Restricted		287,250	287,250
Committed		70,597	70,597
Assigned	15,631	2	15,633
Unassigned	66,091	(11,514)	54,577
Total fund balances	81,722	346,335	428,057
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 199,654	$ 545,679	
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.			1,240,407
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			90,322
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.			(851,591)
The assets, liabilities and deferred outflows/inflows of resources of most of the internal service funds are included in the governmental activities in the statement of net position.			7,698
The net pension liability is not due and payable in the currrent period; (excluding internal service fund net pension liability) therefore the liability and related deferred inflows/outflows of resources are not reported in governmental funds:			(496,688)
Net position of governmental activities			$ 418,205

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, 2016

(Amounts in Thousands)

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Income taxes	$ 315,731	$ 39,361	$ 355,092
Property taxes	32,421	16,890	49,311
State local government funds	24,431		24,431
Other taxes	48,945		48,945
Other shared revenues	15,846	33,262	49,108
Licenses and permits	18,391	2,845	21,236
Charges for services	34,010	3,610	37,620
Fines, forfeits and settlements	11,417	2,878	14,295
Investment earnings	860	865	1,725
Grants	59	125,897	125,956
Contributions		1,844	1,844
Miscellaneous	11,450	4,617	16,067
Total revenues	513,561	232,069	745,630
EXPENDITURES:			
Current:			
General Government	89,973	8,129	98,102
Public Works	64,821	28,327	93,148
Public Safety	304,498	42,928	347,426
Community Development	181	29,809	29,990
Building and Housing	8,915	4,795	13,710
Public Health	5,751	9,659	15,410
Economic Development	1,609	35,943	37,552
Other	7,388		7,388
Capital outlay	585	99,037	99,622
Debt service:			
Principal retirement	250	49,120	49,370
Interest		30,365	30,365
General Government		476	476
Other		1,070	1,070
Total expenditures	483,971	339,658	823,629
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,590	(107,589)	(77,999)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,617	70,610	72,227
Transfers out	(30,988)	(43,130)	(74,118)
Issuance of debt		28,125	28,125
Premium on bonds		7,497	7,497
Payment to refund bonds		(28,150)	(28,150)
Sale of City assets	294	143	437
Issuance of refunding bonds		23,680	23,680
Total other financing sources (uses)	(29,077)	58,775	29,698
NET CHANGE IN FUND BALANCES	513	(48,814)	(48,301)
FUND BALANCES AT BEGINNING OF YEAR	81,209	395,149	476,358
FUND BALANCES AT END OF YEAR	$ 81,722	$ 346,335	$ 428,057

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, 2016

(Amounts in Thousands)

Amounts reported for governmental activities in the statement of activities (pages 60 and 61) are different because:

Net change in fund balances - total governmental funds (page 63)	$ (48,301)
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.	67,535
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,553
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.	21,681
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.	9,697
Contractually required contributions are reported as expenditures in the governmantal funds; however, the statement of net position reports these amounts as deferred outflows of resources, except for changes in the net pension liability which are reported as pension expense in the statement of activitives.	(38,047)
The net revenue of certain activities of internal service funds is reported with governmental activities.	3,245
Change in net position of governmental activities (pages 60 and 61)	$ 19,363

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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual*	Variance-Positive (Negative)
REVENUES:				
Income taxes	$ 314,800	$ 314,800	$ 314,801	$ 1
Property taxes	30,932	30,932	32,421	1,489
State local government funds	25,093	25,093	24,596	(497)
Other taxes	39,452	43,552	47,159	3,607
Other shared revenues	13,351	13,351	13,323	(28)
Licenses and permits	15,678	15,678	18,290	2,612
Charges for services	34,666	34,666	34,082	(584)
Fines, forfeits and settlements	14,490	14,490	11,578	(2,912)
Investment earnings	430	430	761	331
Grants	417	417	72	(345)
Miscellaneous	28,145	28,145	27,205	(940)
Total revenues	517,454	521,554	524,288	2,734
EXPENDITURES:				
Current:				
General Government	93,932	97,794	93,501	4,293
Public Works	67,806	66,336	64,037	2,299
Public Safety	330,753	329,138	323,060	6,078
Community Development	303	303	184	119
Building and Housing	9,846	9,771	9,418	353
Public Health	7,480	6,978	6,586	392
Economic Development	1,718	1,718	1,625	93
Other	23,938	25,038	24,729	309
Principal retirement	250	250	250	-
Total expenditures	536,026	537,326	523,390	13,936
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,572)	(15,772)	898	16,670
OTHER FINANCING SOURCES (USES):				
Transfers in	5,417	5,417	1,617	(3,800)
Transfers out	(30,791)	(33,591)	(32,080)	1,511
Sale of City assets	2,500	2,500	294	(2,206)
Total other financing sources (uses)	(22,874)	(25,674)	(30,169)	(4,495)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(41,446)	(41,446)	(29,271)	12,175
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			110	110
NET CHANGE IN FUND BALANCE	(41,446)	(41,446)	(29,161)	12,285
FUND BALANCE AT BEGINNING OF YEAR	42,097	42,097	42,097	-
FUND BALANCE AT END OF YEAR	$ 651	$ 651	$ 12,936	$ 12,285

* 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, 2016
(Amounts in Thousands)

	Business Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 340,292	$ 49,634	$ 80,299	$ 67,264	$ 537,489	$ 32,719
Restricted cash and cash equivalents	1,908	590	6,708	1,603	10,809	
Receivables:						
Accounts	72,153	16,790	9,840	94,719	193,502	27
Recoverable costs of purchased power		3,989			3,989	
Unbilled revenue	35,826	2,616	3,141	3,783	45,366	
Accrued interest	12			7	19	
Less: Allowance for doubtful accounts	(13,190)	(5,834)	(968)	(2,709)	(22,701)	
Receivables, net	94,801	17,561	12,013	95,800	220,175	27
Due from other funds	3,803	2,509		378	6,690	6,557
Due from other governments			8,538		8,538	
Inventory of supplies	8,799	8,849	2,531	424	20,603	1,048
Prepaid expenses and other assets	535	233	492		1,260	19
Total current assets	450,138	79,376	110,581	165,469	805,564	40,370
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	84,242	18,037	193,550	45,992	341,821	
Investments	10,491		11,997		22,488	
Accrued interest receivable	28	5	54	12	99	
Accrued passenger facility charges			1,921		1,921	
Total restricted assets	94,761	18,042	207,522	46,004	366,329	-
Capital assets:						
Land	5,463	5,568	167,457	13,728	192,216	663
Land improvements	17,427	293	84,172	11,465	113,357	146
Utility plant	1,808,978	525,136		148,060	2,482,174	
Buildings, structures and improvements	266,517	22,158	343,263	108,769	740,707	4,444
Furniture, fixtures, equipment and vehicles	614,057	83,994	51,284	22,023	771,358	16,541
Infrastructure			1,015,833		1,015,833	
Construction in progress	101,665	92,250	83,376	38,494	315,785	
Less: Accumulated depreciation	(1,112,423)	(375,830)	(926,210)	(192,192)	(2,606,655)	(16,998)
Total capital assets, net	1,701,684	353,569	819,175	150,347	3,024,775	4,796
Total noncurrent assets	1,796,445	371,611	1,026,697	196,351	3,391,104	4,796
Total assets	2,246,583	450,987	1,137,278	361,820	4,196,668	45,166
DEFERRED OUTFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	14,537				14,537	
Loss on refunding	23,819	14,122	17,123	931	55,995	
Pension	26,368	9,080	10,482	4,712	50,642	8,305
Total deferred outflows of resources	64,724	23,202	27,605	5,643	121,174	8,305

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	$ 11,431	$ 13,475	$ 5,420	$ 2,815	$ 33,141	$ 2,510
Accrued wages and benefits	6,940	2,384	3,261	1,339	13,924	14,889
Claims payable					-	9,386
Due to other funds	1,864	709	1,814	4,272	8,659	76
Due to other governments			5,482	119,926	125,408	1,086
Accrued interest payable	11,262	998	14,519	517	27,296	
Current payable from restricted assets	1,908	590	6,708		9,206	
Current portion of long-term obligations	52,381	8,785	39,765	3,767	104,698	
Total current liabilities	85,786	26,941	76,969	132,636	322,332	27,947
Noncurrent liabilities:						
Accrued wages and benefits	1,344	413	635	210	2,602	593
Construction loans payable	83,384			94	83,478	
Accreted interest payable		16,080			16,080	
Revenue bonds payable	611,522	206,399	726,387	55,313	1,599,621	
Pension	69,902	23,597	27,073	13,004	133,576	19,984
Other		2,432			2,432	
Total noncurrent liabilities	766,152	248,921	754,095	68,621	1,837,789	20,577
Total liabilities	851,938	275,862	831,064	201,257	2,160,121	48,524
DEFERRED INFLOWS OF RESOURCES						
Derivative instruments-interest rate swaps	14,537			218	14,755	
Pension	1,651	563	641	303	3,158	484
Total deferred inflows of resources	16,188	563	641	521	17,913	484
NET POSITION						
Net investment in capital assets	986,294	167,356	87,982	125,176	1,366,808	4,796
Restricted for capital projects	46	484			530	
Restricted for debt service	86,736	3,038	126,222	8,101	224,097	
Restricted for passenger facility charges			12,145		12,145	
Unrestricted	370,105	26,886	106,829	32,408	536,228	(333)
Total net position	$ 1,443,181	$ 197,764	$ 333,178	$ 165,685	2,139,808	$ 4,463
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(3,235)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 2,136,573	

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

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 310,107	$ 192,967	$ 142,433	$ 42,133	$ 687,640	$ 136,599
Total operating revenue	310,107	192,967	142,433	42,133	687,640	136,599
OPERATING EXPENSES:						
Operations	99,902	24,979	76,696	20,670	222,247	129,684
Maintenance	62,716	16,703	4,805	8,472	92,696	3,285
Purchased power		124,909			124,909	
Depreciation	77,581	18,319	52,927	8,736	157,563	582
Total operating expenses	240,199	184,910	134,428	37,878	597,415	133,551
OPERATING INCOME (LOSS)	69,908	8,057	8,005	4,255	90,225	3,048
NON-OPERATING REVENUES (EXPENSES):						
Investment income (loss)	1,775	246	669	40	2,730	78
Interest expense	(29,056)	(10,004)	(28,032)	(1,335)	(68,427)	
Passenger facility charges			16,608		16,608	
Sound insulation program			(8)		(8)	
Gain (loss) on disposal of capital assets	(1,146)	(1,260)	11	(123)	(2,518)	(2)
Other revenues (expenses)	4,217	3,448	(3,440)	257	4,482	
Total non-operating revenues (expenses)	(24,210)	(7,570)	(14,192)	(1,161)	(47,133)	76
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	45,698	487	(6,187)	3,094	43,092	3,124
Capital contributions and other contributions	12		8,762	4,101	12,875	134
Transfers in				1,288	1,288	603
Change in net position	45,710	487	2,575	8,483	57,255	3,861
NET POSITION AT BEGINNING OF YEAR	1,397,471	197,277	330,603	157,202		602
NET POSITION AT END OF YEAR	$ 1,443,181	$ 197,764	$ 333,178	$ 165,685		$ 4,463
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					616	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES					$ 57,871	

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, 2016
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 303,560	$ 191,466	$ 135,444	$ 40,245	$ 670,715	$ 140,309
Cash payments to suppliers for goods or services	(82,803)	(18,690)	(50,392)	(15,154)	(167,039)	(108,082)
Cash payments to employees for services	(72,171)	(23,000)	(30,244)	(13,367)	(138,782)	(23,446)
Cash payments for purchased power		(125,755)			(125,755)	
Agency activity on behalf of other sewer authorities				8,396	8,396	
Other	311	(5,365)		(35)	(5,089)	
Net cash provided by (used for) operating activities	148,897	18,656	54,808	20,085	242,446	8,781
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Disbursement of non-capital grant proceeds			(8)		(8)	
Cash received through transfers from other funds				1,288	1,288	603
Cash received for royalties				23	23	
Grants	12				12	
Cash received from electric excise tax		2,999			2,999	
Net cash provided by (used for) noncapital financing activities	12	2,999	(8)	1,311	4,314	603
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			16,828		16,828	
Proceeds from sale of revenue bonds, loans and notes		46,238	170,369	37,775	254,382	
Acquisition and construction of capital assets	(47,533)	(17,265)	(30,358)	(10,447)	(105,603)	(713)
Principal paid on long-term debt	(49,532)	(8,055)	(34,415)	(3,362)	(95,364)	
Interest paid on long-term debt	(30,310)	(9,859)	(31,644)	(2,178)	(73,991)	
Cash paid to escrow agent for refunding		(45,650)	(174,777)		(220,427)	
Capital grant proceeds			3,950		3,950	
Net cash provided by (used for) capital and related financing activities	(127,375)	(34,591)	(80,047)	21,788	(220,225)	(713)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(10,491)		(11,997)		(22,488)	
Proceeds from sale and maturity of investment securities	9,995		3,997		13,992	
Interest received on investments	1,786	261	630	310	2,987	78
Net cash provided by (used for) investing activities	1,290	261	(7,370)	310	(5,509)	78
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,824	(12,675)	(32,617)	43,494	21,026	8,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	403,618	80,936	313,174	71,365	869,093	23,970
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 426,442	$ 68,261	$ 280,557	$ 114,859	$ 890,119	$ 32,719

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	$ 69,908	$ 8,057	$ 8,005	$ 4,255	$ 90,225	$ 3,048
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	77,581	18,319	52,927	8,736	157,563	582
(Increase) Decrease in Assets:						
Receivables, net	(5,963)	(1,854)	(4,031)	(8,389)	(20,237)	(1)
Prepaid expenses and other assets	196	(2,357)	18	5	(2,138)	(2)
Due from other funds	651	341	9	(191)	810	6,046
Inventory of supplies	677	(441)	(406)	45	(125)	(91)
(Increase) Decrease in Deferred Outflows of Resources:						
Pension	(17,653)	(6,068)	(7,084)	(3,142)	(33,947)	(5,661)
Increase (Decrease) in Liabilities:						
Accounts payable	2,311	1,784	(2,502)	243	1,836	872
Accrued wages and benefits	(662)	(50)	(70)	(248)	(1,030)	(1,272)
Pension	20,470	7,200	8,024	3,600	39,294	6,481
Claims payable					-	(1,321)
Due to other funds	(1,306)	(390)	(599)	(416)	(2,711)	(232)
Due to other governments			225	15,575	15,800	95
Unearned revenue				(120)	(120)	
Accrued expenses and other liabilities	1,942	(3,469)			(1,527)	
Increase (Decrease) in Deferred Inflows of Resources:						
Excess purchased power costs		(2,679)			(2,679)	
Pension	745	263	292	132	1,432	237
Total adjustments	78,989	10,599	46,803	15,830	152,221	5,733
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 148,897	$ 18,656	$ 54,808	$ 20,085	$ 242,446	$ 8,781
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:						
Contributions and accounts payable related to capital assets	$	$	$	$ 5,704	$ 5,704	$ 134

(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, 2016
(Amounts in Thousands)

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 28,191
Taxes receivable	17,985
Due from other governments	1,613
Total assets	$ 47,789
LIABILITIES	
Due to other governments	$ 23,918
Due to others	23,871
Total liabilities	$ 47,789

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, 2016 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 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

Basic Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. ***Financial Reporting Presentation***

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

D. ***Budgetary Procedures***

The City is required by State law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds), Debt Service Funds (except for Cleveland Stadium Debt Service, Urban Renewal and Urban Renewal Reserve Funds) and Proprietary Operating Funds. Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits) and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from “personnel” to “other” or vice versa, or between divisions. City Council adopted two appropriation amendments during 2016 which reallocated appropriations and increased the budget by less than 1% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

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

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

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

A reconciliation of the General Fund's results of operations for 2016 reported on the budget basis versus the GAAP basis is as follows:

		(Amounts in Thousands)
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses (Budget Basis)	$	(29,271)
Adjustments:		
Revenue Accruals		(10,727)
Expenditure and other financing sources (uses) Accruals		24,434
Encumbrances and Pre-Encumbrances		16,077
Net Change in Fund Balance	$	513

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

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

Investments**:** The City follows the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

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

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

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

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 GASB. This guidance requires capitalization of the interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use. This guidance is applied to Waterworks Improvement Revenue Bonds, Public Power System Revenue Bonds, Water Pollution Control Revenue Bonds and Airport System Revenue Bonds.

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

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

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

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

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

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

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

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

Swap Agreements**:** The City may enter into interest rate swap agreements to modify interest rates on outstanding debt. The City has accordingly recorded the fair value of each swap in the Government-wide financial statements. As further described in Note 5 – Debt And Other Long-Term Obligations, the City has four swap agreements outstanding at December 31, 2016, one for its Subordinated Income Tax Variable Rate Refunding Bonds, one on the Parking Facilities Refunding Revenue Bonds and two associated with the 2015 Water Revenue Bonds Series AA and 2010 Water Revenue Bonds Series U and V.

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

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

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

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

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

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

F. ***Accounting Pronouncements***

In February of 2015, GASB Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required the City has implemented GASB Statement No. 72 as of December 31, 2016.

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No 67. and No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2015 —except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The City has determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This GASB Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the City has implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. As required, the City has implemented GASB Statement No. 77 as of December 31, 2016.

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The City has determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was issued. This Statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the City has implemented GASB Statement No. 79 as of December 31, 2016.

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 $851.6 million difference are as follows:

	(Amounts in Thousands)
Bonds and notes payable	$ (699,794)
Other payable	(24,000)
Interest rate swap	(34)
Unamortized bond premium/discount	(48,929)
Accrued interest payable	(4,878)
Capital leases payable	(7,344)
Claims and adjustments	(7,456)
Loss on refunding	15,218
Compensated absences	(74,374)
Net adjustments to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (851,591)

Another element of that reconciliation states that net pension liability is not due and payable in the current period; therefore, the liability and the related deferred outflows of resources and deferred inflows of resources are not reported in the governmental funds. The details of this $496.7 million differences are as follows:

	(Amounts in Thousands)
Deferred outflows of resources	$ 181,614
Deferred inflows of resources	(29,738)
Net pension liability	(648,564)
Net adjusment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (496,688)

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 $67.5 million difference are as follows:

	(Amounts in Thousands)
Capital outlay	$ 86,289
Contributed Capital	43,284
Depreciation expense	(61,257)
Capital asset disposal	(781)
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities*	$ 67,535

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 Thousands)
Reversal of prior year deferred inflows of resources	$ (86,769)
Current year deferred inflows of resources	90,322
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 3,553

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 $21.7 million which is detailed as follows:

	(Amounts in Thousands)
Debt issued or incurred:	
Issuance of general obligation bonds and other obligations	$ (51,805)
Accrued interest	3,459
Interest rate swap	4
Premium on debt	(7,497)
Principal repayments:	
General obligation debt and other obligations	45,360
Payment on capital lease	4,010
Refunding of general obligation bonds and other obligations	28,150
Net adjustment to increase *net changes in fund balances - total* governmental funds to arrive at *changes in net position of governmental activities*	$ 21,681

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 $9.7 million difference are as follows:

	(Amounts in Thousands)
Compensated absences	$ 3,392
Claims judgements	6,305
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 9,697

NOTE 4 – POOLED AND SEGREGATED CASH AND INVESTMENTS

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

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

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

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

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

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was $138,166,000 and the actual bank balance totaled $126,933,000. 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*, $126,933,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The City's investments in money market mutual funds and STAR Ohio are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

The following is a summary of the fair value hierarchy of the fair value of investments of the City (excluding STAR Ohio and money market mutual funds) as of December 31, 2016:

Type of Investment	Fair Value	Fair Value Measurements Using Level 1	Fair Value Measurements Using Level 2
	(Amounts in Thousands)		
U.S. Agency Obligations	$ 29,492	$	$ 29,492
U.S. Treasury Bills	27,154	27,154	
U.S. Treasury Notes	10,021	10,021	
Commercial Paper	68,424		68,424
Manuscript Debt	5,698		5,698
Other	4,759		4,759
Total Investments	$ 145,548	$ 37,175	$ 108,373

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

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

Credit Risk: The City's investments as of December 31, 2016 include U.S. Agency Obligations, U.S. Treasury Bills, U.S. Treasury Notes, STAR Ohio, commercial paper, money market mutual funds, manuscript debt and other investments. The City maintains the highest ratings for its investments. The investments in U.S. Agencies, U.S. Treasury Bills and U.S. Treasury Notes carry a Moody's rating of Aaa, the highest rating given by Moody. Investments in the Dreyfus Government Cash Management Fund, First American Government Obligations Fund, Federated Government Obligations Fund, PNC Treasury Money Market Fund, Morgan Stanley Government Institutional Mutual Funds, Zion Bank Federal Government Obligation Funds and STAR Ohio carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+. The City has no investment policy that would further limit its investment choices.

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

Type of Investment	Value	Cost	Investment Maturities Less than One Year	1 - 5 Years	5 Years or More
		(Amounts in Thousands)			
U.S. Agency Obligations	$ 29,492	$ 29,490	$ 9,497	$ 19,995	$
U.S. Treasury Bills	27,154	27,190	27,154		
U.S. Treasury Notes	10,021	9,982		10,021	
STAR Ohio	533,341	533,341	533,341		
Commercial Paper	68,424	68,424	68,424		
Money Market Mutual Funds	510,712	510,712	510,712		
Manuscript Debt	5,698	5,698			5,698
Other	4,759	4,759	4,759		
Total Investments	1,189,601	1,189,596	1,153,887	30,016	5,698
Total Deposits	138,166	138,166	138,166		
Total Deposits and Investments	$ 1,327,767	$ 1,327,762	$ 1,292,053	$ 30,016	$ 5,698

STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. The fair value of the City's position in STAR Ohio is equal to the value of the shares the City owns in the investment pool. Investment type "Other" consist of deposits into collective cash escrow pools managed by either Bank of New York, Huntington or U.S. Bank, as 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, 2016, the investments in U. S. Agency Obligations, U.S. Treasury Bills, U.S. Treasury Notes, STAR Ohio, commercial paper, money market mutual funds, manuscript debt and other are approximately 2.5%, 2.3%, less than 1%, 44.8%, 5.8%, 42.9%, less than 1% and less than 1%, respectively, of the City's total investments.

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

		(Amounts in Thousands)
Government-Wide Financial Statements		
Unrestricted:		
Cash and cash equivalents	$	910,258
Investments		14,200
Restricted:		
Cash and cash equivalents		352,630
Investments		22,488
Total	$	1,299,576
Fund Financial Statements		
Balance Sheet – Governmental Funds:		
Unrestricted:		
Cash and cash equivalents	$	340,050
Investments		14,200
Subtotal		354,250
Statement of Net Position – Proprietary Funds:		
Enterprise Funds:		
Unrestricted:		
Cash and cash equivalents		537,489
Restricted:		
Cash and cash equivalents		352,630
Investments		22,488
Internal Service Funds:		
Unrestricted:		
Cash and cash equivalents		32,719
Subtotal		945,326
Statement of Fiduciary Assets and Liabilities:		
Unrestricted:		
Cash and cash equivalents		28,191
Total	$	1,327,767

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, 2016, are as follows:

	Balance January 1, 2016	Additions	(Reductions)	Balance December 31, 2016	Due Within One Year
	(Amounts in Thousands)				
Governmental Long-Term Obligations and Notes					
General Obligation Bonds due through 2033	$ 228,740	$ 51,805	$ (46,645)	$ 233,900	$ 22,500
Other Obligations:					
Urban Renewal Bonds due through 2018, 6.75%	2,345		(730)	1,615	780
Subordinated Income Tax Refunding Bonds due through 2024, 5.00%	38,885		(3,610)	35,275	2,315
Subordinate Lien Income Tax Bonds due through 2042, 1.00% to 6.34%	265,995		(7,835)	258,160	9,635
Non-Tax Revenue Bonds:					
Stadium due through 2020, 3.00% to 5.00%	7,135		(1,325)	5,810	1,365
Taxable Economic and Community Dev. (Core City Bonds) due through 2033, 0.60% to 3.75%	50,805		(1,985)	48,820	2,050
Lower Euclid Ave. TIF 2003A due through 2032, 2.00% to 4.00%	5,889		(191)	5,698	208
Annual Appropriation Bonds - Flats East Bank due through 2035, 5.75% to 6.00%	10,020		(275)	9,745	290
Certificates of Participation-Stadium due through 2028, 0.86% to 5.00%	105,595		(6,495)	99,100	6,800
State Infrastructure Bank Loan	1,070		(255)	815	263
West 150th Street Improvement Loan	920		(64)	856	64
Capital Lease Obligations, due through 2020, 1.39% to 3.22%	11,354		(4,010)	7,344	2,981
Gateway Note Payable, due through 2016	250		(250)	-	
Cleveland Browns Stadium	26,000		(2,000)	24,000	2,000
Accrued wages and benefits	48,152	9,685	(11,571)	46,266	29,169
Net pension liability:					
Ohio Public Employees Retirement System	142,027	61,204		203,231	
Ohio Police and Fire Pension Fund	397,462	60,667		458,129	
Police and fire overtime	42,223	1,435	(3,933)	39,725	625
Fire deferred vacation	2,413	168	(416)	2,165	257
Estimated claims payable	14,587	4,548	(8,160)	10,975	10,697
	1,401,867	189,512	(99,750)	1,491,629	91,999
Unamortized (discount)/premium - net	48,278	7,497	(6,846)	48,929	
Total Governmental Activities, Net	$ 1,450,145	$ 197,009	$ (106,596)	$ 1,540,558	$ 91,999

(Continued)

	Balance January 1, 2016	Additions	(Reductions)	Balance December 31, 2016	Due Within One Year
			(Amounts in Thousands)		
Business-Type Activities (Enterprise Funds)					
Airport System Revenue Bonds:					
Series 2000C due through 2017, 4.00% to 5.00%	$ 138,400	$	$ (132,400)	$ 6,000	$ 6,000
Series 2006A-B due through 2021, 5.00% to 5.25%	98,930		(49,255)	49,675	8,465
Series 2007B due through 2027, 5.00%	7,925		(630)	7,295	660
Series 2008D due through 2024, Variable Rate	5,975			5,975	
Series 2009C-D due through 2027, 0.02% to 5.00%	148,845		(11,340)	137,505	11,895
Series 2011A due through 2024, 3.00% to 5.00%	57,190		(7,260)	49,930	7,605
Series 2012A due through 2031, 5.00%	235,150			235,150	
Series 2013A due through 2033, Variable Rate	58,000			58,000	1,795
Series 2014A&B due through 2027, Variable Rate	31,955		(1,465)	30,490	3,345
Series 2016A due through 2031, 5.00%		108,120		108,120	
Series 2016B due through 2024, 5.00%		36,235		36,235	
	782,370	144,355	(202,350)	724,375	39,765
Public Power System Revenue Bonds:					
Series 2006 due through 2024, 5.00%	49,720		(49,720)	-	
Series 2008 due through 2038, 4.00% to 5.40%	86,678			86,678	3,085
Series 2008 Accreted Interest Payable	13,836	2,244		16,080	
Series 2010 due through 2017, 5.00%	8,990		(3,620)	5,370	5,370
Series 2014 due through 2038, 5.50%	76,885			76,885	
Series 2016 due through 2024, 2.50% to 5.00%		42,025		42,025	330
	236,109	44,269	(53,340)	227,038	8,785
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	65,875		(9,575)	56,300	10,100
Series N 2005 due through 2016, 5.00%	4,805		(4,805)	-	
Series O 2007 due through 2017, 5.00%	6,630		(3,235)	3,395	3,395
Series P 2007 due through 2028, 4.50% to 5.00%	94,235		(5,515)	88,720	12,370
Series T 2009 due through 2021, 4.00% to 5.00%	48,685		(595)	48,090	610
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%	25,640		(17,560)	8,080	6,550
Series X 2012 due through 2042, 3.63% to 5.00%	44,410			44,410	
Series Y 2015 due through 2037, 4.00% to 5.00%	116,205			116,205	
Series Z 2015 due through 2019, 2.00% to 5.00%	15,930		(825)	15,105	11,695
Series AA 2015 due through 2033, Variable Rate	90,800			90,800	
Series A Second Lien 2012 due through 2027, 4.00% to 5.00%	76,710			76,710	
	671,355	-	(42,110)	629,245	44,720
Water Pollution Control Revenue Bonds:					
Series 2016 due through 2045, 3.00% to 5.00%		32,390		32,390	550
Ohio Water Development Authority and Public Works					
Commission Loans due through 2032, 0.00% to 3.00%	99,220		(7,904)	91,316	7,838
Parking Facilities Refunding Revenue Bonds:					
Series 2006 due through 2022, 5.25%	23,690		(2,880)	20,810	3,040
Public Power System Other (See Note 7)	3,396		(714)	2,682	249
Accrued wages and benefits	10,566	1,257	(1,326)	10,497	7,681
Net pension liability:					
Ohio Public Employees Retirement System	99,105	41,659		140,764	
Estimated claims payable	406	1,508	(1,322)	592	592
	1,926,217	265,438	(311,946)	1,879,709	113,220
Unamortized (discount)/premium - net	59,105	35,611	(16,013)	78,703	
Total Business-Type Activities, Net	$ 1,985,322	$ 301,049	$ (327,959)	$ 1,958,412	$ 113,220
Total Debt and Other Long-Term Obligations	$ 3,435,467	$ 498,058	$ (434,555)	$ 3,498,970	$ 205,219

(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, 2016, $1,295,639 and $12,796,000 of the Internal Service Funds, except for Utilities Administration Fund, compensated absences and pension liability, respectively, were included in the governmental activities. Long-term liabilities for the Utilities Administration Fund are included as part of the totals for business-type activities in the government-wide statements. At December 31, 2016, $790,351 and $7,188,000 of the Utilities Administration Fund compensated absences and pension liability, respectively, were included in business-type activities.

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

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

A detailed summary of principal due for General Obligation Bonds and business-type activities debt by purpose is as follows for 2016:

	Original Issue Amount	Balance January 1, 2016	Additions	(Reductions)	Balance December 31, 2016
			(Amounts in Thousands)		
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	$ 54,845	$ 25,460	$ 4,750	$ (10,335)	$ 19,875
Convention Center	1,010	110		(40)	70
Residential Redevelopment	6,030	700		(255)	445
Bridges and Roadways	90,385	32,690	22,750	(11,595)	43,845
Parks & Recreation	33,515	8,740	625	(2,650)	6,715
Refunding Bonds	239,980	153,600	23,680	(15,025)	162,255
Revitalization	6,020	1,985		(1,985)	-
Judgments/Settlements	12,140	5,455		(4,760)	695
Total Governmental Activities	$ 443,925	$ 228,740	$ 51,805	$ (46,645)	$ 233,900
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	$ 1,051,830	$ 782,370	$ 144,355	$ (202,350)	$ 724,375
Public Power	344,098	222,273	42,025	(53,340)	210,958
Waterworks	1,163,830	671,355		(42,110)	629,245
Parking Facilities	57,520	23,690		(2,880)	20,810
Water Pollution Control	32,390		32,390		32,390
Loans					
Waterworks	152,767	98,467		(7,422)	91,045
Water Pollution Control	6,966	753		(482)	271
Total Business-Type Activities	$ 2,809,401	$ 1,798,908	$ 218,770	$ (308,584)	$ 1,709,094

The following is a summary of the City's future debt service requirements as of December 31, 2016:

Governmental Activities

(Amounts in Thousands)

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
2017	$ 22,500	$ 10,982	$ 780	$ 83	$ 11,950	$ 13,650
2018	24,700	9,941	835	28	14,165	13,202
2019	23,400	8,798			14,760	12,643
2020	21,695	7,654			15,035	12,057
2021	18,630	6,630			14,030	11,397
2022-2026	75,810	21,066			72,035	46,850
2027-2031	41,490	5,607			86,120	28,269
2032-2036	5,675	294			43,800	11,439
2037-2041					19,325	2,480
2042-2046					2,215	86
	$ 233,900	$ 70,972	$ 1,615	$ 111	$ 293,435	$ 152,073

(Amounts in Thousands)

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
2017	$ 3,623	$ 2,127	$ 290	$ 582	$ 6,800	$ 3,487
2018	3,734	2,036	310	565	7,140	3,147
2019	3,893	1,914	325	547	7,445	2,841
2020	4,056	1,765	345	528	7,815	2,468
2021	4,934	1,606	365	509	8,035	2,097
2022-2026	24,455	5,538	2,175	2,187	43,925	6,722
2027-2031	9,288	2,302	2,910	1,451	17,940	789
2032-2036	6,345	355	3,025	467		
2037-2041						
2042-2046						
	$ 60,328	$ 17,643	$ 9,745	$ 6,836	$ 99,100	$ 21,551

(Amounts in Thousands)

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
2017	$ 2,981	$ 93	$ 327	$ 30	$ 49,251	$ 31,034
2018	2,489	44	335	22	53,708	28,985
2019	1,386	16	343	14	51,552	26,773
2020	488	2	64		49,498	24,474
2021			64		46,058	22,239
2022-2026			317		218,717	82,363
2027-2031			221		157,969	38,418
2032-2036					58,845	12,555
2037-2041					19,325	2,480
2042-2046					2,215	86
	$ 7,344	$ 155	$ 1,671	$ 66	$ 707,138	$ 269,407

Year Ending December 31	Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Construction Loans Principal	Construction Loans Interest
	(Amounts in Thousands)			
2017	$ 96,860	$ 73,191	$ 7,838	$ 2,406
2018	85,770	69,501	7,933	2,190
2019	89,605	65,297	8,190	1,969
2020	94,305	60,773	8,455	1,741
2021	103,845	55,975	8,211	1,508
2022-2026	484,506	219,202	39,201	4,028
2027-2031	455,080	123,518	11,059	492
2032-2036	143,317	55,963	429	5
2037-2041	53,715	18,502		
2042-2046	10,775	1,049		
	$ 1,617,778	$ 742,971	$ 91,316	$ 14,339

Year Ending December 31	Business-Type Activities Total Principal	Business-Type Activities Total Interest
	(Amounts in Thousands)	
2017	$ 104,698	$ 75,597
2018	93,703	71,691
2019	97,795	67,266
2020	102,760	62,514
2021	112,056	57,483
2022-2026	523,707	223,230
2027-2031	466,139	124,010
2032-2036	143,746	55,968
2037-2041	53,715	18,502
2042-2046	10,775	1,049
	$ 1,709,094	$ 757,310

The schedule of minimum principal and interest payments for construction loans above includes the amortization on twelve 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). Three OWDA loans provided to the Division of Water Pollution Control were paid off in 2016. This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water and the Division of Water Pollution Control have received all the loan proceeds. At December 31, 2016, the amount financed on these OWDA loan projects, which is reflected in the amortization schedule, less the principal payments made to date, equaled the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations.

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

General Obligation Bonds

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

Effective May 18, 2016, the City issued $47,545,000 Various Purpose and Refunding General Obligation Bonds, Series 2016A. A portion of the proceeds of these bonds in the amount of $28,125,000 will be used to pay costs of permanent improvements to roads and bridges, to parks and recreation facilities and to various other public facilities. The remaining proceeds were used to refund $1,795,000 of the outstanding Series 2007A General Obligation Bonds and to refund $17,815,000 of the outstanding Series 2011 General Obligation Bonds. Net proceeds of the Series 2016A Bonds in the amount of $22,383,372 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds until the respective call date. As a result, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of $1,505,000 and an economic gain (the difference between the present values of the old and new debt service) of $1,538,000 or 7.8%. Proceeds of the bonds were also used to fund issuance costs and the initial interest payments.

Also on May 18, 2016, the City issued $4,260,000 Final Judgment General Obligation Refunding Bonds, Series 2016B. Proceeds were used to refund $710,000 of outstanding Series 2007B Final Judgment General Obligation Bonds and $3,980,000 of outstanding Series 2008A Final Judgment General Obligation Bonds. Proceeds in the amount of $5,056,203 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds until the respective call date for each series of bonds. As a result of this refunding, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City realized net present value debt service savings of $636,000 (the economic gain) or 13.6% from this refunding.

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

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue $252,419,078 of additional unvoted debt at December 31, 2016.

Other Governmental Obligations

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

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

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

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

The Series 2008 and Series 2015 Bonds are unvoted special obligations secured by a pledge of and a lien on the unrestricted municipal income taxes of the City, to the extent that such income taxes are not needed to pay debt service on the City's currently outstanding unvoted General Obligation Bonds or unvoted General Obligation Bonds issued in the future.

Interest Rate Swap Transaction:

Terms: On February 7, 2003, the City sold an option to JPMorgan Chase Bank (JPM) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City's Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The swaption is now associated with portions of the Series 2008 and Series 2015 Bonds. Under the swap agreement, the City will be the fixed rate receiver, receiving the fixed rate of 4.88%, and JPM will be the floating rate receiver, receiving interest on what would have been the outstanding notional amount of the original 1994 Bonds of $35,700,000 at December 31, 2016, at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) index. If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the "General Bond Ordinance" securing the City's General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the Subordinate Lien Unrestricted Income Tax Bonds, Series 2008 and Series 2015, and the periodic floating rate payments under the swap agreement.

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

Basis Risk: There is no basis risk for the City associated with this transaction with the exception of the risk inherent in all variable rate debt. If the option is exercised, the City will receive a fixed rate of 4.88% which is 12 basis points less than the fixed rate being paid on the Series 2008 Bonds and the Series 2015 Bonds. This transaction would leave the City paying the weekly SIFMA rate plus 12 basis points.

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

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

Fair Value: The fair value of the swaption at December 31, 2016 as reported by JPM was $34,000 which would be payable by the City.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In February 2010, the City entered into an equipment lease agreement with The Fifth Third Leasing Company which resulted in the City purchasing approximately $6,690,000 of heavy duty vehicles and apparatus. On June 30, 2011, the City entered into an equipment lease agreement with PNC Equipment Finance LLC. This enabled the City to purchase approximately $6,585,000 of vehicles and equipment for various departments, including police cars, a fire truck, waste collection equipment and EMS ambulances. On June 5, 2012, the City entered into a second vehicle lease agreement with PNC Equipment Finance LLC in the amount of $6,507,400. The funds were used to purchase a variety of vehicles including police cars, EMS ambulances and waste collection equipment. Effective June 20, 2013, the City entered into a $6,535,000 vehicle lease agreement with Huntington Public Capital Corporation. The funds will again be used to purchase a variety of vehicles including police cars, EMS ambulances and waste collection equipment. Payments on all of these equipment leases are made over a period of seven years from issuance from the Restricted Income Tax Fund. The final payment on the 2010 lease was made in December 2016.

The assets recorded by the City under Capital Leases were as follows as of December 31, 2016:

	Governmental Activities (Amounts in Thousands)
Furniture, fixtures and equipment	$ 42,805
Less – accumulated depreciation	(26,079)
Net book value	$ 16,726

***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 and the final installment was paid in 2016.

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

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

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

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

Police and Fire Overtime and Deferred Vacation Pay: Uniformed employees of the Police and Fire Divisions accumulate overtime compensation in accordance with the union contracts and the requirements of the Fair Labor Standards Act. In addition, uniformed employees may defer earned vacation time, with the appropriate approvals, until retirement. The liabilities for overtime and deferred vacation time, at current pay rates including their related fringe benefits and converted to straight time hours, at December 31, 2016, follow:

	Overtime		Deferred Vacation	
Division	**Hours**	**Dollars**	**Hours**	**Dollars**
		(Amounts in Thousands)		
Police	1,070	$ 35,074		$
Fire	138	4,651	66	2,165
Total	1,208	$ 39,725	66	$ 2,165

Business-Type (Enterprise Fund) Obligations

***Airport System Revenue Bonds*:** These bonds are secured by the pledge of airport revenues and moneys in the special funds which include, among others, the bond service fund, bond service reserve fund, the renewal and replacement fund and the airport development fund, as defined in the revenue bond indenture. Further, the City has assigned to the trustee all its interests in and rights to the airline use agreements under the revenue bond indenture.

Effective February 23, 2016, Airport System Revenue Bonds, Series 2016A, were issued in the amount of $108,120,000. These bonds were issued to advance refund $126,700,000 of outstanding Series 2000C Airport System Bonds. Bond proceeds in the amount of $126,957,834, along with $1,055,840 from the Series 2000 Interest Account and $4,497,749 released from the debt service reserve fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. As a result of this refunding, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed this refunding in order to achieve debt service savings of approximately $22,111,000 and realized an economic gain (the difference between the present values of the old and new debt service) of $15,727,000 or 12.4%.

At the same time that the City sold the Series 2016A Bonds, the City also sold $36,235,000 Airport System Revenue Bonds, Series 2016B, on a forward delivery basis. The Series 2016B Bonds were issued effective October 4, 2016 to refund $41,235,000 of outstanding Airport System Revenue Bonds, Series 2006A. Bond proceeds in the amount of $41,157,840, along with $515,000 from the Series 2006 Interest Account and $593,035 released from the debt service reserve fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. The refunded bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The City realized debt service savings of approximately $6,586,000 and net present value savings of $5,149,000 or 12.5% from this refunding.

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

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

On December 14, 2016, the City issued $42,025,000 Public Power System Revenue Refunding Bonds, Series 2016. These bonds were issued to refund $45,285,000 of outstanding Series 2006A-1 Public Power System Bonds. Net proceeds of the bonds in the amount of $45,649,796 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on January 13, 2017. The refunded 2006A-1 Bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $3,965,000 and an economic gain (the difference between the present values of the old and new debt service) of $3,647,000 or 8.05%.

Effective October 30, 2014, the City issued $76,885,000 Public Power System Taxable Revenue Refunding Bonds, Series 2014. These bonds were issued to refund $68,745,000 of outstanding Public Power System Bonds for the purpose of restructuring the Division's debt in order to level out the annual principal and interest payments over the life of the Division's bonds. As a result of this restructuring, the Division will pay approximately $4 million less in annual debt service payments through 2024, with yearly debt service payments of approximately $18 million from 2014 through 2038.

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

Upon the mandatory tender by the direct purchasers of the Water Revenue Bonds, Series U, 2010 and the Water Revenue Bonds, Series V, 2010, the City entered into new direct purchase agreements on both series of bonds. Effective December 1, 2016, the $54,935,000 Water Series U Bonds and the $26,495,000 Water Series V Bonds were directly purchased by PNC Bank, National Association. The City will be paying an interest rate equal to 65.001% of one month LIBOR plus a spread for the next three years.

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

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

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

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

Interest Rate Swap Transactions:

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

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

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

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

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

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

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

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

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2016 as reported by JPM and Morgan Stanley totaled $14,537,000 which would be payable by the City.

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

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

***Ohio Water Development Authority and Ohio Public Works Commission Loans*:** These loans are payable from net revenues derived from the Waterworks and Water Pollution Control Systems. These obligations do not have a lien on revenues of the Divisions.

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

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

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

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

<u>Objective</u>*:* 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.

<u>Basis Risk</u>*:* By entering into a swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between the SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher or lower for various periods of time due to 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. From 2013 to early 2016, the SIFMA/LIBOR relationship was

significantly lower than 67%. In this case, payments received from the counterparty were greater than the amount owed to the counterparty which resulted in a net decrease in debt service. In addition, a reduction in federal income tax rates 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, 2016 as reported by PNC totaled $218,000, which would be payable by the City.

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

Defeasance of Debt

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

The aggregate amount of defeased debt outstanding at December 31, 2016 is as follows:

Bond Issue			Bond Issue		
	(Amounts in Thousands)				
Parking Facilities Bonds:			Unvoted Tax Supported General Obligation:		
Series 2006	$	9,860	Series 2007A	$	27,205
			Series 2007B		1,425
Public Power System Revenue Bonds:			Series 2008A		7,500
Series 2006A-1, A-2	$	45,285	Series 2009A		29,775
Series 2008B-1		75	Series 2011		17,815
Subordinate Lien Unrestricted Income Tax Bonds:			Water Revenue Bonds:		
Series 2008	$	30,310	Series O, 2007	$	87,950
Airport System Revenue Bonds:			Subordinate Lien Income Tax Bonds:		
Series 2000C	$	126,700	Series 2008	$	28,365
Series 2006A		41,235			

Airport Special Facilities Revenue Bonds

Airport Special Facilities Revenue Bonds, Series 1990, totaling $76,320,000 were issued to finance the acquisition and construction of a terminal, hangar and other support facilities leased to Continental Airlines (now United Continental Holdings, Inc.) at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999 totaling $71,440,000. In January 2016, United Airlines deposited funds with the trustee sufficient to payoff the Airport Special Revenue Refunding Bonds, Series 1999. Additional Airport Special Facilities Revenue Bonds, Series 1998, totaling $75,120,000, were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, including a new regional jet concourse. Because principal and interest on these bonds are unconditionally guaranteed by Continental Airlines (now United Continental Holdings, Inc.) and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

Pledges of Future Revenues

The City has pledged future airport revenues to repay $724,375,000 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 72% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $1,017,916,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $69,673,000 and $97,222,000 respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay $210,958,000 in various Public Power System Revenue Bonds issued in various years since 2008. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 68% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $390,079,000. Principal and interest paid for the current year and total net revenues were $17,914,000 and $26,603,000 respectively.

The City has pledged future water system revenues, net of specified operating expenses, to repay $629,245,000 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 46% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $866,096,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were $67,734,000 and $149,264,000 respectively.

The City has pledged future water pollution control revenues to repay $32,390,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds will be used to pay capital costs relating to the acquisition, construction and improvement of the system. The bonds are payable from water pollution control net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 22% of net revenues. The total principal and interest remaining to be paid on the various Water Pollution Control Revenue Bonds is $61,861,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $929,000 and $9,851,000 respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $20,810,000 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 $24,797,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,115,000 and $5,004,000 respectively.

In 2016, no additional pledged revenue was required to meet the debt service on the Parking Facilities Refunding Revenue Bonds. The trust indenture requires, among other things, that the Division of Parking Facilities will fix parking rates and will charge and collect fees for the use of the parking facilities and will restrict operating expenses. As of December 31, 2016, the Division of Parking Facilities was in compliance with the terms and requirements of the trust indenture.

Derivative Instruments

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

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

The table below presents the fair value balances and notional amounts of the City's derivative instruments outstanding at December 31, 2016, classified by type, and the changes in fair value of these derivatives during fiscal year 2016 as reported in the 2016 financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2016 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, 2016		
	Classification	Amount	Classification	Amount	Notional
		(Amounts in Thousands)			
Investment Derivatives:					
Governmental Activities:					
Fixed to floating interest rate swap					
2003 Subordinated Income Tax Swaption	Investment Revenue	$ 3	Debt	$ (34)	$ 35,700
Business-Type Activities:					
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Loss	(222)	Debt	(218)	20,810
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2015 AA Water Swap	Deferred inflow	1,320	Debt	(3,099)	51,340
2010 U Water Swap	Deferred inflow	1,390	Debt	(7,636)	54,735
2010 V Water Swap	Deferred inflow	679	Debt	(3,802)	26,295

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2016, 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	$ 35,700,000	2/7/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa3/A+/AA-
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 33,495,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/AA-
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 17,845,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/AA-
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A
2006 Parking Bonds	Basis Swap - Pay Floating/Receive Floating	Exchange floating rate payments on Series 2006 Parking System Bonds	$ 20,810,000	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, 2016. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2016 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented below.

Aggregate Cash Flows on Hedging Derivative Instruments

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(Amounts in Thousands)		
2017	$	$ 1,289	$ 3,706	$ 4,995
2018		1,289	3,417	4,706
2019		1,289	3,050	4,339
2020		1,292	2,665	3,957
2021	2,170	1,274	2,265	5,709
2022-2026	82,300	4,611	5,029	91,940
2027-2031	63,685	1,823	428	65,936
2032-2033	24,075	104	19	24,198
Total	$ 172,230	$ 12,971	$ 20,579	$ 205,780

NOTE 6 – RISK MANAGEMENT

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

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

Changes in the estimated claims payable for all funds during the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
	(Amounts in Thousands)	
Estimated claims payable, January 1	$ 14,993	$ 8,236
Current year claims (including IBNRs) and changes in estimates	6,056	11,465
Claim payments	(9,482)	(4,708)
Estimated claims payable, December 31	$ 11,567	$ 14,993

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 within one year or due in more than one year on the Statement of Net Position.

***Insurance*:** Certain proprietary funds carry insurance to cover particular liability risks and property protection. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2016. There was no significant decrease in any insurance coverage in 2016. In addition, there were no insurance settlements in excess of insurance coverage during the past three years.

The City provided the choice of three separate health insurance plans to its employees until March 31, 2016. On April 1, 2016 the City provided the choice of two separate health self-insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage.

Expenses for claims are recorded on a current basis. Claims are accrued based upon an actuarially estimated claims liability IBNR. These estimates are based on past experience and current claims outstanding. Actual claims may differ from the estimates. This claims liability is recorded in the Internal Service Fund and the Government-Wide Statements as claims payable.

Changes in the estimated claims payable for the Health and Prescription Self Insurance Funds during the year ended December 31, 2016 and 2015 is as follows:

	2016	2015
	(Amounts in Thousands)	
Estimated claims payable, January 1	$ 10,707	$ 13,976
Current year claims (including IBNRs) and changes in estimates	79,009	70,300
Claim payments	(80,330)	(73,569)
Estimated claims payable, December 31	$ 9,386	$ 10,707

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, 2016 was $19,751,891. Of this amount, $7,265,127 was recorded as a fund liability within each respective fund. The remaining $12,486,764 is due in future years and is recorded as a liability in the Workers' Compensation Reserve Internal Service Fund. This liability is funded by charging the appropriate funds their proportionate share of this liability and recording the associated due to or due from as appropriate.

NOTE 7 – CONTINGENCIES

General Contingencies: Various claims and lawsuits are pending against the City. In accordance with GASB Statement No. 10, those claims which are considered "probable" are accrued (see Note 6 – Risk Management), while those claims that are considered "reasonably possible" are disclosed but not accrued.

As of December 31, 2016, the City had $19,500,000 in claims for which an unfavorable outcome is deemed to be reasonably possible.

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

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

In late 2016, AMP reached a settlement in the Bechtel litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share. Since March 31, 2014, the City has made payments of $910,264 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is $139,411 and interest expense incurred on AMP's line-of-credit of $98,600. As part of the Bechtel Settlement, the City received a credit of $394,149 against its stranded cost liability, resulting in a net impaired cost estimate at December 31, 2016, of $2,681,579.

The City intends to recover these costs and repay AMP over the next 13 years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The City intends to recover 50% of these costs from the customers through the Energy Adjustment Charge passed along to customer's monthly bills.

***Contingencies Under Grant Programs*:** The City participates in a number of federally assisted Investment Act Grant Programs, principal of which are Community Development Block Grants, the Healthy Start Initiative, Federal HOME Program, Youth Opportunity Area Grant, Workforce 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) had 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. The City reached a settlement with OIG and these findings have been closed.

NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES

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

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

For the year ended December 31, 2016, 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 Thousands)					
Governmental Funds:						
General	$ 30,988	$	$ 29,097	$ 29,097	$ 1,288	$ 603
Other Governmental	43,130	1,617	41,513	43,130		
Total Governmental Funds	74,118	1,617	70,610	72,227	1,288	603
Total	$ 74,118	$ 1,617	$ 70,610	$ 72,227	$ 1,288	$ 603

Interfund Balances: Interfund balances at December 31, 2016 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records and (3) payments between funds are made. All are expected to be paid within one year.

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

Interfund receivable and payable balances as of December 31, 2016 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 Thousands)					
Governmental Funds:									
General	$ 4,746	$	$	$ -	$ 5	$ 1,323	$ 16	$ 1,344	$ 3,402
Other Governmental	17,500	9,048	8,074	17,122	6	13	5	24	354
Total Governmental	$ 22,246								
Enterprise Funds:									
Division of Water	$ 1,864	8		8		1,069	99	1,168	688
Cleveland Public Power	709	3		3	95		8	103	603
Department of Port Control	1,814	269		269	89	18	247	354	1,191
Other Enterprise	4,272	143	187	330	3,608	80		3,688	254
Total Enterprise	$ 8,659								
Internal Service Funds	76	2		2		6	3	9	65
Total Due To/Due From	$ 30,981	$ 9,473	$ 8,261	$ 17,734	$ 3,803	$ 2,509	$ 378	$ 6,690	$ 6,557

NOTE 9 – INCOME TAXES

During 2016, 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%. The income tax rate increased to 2.5% effective January 1, 2017. A portion of the City income tax is restricted in its use to capital expenditures and debt service and is included in the Restricted Income Tax Special Revenue Fund. All other income tax proceeds are included in the General Fund.

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

NOTE 10 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. The 2016 levy was based upon an assessed valuation of approximately $4.6 billion. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 4.4 mills, of which 4.35 mills is dedicated to debt service and .05 mills is dedicated to the payment of fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last update was completed in 2015. Assessed values are established by the Cuyahoga County (County) Fiscal Officer. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

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

- Collection Dates January 26 and July 13 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 26 and July 13 of the current year
- Lien Date January 1 of the year preceding the collection year
- Levy Date October 1 of the year preceding the collection year

NOTE 11 – DEFERRED INFLOWS / DEFERRED OUTFLOWS OF RESOURCES

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

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

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

	Governmental Type Funds		
	General	Other Governmental Funds	Totals
	(Amounts in Thousands)		
Income taxes receivable	$ 16,804	$ 2,100	$ 18,904
Property taxes receivable	46,489	24,219	70,708
Special assessments receivable	4,447	11,334	15,781
Local government receivable	8,417		8,417
Homestead rollback	3,142	1,637	4,779
Emergency medical service receivable	2,554		2,554
Motor vehicle taxes receivable		1,409	1,409
Municipal gas tax receivable		1,061	1,061
State gasoline tax receivable		1,993	1,993
Grant receivable		22,035	22,035
Due from other governments	2,360	386	2,746
Accounts receivable	627		627
Total deferred inflows of resources	$ 84,840	$ 66,174	$ 151,014

NOTE 12 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

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

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

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

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

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

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $30,540,000 for 2016. All required payments have been made.

Ohio Police & Fire Pension Fund (OP&F): City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $32,808,000 for 2016. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015 to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
		(Amounts in Thousands)	
Proportionate Share of the Net Pension Liability	$ 343,995	$ 458,129	$ 802,124
Proportion of the Net Pension Liability	1.991565%	7.121475%	
Pension Expense	$ 54,239	$ 62,624	$ 116,863

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
	(Amounts in Thousands)		
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 101,724	$ 75,489	$ 177,213
City contributions subsequent to the measurement date	30,540	32,808	63,348
Total Deferred Outflows of Resources	$ 132,264	$ 108,297	$ 240,561
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 7,012	$ 1,286	$ 8,298
Change in City's proportionate share	1,153	23,929	25,082
Total Deferred Inflows of Resources	$ 8,165	$ 25,215	$ 33,380

The $63,348,000 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
	(Amounts in Thousands)		
Year Ending December 31:			
2017	$ 21,690	$ 15,084	$ 36,774
2018	23,321	15,084	38,405
2019	25,768	15,084	40,852
2020	22,961	10,802	33,763
2021	(46)	(4,858)	(4,904)
Thereafter	(135)	(922)	(1,057)
Total	$ 93,559	$ 50,274	$ 143,833

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25%-10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple Pre 1/7/2013 retirees: 3% simple Post 1/7/2013 retirees: 3% simple through 2018, then 2.8% simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care portfolios. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is .4% for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	**Target Allocation**	**Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)**
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
		(Amounts in Thousands)	
City's proportionate share of the net pension liability	$ 549,253	$ 343,995	$ 170,895

Actuarial Assumptions – OP&F: OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25%-11%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.6% and 3%

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

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015 are summarized below:

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

* levered 2x

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

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

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

	1% Decrease 7.25%	Current Discount Rate 8.25%	1% Increase 9.25%
		(Amounts in Thousands)	
City's proportionate share of the net pension liability	$ 604,211	$ 458,129	$ 334,384

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

***Funding Policy - Ohio Public Employees Retirement System*:** The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The City's actual contributions to OPERS to fund postemployment benefits were $5,203,426 in 2016, $5,191,682 in 2015 and $5,142,705 in 2014. The required payments due in 2016, 2015 and 2014 have been made.

***Plan Description - Ohio Police and Fire Pension Fund*:** The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy - Ohio Police and Fire Pension Fund: The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F that were allocated to the healthcare plan for the years ending December 31, 2016, 2015 and 2014 were $833,169, $844,530 and $820,533, respectively. The required payments due in 2016, 2015 and 2014 have been made.

NOTE 14 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
		(Amounts in Thousands)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 66,819	$ 478	$ (128)	$ 67,169
Construction in progress	213,977	60,463	(22,080)	252,360
Total capital assets, not being depreciated	280,796	60,941	(22,208)	319,529
Capital assets, being depreciated:				
Land improvements	172,769	37,306		210,075
Buildings, structures and improvements	718,060	1,302		719,362
Furniture, fixtures, equipment and vehicles	247,493	15,591	(10,290)	252,794
Infrastructure	697,212	37,420	(1,840)	732,792
Total capital assets, being depreciated	1,835,534	91,619	(12,130)	1,915,023
Less accumulated depreciation for:				
Land improvements	(119,656)	(7,906)		(127,562)
Buildings, structures and improvements	(339,575)	(17,555)		(357,130)
Furniture, fixtures, equipment and vehicles	(167,812)	(13,534)	9,500	(171,846)
Infrastructure	(310,006)	(25,351)	1,810	(333,547)
Total accumulated depreciation	(937,049)	(64,346)	11,310	(990,085)
Total capital assets being depreciated, net	898,485	27,273	(820)	924,938
Governmental activities capital assets, net	$ 1,179,281	$ 88,214	$ (23,028)	$ 1,244,467

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
		(Amounts in Thousands)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 192,216	$	$	$ 192,216
Construction in progress	271,994	94,128	(50,337)	315,785
Total capital assets, not being depreciated	464,210	94,128	(50,337)	508,001
Capital assets, being depreciated:				
Land improvements	113,369		(12)	113,357
Utility plant	2,461,885	30,458	(10,169)	2,482,174
Buildings, structures and improvements	736,820	4,204		741,024
Furniture, fixtures, equipment and vehicles	760,700	17,649	(5,377)	772,972
Infrastructure	1,000,603	15,230		1,015,833
Total capital assets, being depreciated	5,073,377	67,541	(15,558)	5,125,360
Less accumulated depreciation for:				
Land improvements	(49,577)	(2,813)	12	(52,378)
Utility plant	(770,231)	(62,414)	8,786	(823,859)
Buildings, structures and improvements	(423,568)	(15,610)		(439,178)
Furniture, fixtures, equipment and vehicles	(639,195)	(34,480)	4,231	(669,444)
Infrastructure	(580,697)	(42,294)		(622,991)
Total accumulated depreciation	(2,463,268)	(157,611)	13,029	(2,607,850)
Total capital assets being depreciated, net	2,610,109	(90,070)	(2,529)	2,517,510
Business-Type activities capital assets, net	$ 3,074,319	$ 4,058	$ (52,866)	$ 3,025,511

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

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

	(Amounts in Thousands)
Governmental Activities:	
General Government	$ 28,135
Public Works	22,180
Public Safety	8,805
Building and Housing	117
Community Development	1,513
Public Health	355
Economic Development	152
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	535
Total depreciation expense charged to governmental activities	$ 61,792
Business-Type Activities:	
Water	$ 77,581
Electricity	18,319
Airport Facilities	52,927
Nonmajor activities	8,736
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	47
Total depreciation expense charged to business-type activities	$ 157,610

Capital Commitments: Significant commitments of the City as of December 31, 2016 are composed of the following:

Project Description	Spent-to-Date	Remaining Commitment
	(Amounts in Thousands)	
Governmental Activities:		
East 105 SR 10 Quebec to Chester	$ 8,286	$ 17,566
Brown's Stadium SW Escalator	2,654	9,353
Pedestrian Bridge		10,000
Pearl Brookpark to I-71	5,299	5,407
East 152	446	5,765
Clark	515	5,599
East Side Maintenance Facility	3,189	5,276
Ken Johnson Recreation Center	55	5,480
Ward 1 Recreation Center	8	5,492
New Building-Kennels	354	5,017

Project Description	Spent-to-Date	Remaining Commitment
	(Amounts in Thousands)	
Business-Type Activities:		
In Line Baggage Construction	$ 3,676	$ 23,154
Post PEP Plant	30	11,000
Southern Transmission Line	1,081	9,822
Trunk Main Renewal 2016		9,000
SRE & VMB Storage Facility		17,176
AMR Phase II		7,700
North Airfield Improvements	2,426	5,124
BKL Shoreline Restoration	531	6,447
Aurora Road Pump Station		6,000
Watermain Renewal	1,444	5,397
Suburban Water Main Renewal Program	11,338	7,683
2016 Snow Removal Equipment & Vehicles		6,635
Secondary Site Improvements		5,000

Capital Grant Programs: The City participates in the State Issue 2 program and the Local Transportation Improvement Program. Through these programs, the State of Ohio (State) provides financial assistance to the City for its various road and bridge improvements and storm water detention facilities. The Ohio Public Works Commission (OPWC) is the State agency which oversees the allocation of State bond proceeds and tax revenue to selected projects which have met funding requirements. Upon approval of the OPWC, the City and the State create project agreements establishing each entity’s financial contribution toward each project. Through December 31, 2016, the State funded $208,460,000 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 2016, interest expense incurred for the Enterprise Funds was $77,644,000 of which $9,102,000 was capitalized net of $115,000 of interest income capitalized.

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

NOTE 15 – SERVICE CONCESSION ARRANGEMENTS

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

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

The City reports the golf courses and related equipment as a capital asset with a carrying amount of $3,090,000 at year end.

NOTE 16 – SEGMENT INFORMATION

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

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

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

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

Condensed Statement of Net Position Information

	Water Pollution Control	Municipal Parking Lots
	(Amounts in Thousands)	
Assets:		
Current assets	$ 160,050	$ 3,629
Restricted assets	31,895	8,542
Capital assets, net	78,498	38,807
Total assets	270,443	50,978
Deferred outflows of resources	3,244	1,328
Liabilities:		
Current liabilities	127,823	4,232
Long-term liabilities	46,246	19,341
Total liabilities	174,069	23,573
Deferred inflows of resources	209	242
Net position:		
Net investment in capital assets	70,873	21,261
Restricted for debt service	2,525	5,576
Unrestricted	26,011	1,654
Total net position	$ 99,409	$ 28,491

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

	Water Pollution Control	Municipal Parking Lots
	(Amounts in Thousands)	
Charges for services	$ 28,730	$ 9,232
Depreciation (expense)	(5,925)	(1,363)
Other operating (expenses)	(19,010)	(4,220)
Operating income (loss)	3,795	3,649
Non-operating revenues (expenses):		
Investment income	197	(193)
Interest expense	(15)	(1,320)
Other revenue (expenses)	111	
Capital Contibutions		3,303
Change in net position	4,088	5,439
Net position at beginning of year	95,321	23,052
Net position at end of year	$ 99,409	$ 28,491

Condensed Statement of Cash Flows Information

	Water Pollution Control	Municipal Parking Lots
	(Amounts in Thousands)	
Net cash provided by (used for):		
Operating activities	$ 16,643	$ 4,999
Capital and related financing activities	27,870	(6,081)
Investing activities	247	27
Net increase (decrease) in cash and cash equivalents	44,760	(1,055)
Beginning cash and cash equivalents	50,810	13,132
Ending cash and cash equivalents	$ 95,570	$ 12,077

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

Purpose	Division of Water	Cleveland Public Power	Department of Port Control	Municipal Parking Lots	Cemeteries	Water Pollution Control
			(Amounts in Thousands)			
Construction activities	$ 9,905	$ 15,589	$ 21,355	$ 2,963	$	$ 30,963
Debt retirement	86,736	3,038	126,222	5,576		2,525
Accrued passenger facility charges			12,145			
Other	28	5	54,508	3	5,567	10
Total	$ 96,669	$ 18,632	$ 214,230	$ 8,542	$ 5,567	$ 33,498

NOTE 17 – FUND BALANCES / NET POSITION

Fund Balance Classifications: Fund balance is classified in five categories (1) Nonspendable, (2) Restricted, (3) Committed, (4) Assigned and (5) Unassigned. Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact. Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws or other governments. Committed fund balances include amounts that are committed to a specific purpose. To establish, modify or rescind committed fund balances legislation must go before administration with passage by council ordinance. Per City policy, assigned fund balances include amounts that have an intended use by the Mayor and/or the Director of Finance to be used for a specific purpose. Unassigned fund balances include amounts that have not been assigned to any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. Fund expenditures and encumbrances are from restricted resources to the extent of the restricted fund reserve and followed by committed then assigned and unassigned resources.

Below are the fund balance classifications for the governmental funds by category with specific purpose information at December 31, 2016:

	General Fund	Other Governmental	Total Governmental
	(Amounts in Thousands)		
Fund Balances			
Restricted			
Debt Service	$	$ 59,085	$ 59,085
Recreation capital expenditures		27,289	27,289
Public Facilities capital expenditures		36,147	36,147
Road & Bridges capital expenditures		63,413	63,413
Cemetery capital expenditures		4,179	4,179
Stadium capital expenditures		13,099	13,099
Other capital expenditures		496	496
Repair & building of streets		1,972	1,972
Health & wellness		472	472
Housing, community & economic development		66,872	66,872
Parks, properties & recreational services		527	527
Municipal Court		6,961	6,961
Casino		4,767	4,767
Neighborhood & sidewalk maintenance		1,819	1,819
General governance		152	152
Restricted Total	-	287,250	287,250
Committed			
Health & wellness		63	63
Parks, properties & recreational services		612	612
Housing, community & economic development		62,187	62,187
Municipal Court		1,705	1,705
Neighborhood & sidewalk maintenance		4,117	4,117
Lakefront management		1,168	1,168
Utilities programs		87	87
General governance		658	658
Committed Total	-	70,597	70,597
Assigned			
Debt Service		2	2
General governance	6,243		6,243
Health & wellness	719		719
Protection & enforcement	2,607		2,607
Parks, properties & recreational services	2,220		2,220
Housing, community & economic development	163		163
Other purpose	3,679		3,679
Assigned Total	15,631	2	15,633
Unassigned	66,091	(11,514)	54,577
Total Fund Balances	$ 81,722	$ 346,335	$ 428,057

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

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

NOTE 18 – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

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

In 2016, net revenues generated by the one remaining Gateway garage were less than the debt service payments attributed to that garage by $1,324,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $51,248,000 at December 31, 2016. 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, 2016, the City pledged $6,909,757.

NOTE 19 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2016, the following funds had a net position deficiency. The Public Safety Funds fund balance will be eliminated in 2017 upon receiving grant revenue. These other deficiencies are the result of a change in accounting for net pension liability for which there is no repayment schedule.

	Amount (Amounts in Thousands)
Public Safety Funds	$ 11,514
Utilities Administration	3,235
Sinking Fund Administration	198
Municipal Income Tax Administration	3,273

NOTE 20 – TAX ABATEMENT DISCLOSURES

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

Real Estate tax abatements - Residential

Pursuant to Ohio Revised Code 3735, the City established a Community Reinvestment Area which included all land within the boundaries of the City. The City authorizes abatements through passage of public ordinances, based on residential investment criteria, and through an application process, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to provide incentives for the development of safe and affordable housing in Cleveland's neighborhoods. The City's tax abatement program provides incentives for current residents to rehabilitate their homes, and to attract new residents into the City. Abated taxes are recouped when specific conditions are no longer met in the terms of the tax abatement agreement. Taxes are abated on the improved value of a parcel, where new construction occurs, or on the structure where remodeling applies. The collection of taxes continues on the land and unimproved portion of a remodeled structure. The tax abatement is revoked when the tax abated property has code violations and the property is not maintained, and/or when the portion of taxes on a property or parcel that was not abated become delinquent.

Real Estate tax abatements – Commercial

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

The City has offered tax incentives including Enterprise Zone tax abatements of up to 60% for a period of ten (10) years to businesses making a substantial investment in the City with new development or redevelopment of commercial real property. To qualify, the City considers projects where the enterprise must meet one of the following conditions:

- An investment in an expansion must equal at least 10% of the market value of the facility prior to the expenditure.
- The renovation of an existing facility requires expenditures totaling at least 50% of the market value of the subject facility.
- When occupying a vacant facility or site an enterprise must incur expenditures to renovate or expand the facility equal to at least 20% of the market value of the subject facility.
- Establishing a new facility in an Enterprise Zone.

Businesses which submit applications for tax abatement must be willing and able to attest that without abatement, the proposed investment would not take place in the City. The business must justify this statement documenting that the investment would not be cost effective without abatement or that they are considering a more economically advantageous location outside the City.

Also, to address the existence of food deserts, the City recertified its Enterprise Zone to extend the term of the tax abatement to the maximum allowable amount. Accordingly, and pursuant to Ohio Revised Code 5709.62, the City offers a 15-year, 75% tax abatement to business improving real property with a grocery store.

Below is the information relevant to the disclosure of real estate tax abatement program for the year ended December 31, 2016.

Tax Abatement Program	Total Amount of Taxes Abated For the year 2016 (Amounts in Thousands)
Community Reinvestment Area (CRA)	
Residential properties	$ 2,679
Enterprise Zone Program	
Commercial properties	1,002

NOTE 21 – SUBSEQUENT EVENTS

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

In conjunction with its review of the City's credit in preparation for the issuance of the Series 2017A Subordinate Lien Income Tax Bonds, on May 24, 2017 S&P Global Ratings raised its rating on the City's subordinate lien income tax bonds to AA+ with a stable outlook from AA. This upgrade also affects the City's outstanding general obligation bonds and its subordinate lien unrestricted income tax bonds.

Effective June 13, 2017, the City issued $65,400,000 Subordinate Lien Income Tax Improvement and Refunding Bonds, Series 2017A. A portion of these bonds in the amount of $51,223,550 will be used for public facility improvements, for bridge and roadway improvements and for parks and recreation improvements. The remaining bond proceeds will be used to refund $14,970,000 of outstanding Series 2008 and Series 2012 Subordinate Lien Income Tax Bonds, to fund a deposit to the bond retirement fund and pay the cost of issuing the bonds. As a result of the refunding, the City will realize net present value saving of $1,186,000 or 7.92%.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

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

	2015	2014	2013
		(Amounts in Thousands)	
City's Proportion of the Net Pension Liability	1.991565%	2.005665%	2.005665%
City's Proportionate Share of the Net Pension Liability	$ 343,995	$ 241,132	$ 236,084
City's Covered-Employee Payroll	$ 253,925	$ 250,992	$ 227,331
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	135.47%	96.07%	103.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO

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

	2016	2015	2014	2013
		(Amounts in Thousands)		
Contractually Required Contributions	$ 30,540	$ 30,471	$ 30,119	$ 29,553
Contributions in Relation to the Contractually Required Contributions	(30,540)	(30,471)	(30,119)	(29,553)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 254,500	$ 253,925	$ 250,992	$ 227,331
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

CITY OF CLEVELAND, OHIO

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

	2015	2014	2013
		(Amounts in Thousands)	
City's Proportion of the Net Pension Liability	7.121475%	7.6723876%	7.6723876%
City's Proportionate Share of the Net Pension Liability	$ 458,129	$ 397,462	$ 373,669
City's Covered-Employee Payroll	$ 160,828	$ 154,514	$ 187,096
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	284.86%	257.23%	199.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO

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

	2016	2015	2014	2013
		(Amounts in Thousands)		
Contractually Required Contributions	$ 32,808	$ 33,420	$ 32,108	$ 31,956
Contributions in Relation to the Contractually Required Contributions	(32,808)	(33,420)	(32,108)	(31,956)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 157,731	$ 160,828	$ 154,514	$ 187,096
Contributions as a Percentage of Covered-Employee Payroll	20.80%	20.78%	20.78%	17.08%

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

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SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$314,800	$314,800	$314,801	$ 1
Property taxes	30,932	30,932	32,421	1,489
State local government funds	25,093	25,093	24,596	(497)
Other taxes	39,452	43,552	47,159	3,607
Other shared revenues	13,351	13,351	13,323	(28)
Licenses and permits	15,678	15,678	18,290	2,612
Charges for services	34,666	34,666	34,082	(584)
Fines, forfeits and settlements	14,490	14,490	11,578	(2,912)
Investment earnings	430	430	761	331
Grants	417	417	72	(345)
Miscellaneous	28,145	28,145	27,205	(940)
TOTAL REVENUES	517,454	521,554	524,288	2,734
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	5,181	5,181	5,101	80
Other	2,146	1,846	1,702	144
Total council and clerk of council	7,327	7,027	6,803	224
Municipal court-judicial division:				
Personnel	20,953	19,393	19,222	171
Other	2,732	2,732	2,675	57
Total municipal court-judicial division	23,685	22,125	21,897	228
Municipal court-clerks division:				
Personnel	10,109	9,709	9,445	264
Other	1,458	1,458	1,457	1
Total municipal court-clerks division	11,567	11,167	10,902	265
Municipal court-housing division:				
Personnel	3,862	3,862	3,857	5
Other	252	252	233	19
Total municipal court-housing division	4,114	4,114	4,090	24
Office of the mayor:				
Personnel	2,771	2,346	2,278	68
Other	107	107	84	23
Total office of the mayor	2,878	2,453	2,362	91
Office of capital projects:				
Personnel	4,865	4,665	4,448	217
Other	516	516	418	98
Total office of capital projects	5,381	5,181	4,866	315

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Landmarks commission:				
Personnel	$ 199	$ 199	$ 107	$ 92
Other	12	12	6	6
Total landmarks commission	211	211	113	98
Board of building standards and appeals:				
Personnel	130	130	127	3
Other	10	10	8	2
Total board of building standards and appeals	140	140	135	5
Board of zoning appeals:				
Personnel	215	215	208	7
Other	21	21	17	4
Total board of zoning appeals	236	236	225	11
Civil service commission:				
Personnel	655	655	503	152
Other	798	698	528	170
Total civil service commission	1,453	1,353	1,031	322
Community relations board:				
Personnel	1,247	1,247	1,205	42
Other	116	116	109	7
Total community relations board	1,363	1,363	1,314	49
City planning commission:				
Personnel	1,568	1,568	1,458	110
Other	97	132	122	10
Total city planning commission	1,665	1,700	1,580	120
Boxing and wrestling commission:				
Personnel	50	50	42	8
Total boxing and wrestling commission	50	50	42	8
Office of equal opportunity:				
Personnel	654	654	579	75
Other	20	20	18	2
Total office of equal opportunity	674	674	597	77
Office of budget and management:				
Personnel	804	754	649	105
Other	88	88	35	53
Total office of budget and management	892	842	684	158

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Department of aging:				
Personnel	$ 923	$ 923	$ 791	$ 132
Other	251	251	224	27
Total department of aging	1,174	1,174	1,015	159
Office of personnel:				
Personnel	1,403	1,278	1,115	163
Other	1,038	1,038	840	198
Total office of personnel	2,441	2,316	1,955	361
Department of law:				
Personnel	6,929	6,254	6,152	102
Other	4,893	13,793	13,740	53
Total department of law	11,822	20,047	19,892	155
Finance administration:				
Personnel	863	863	700	163
Other	392	392	335	57
Total finance administration	1,255	1,255	1,035	220
Division of accounts:				
Personnel	1,320	1,270	1,116	154
Other	742	742	684	58
Total division of accounts	2,062	2,012	1,800	212
Division of assessments and licenses:				
Personnel	2,243	2,143	1,984	159
Other	1,575	1,525	1,143	382
Total division of assessments and licenses	3,818	3,668	3,127	541
Division of treasury:				
Personnel	664	664	614	50
Other	117	117	97	20
Total division of treasury	781	781	711	70
Division of purchases and supplies:				
Personnel	676	676	560	116
Other	42	42	30	12
Total division of purchases and supplies	718	718	590	128
Bureau of internal audit:				
Personnel	661	486	436	50
Other	633	408	266	142
Total bureau of internal audit	1,294	894	702	192

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Division of financial reporting and control:				
Personnel	$ 1,361	$ 1,211	$ 1,135	$ 76
Other	21	23	20	3
Total division of financial reporting and control	1,382	1,234	1,155	79
Division of information system services:				
Personnel	2,851	2,176	2,026	150
Other	2,698	2,883	2,852	31
Total division of information system services	5,549	5,059	4,878	181
TOTAL GENERAL GOVERNMENT	93,932	97,794	93,501	4,293
Public Health:				
Public health administration:				
Personnel	928	803	736	67
Other	391	394	386	8
Total public health administration	1,319	1,197	1,122	75
Division of health:				
Personnel	2,065	1,965	1,819	146
Other	2,328	2,328	2,270	58
Total division of health	4,393	4,293	4,089	204
Division of environment:				
Personnel	1,083	793	701	92
Other	269	279	266	13
Total division of environment	1,352	1,072	967	105
Division of air quality:				
Personnel	124	124	121	3
Other	292	292	287	5
Total division of air quality	416	416	408	8
TOTAL PUBLIC HEALTH	7,480	6,978	6,586	392

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Safety:				
Public safety administration:				
Personnel	$ 3,494	$ 3,494	$ 3,277	$ 217
Other	1,685	2,285	2,211	74
Total public safety administration	5,179	5,779	5,488	291
Division of police:				
Personnel	180,737	183,037	181,439	1,598
Other	9,900	10,150	9,177	973
Total division of police	190,637	193,187	190,616	2,571
Division of fire:				
Personnel	82,953	84,853	83,647	1,206
Other	3,886	3,886	3,781	105
Total division of fire	86,839	88,739	87,428	1,311
Division of emergency medical services:				
Personnel	22,225	21,125	20,820	305
Other	2,628	2,978	2,967	11
Total division of emergency medical services	24,853	24,103	23,787	316
Division of animal control services:				
Personnel	1,148	1,148	1,109	39
Other	374	374	370	4
Total division of animal control services	1,522	1,522	1,479	43
Division of correction:				
Personnel	10,734	9,384	9,195	189
Other	3,585	3,085	2,580	505
Total division of correction	14,319	12,469	11,775	694

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Office of Professional Standards:				
Personnel	$ 838	$ 663	$ 610	$ 53
Other	40	40	38	2
Total office of professional standards	878	703	648	55
Police review Board:				
Personnel	80	80	50	30
Other	11	11		11
Total police review board	91	91	50	41
Community Police Commission:				
Personnel	362	12	7	5
Other	393	68	29	39
Total community police commission	755	80	36	44
Police Inspector General:				
Personnel	143	3		3
Other	6	6		6
Total police inspector general	149	9	-	9
Department of Justice:				
Personnel	3,638	738	269	469
Other	1,893	1,718	1,484	234
Total department of justice	5,531	2,456	1,753	703
TOTAL PUBLIC SAFETY	330,753	329,138	323,060	6,078

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Works:				
Division of public works administration:				
Personnel	$ 3,155	$ 3,000	$ 2,887	$ 113
Other	269	269	201	68
Total division of public works administration	3,424	3,269	3,088	181
Division of recreation:				
Personnel	8,377	8,377	8,326	51
Other	3,893	3,893	3,739	154
Total division of recreation	12,270	12,270	12,065	205
Division of parking facilities:				
Personnel	1,185	1,185	1,043	142
Other	60	70	65	5
Total division of parking facilities	1,245	1,255	1,108	147
Division of property management:				
Personnel	5,510	5,510	5,454	56
Other	2,254	2,254	2,035	219
Total division of property management	7,764	7,764	7,489	275
Division of park maintenance and properties:				
Personnel	8,986	8,811	8,560	251
Other	5,091	5,041	4,966	75
Total division of park maintenance and properties	14,077	13,852	13,526	326
Division of waste collection and disposal:				
Personnel	14,195	14,195	13,891	304
Other	11,141	10,141	9,529	612
Total division of waste collection and disposal	25,336	24,336	23,420	916
Division of traffic engineering:				
Personnel	2,796	2,696	2,502	194
Other	894	894	839	55
Total division of traffic engineering	3,690	3,590	3,341	249
TOTAL PUBLIC WORKS	67,806	66,336	64,037	2,299

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Community Development:				
Director's office:				
Personnel	$ 293	$ 293	$ 176	$ 117
Other	10	10	8	2
Total director's office	303	303	184	119
TOTAL COMMUNITY DEVELOPMENT	303	303	184	119
Building and Housing:				
Director's office:				
Personnel	1,700	1,700	1,624	76
Other	467	467	466	1
Total director's office	2,167	2,167	2,090	77
Division of code enforcement:				
Personnel	6,008	5,933	5,732	201
Other	193	193	193	-
Total division of code enforcement	6,201	6,126	5,925	201
Division of construction permitting:				
Personnel	1,453	1,453	1,383	70
Other	25	25	20	5
Total division of construction permitting	1,478	1,478	1,403	75
TOTAL BUILDING AND HOUSING	9,846	9,771	9,418	353
Economic Development:				
Economic development administration:				
Personnel	1,695	1,695	1,603	92
Other	23	23	22	1
Total economic development administration	1,718	1,718	1,625	93
TOTAL ECONOMIC DEVELOPMENT	1,718	1,718	1,625	93
Non-Departmental Expenditures:				
Other	23,938	25,038	24,729	309
TOTAL NON-DEPARTMENTAL EXPENDITURES	23,938	25,038	24,729	309
Principal retirement	250	250	250	-
TOTAL EXPENDITURES	536,026	537,326	523,390	13,936

(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, 2016

(Amounts in Thousands)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (18,572)	$ (15,772)	$ 898	$ 16,670
OTHER FINANCING SOURCES (USES):				
Transfers in	5,417	5,417	1,617	(3,800)
Transfers out	(30,791)	(33,591)	(32,080)	1,511
Sale of City assets	2,500	2,500	294	(2,206)
TOTAL OTHER FINANCING SOURCES (USES)	(22,874)	(25,674)	(30,169)	(4,495)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			110	110
NET CHANGE IN FUND BALANCE	(41,446)	(41,446)	(29,161)	12,285
FUND BALANCE AT BEGINNING OF YEAR	42,097	42,097	42,097	-
FUND BALANCE AT END OF YEAR	$ 651	$ 651	$ 12,936	$ 12,285

(Concluded)

CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Division of Streets	To account for motor vehicle license tax and gasoline excise tax used for the repair and building of streets.
Restricted Income Tax	To account for one-ninth of the City's income tax collections. Monies are to be used for capital improvement purposes, repayment of debt and elimination of any deficit balance in any fund of the City.
Cleveland Stadium Operations	To account for the operating activities of Cleveland Browns Stadium.
Community Development Block Grants	To account for revenue from the federal government and expenditures as prescribed under the Community Development Block Grant Program.
Community Development Funds	To account for revenue earmarked for citywide development.
Building and Housing Funds	To account for revenue earmarked to administer and enforce the provisions of the Cleveland building, housing and zoning codes plus the national electrical code and state building, plumbing and elevator codes.
Urban Development Action Funds	To account for revenue from the federal government under the Urban Development Action Grant Program.
Economic Development Funds	To account for revenue earmarked to revitalize distressed cities by stimulating economic development.
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 specific revenue earmarked for the public works activity.
Public Safety Funds	To account for revenue earmarked for public safety activities.

SPECIAL REVENUE FUNDS (Continued)

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

SPECIAL REVENUE FUNDS (for budgetary purposes only)
These funds are rolled into the General Fund for Modified Accrual Financial Statements.

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

DEBT SERVICE FUNDS

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

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

DEBT SERVICE FUNDS (Continued)

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

CAPITAL PROJECT FUNDS

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

Capital/Urban Renewal Bond Construction	To account for all bond proceeds and capital projects costs of bond–funded capital acquisitions, tax increment Urban Renewal Bond issues and construction within the City.
Grant Improvement	To account for capital grant revenues which fund Capital Improvement Projects within the City.
Capital Improvement	To account for miscellaneous revenues which fund capital projects.
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, 2016
(Amounts in Thousands)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
ASSETS				
Cash and cash equivalents	$ 1,477	$ 3,749	$ 7,042	$ 12,268
Investments			5,500	5,500
Receivables:				
Taxes		6,014		6,014
Grants				-
Loans				-
Accrued interest			5	5
Assessments				-
Receivables, net	-	6,014	5	6,019
Due from other funds		6,845		6,845
Due from other governments	6,568			6,568
TOTAL ASSETS	$ 8,045	$ 16,608	$ 12,547	$ 37,200
LIABILITIES				
Accounts payable	$ 121	$ 418	$	$ 539
Accrued wages and benefits	1,143			1,143
Due to other governments			338	338
Unearned revenue				-
Due to other funds	346			346
Total liabilities	1,610	418	338	2,366
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	4,463	2,100		6,563
Total deferred inflows of resources	4,463	2,100	-	6,563
FUND BALANCES				
Restricted	1,972	14,090	12,209	28,271
Committed				-
Assigned				-
Unassigned				-
Total fund balances	1,972	14,090	12,209	28,271
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 8,045	$ 16,608	$ 12,547	$ 37,200

Special Revenue Funds - Non-Budgeted						
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	WIA Grants	General Government Funds
$	$ 1,596	$	$ 12,975	$ 17,785	$	$ 21,959
	1,803	531		4	142	583
5,734	7,830		28,412	56,402		
1,454	1,032	2,378				177
7,188	10,665	2,909	28,412	56,406	142	760
535	1	530				33
				11,420		845
$ 7,723	$ 12,262	$ 3,439	$ 41,387	$ 85,611	$ 142	$ 23,597
$ 12	$	$ 189	$	$ 2	$ 47	$ 1,045
181	12				23	23
92	517			48,614		217
3,136	900	28		781		371
2,872	479	626	2		72	82
6,293	1,908	843	2	49,397	142	1,738
1,430	1,032	2,364		11,258		425
1,430	1,032	2,364	-	11,258	-	425
	8,063	146		12,779		13,699
	1,259	86	41,385	12,177		7,735
-	9,322	232	41,385	24,956	-	21,434
$ 7,723	$ 12,262	$ 3,439	$ 41,387	$ 85,611	$ 142	$ 23,597

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Gateway Shared Income Tax Funds
ASSETS				
Cash and cash equivalents	$ 1,342	$	$ 634	$ 2,481
Investments				
Receivables:				
Taxes				
Grants	11	24,860	557	
Loans				
Accrued interest				
Assessments				
Receivables, net	11	24,860	557	-
Due from other funds	187		130	
Due from other governments				210
TOTAL ASSETS	$ 1,540	$ 24,860	$ 1,321	$ 2,691
LIABILITIES				
Accounts payable	$ 133	$ 367	$ 36	$
Accrued wages and benefits		18	212	
Due to other governments	202	9,870	15	1,346
Unearned revenue	48	640	500	
Due to other funds	18	8,233	23	1,345
Total liabilities	401	19,128	786	2,691
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow		17,246		
Total deferred inflows of resources	-	17,246	-	-
FUND BALANCE				
Restricted	527		472	
Committed	612		63	
Assigned				
Unassigned		(11,514)		
Total fund balances	1,139	(11,514)	535	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,540	$ 24,860	$ 1,321	$ 2,691

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
$ 2,810	$ 16,946	$ 4,194	$ 82,722	$ 94,990
			-	5,500
			-	6,014
		892	29,383	29,383
4,470	21,876	30,881	155,605	155,605
	5		5	10
			5,041	5,041
4,470	21,881	31,773	190,034	196,053
			1,416	8,261
			12,475	19,043
$ 7,280	$ 38,827	$ 35,967	$ 286,647	$ 323,847
$	$	$	$ 1,831	$ 2,370
			469	1,612
		35,967	96,840	97,178
			6,404	6,404
			13,752	14,098
-	-	35,967	119,296	121,662
			33,755	40,318
-	-	-	33,755	40,318
	38,827		74,513	102,784
7,280			70,597	70,597
			-	-
			(11,514)	(11,514)
7,280	38,827	-	133,596	161,867
$ 7,280	$ 38,827	$ 35,967	$ 286,647	$ 323,847

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	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	$ 72	$ 2	$ 1,871	$ 1,196
Investments	5,003			
Receivables:				
Taxes	24,219			
Grants				
Loans				
Accrued interest	4		1	
Assessments				
Receivables, net	24,223	-	1	-
Due from other funds				
Due from other governments	1,637			
TOTAL ASSETS	$ 30,935	$ 2	$ 1,872	$ 1,196
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	25,856			
Total deferred inflows of resources	25,856	-	-	-
FUND BALANCE				
Restricted	5,079		1,872	1,196
Committed				
Assigned		2		
Unassigned				
Total fund balances	5,079	2	1,872	1,196
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 30,935	$ 2	$ 1,872	$ 1,196

			Debt Service Funds				
			Non-Budgeted				
Core City **Bonds**	Subordinate Lien Income Tax **Fund**	Total Budgeted **Funds**	Cleveland Stadium Debt Service **Fund**	Urban Renewal **Fund**	Urban Renewal Reserve **Fund**	Total Non-Budgeted **Funds**	Total Debt Service **Funds**
$ 3,381	$ 9,307	$ 15,829	$ 6,040	$ 1,205	$ 2,202	$ 9,447	$ 25,276
		5,003	2,497			2,497	7,500
		24,219				-	24,219
		-				-	-
		-				-	-
2	2	9	3			3	12
		-				-	-
2	2	24,228	3	-	-	3	24,231
		-				-	-
		1,637				-	1,637
$ 3,383	$ 9,309	$ 46,697	$ 8,540	$ 1,205	$ 2,202	$ 11,947	$ 58,644
$	$	$ -	$	$	$	$ -	$ -
		-				-	-
		-				-	-
		-				-	-
		-				-	-
-	-	-	-	-	-	-	-
		25,856				-	25,856
-	-	25,856	-	-	-	-	25,856
3,383	9,309	20,839	8,540	1,205	2,202	11,947	32,786
		-				-	-
		2				-	2
		-				-	-
3,383	9,309	20,841	8,540	1,205	2,202	11,947	32,788
$ 3,383	$ 9,309	$ 46,697	$ 8,540	$ 1,205	$ 2,202	$ 11,947	$ 58,644

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	Capital Projects Funds Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
ASSETS			
Cash and cash equivalents	$ 138,835	$	$ 7,644
Investments			
Receivables:			
Taxes			
Grants		3,562	
Loans			
Accrued interest	46		
Assessments			
Receivables, net	46	3,562	-
Due from other funds			
Due from other governments			
TOTAL ASSETS	$ 138,881	$ 3,562	$ 7,644
LIABILITIES			
Accounts payable	$ 3,140	$ 140	$ 3,852
Accrued wages and benefits			
Due to other governments			
Unearned revenue		34	
Due to other funds	14	3,388	
Total liabilities	3,154	3,562	3,852
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow			
Total deferred inflows of resources	-	-	-
FUND BALANCE			
Restricted	135,727		3,792
Committed			
Assigned			
Unassigned			
Total fund balances	135,727	-	3,792
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 138,881	$ 3,562	$ 7,644

Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$ 11,900	$ 158,379	$ 278,645
1,200	1,200	14,200
	-	30,233
	3,562	32,945
	-	155,605
1	47	69
	-	5,041
1	3,609	223,893
	-	8,261
	-	20,680
$ 13,101	$ 163,188	$ 545,679
$ 940	$ 8,072	$ 10,442
	-	1,612
	-	97,178
	34	6,438
	3,402	17,500
940	11,508	133,170
	-	66,174
-	-	66,174
12,161	151,680	287,250
	-	70,597
	-	2
	-	(11,514)
12,161	151,680	346,335
$ 13,101	$ 163,188	$ 545,679

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in Thousands)

	Special Revenue Funds - Budgeted			
	Division of Streets	Restricted Income Tax	Cleveland Stadium Operations	Total Budgeted Funds
REVENUES:				
Income taxes	$	$ 39,361	$	$ 39,361
Property taxes				-
Other shared revenues	13,251			13,251
Licenses and permits	1,221			1,221
Charges for services	427		250	677
Fines, forfeits and settlements				-
Investment earnings	2	43	32	77
Grants				-
Contributions				-
Miscellaneous	2			2
Total revenues	14,903	39,404	282	54,589
EXPENDITURES:				
Current:				
General Government				-
Public Works	25,980		790	26,770
Public Safety				-
Community Development				-
Building and Housing				-
Public Health				-
Economic Development				-
Capital outlay		4,190		4,190
Debt service:				
Principal retirement		4,604		4,604
Interest		797		797
General Government				-
Other		1,070		1,070
Total expenditures	25,980	10,661	790	37,431
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,077)	28,743	(508)	17,158
OTHER FINANCING SOURCES (USES):				
Transfers in	10,146		9,683	19,829
Transfers out		(26,295)	(9,133)	(35,428)
Issuance of debt				-
Premium on bonds				-
Payment to refund bonds				-
Sale of City assets				-
Issuance of refunding bonds				-
Total other financing sources (uses)	10,146	(26,295)	550	(15,599)
NET CHANGE IN FUND BALANCES	(931)	2,448	42	1,559
FUND BALANCES AT BEGINNING OF YEAR	2,903	11,642	12,167	26,712
FUND BALANCES AT END OF YEAR	$ 1,972	$ 14,090	$ 12,209	$ 28,271

			Special Revenue Funds - Non-Budgeted			
Community Development **Block Grants**	Community Development **Funds**	Building and Housing **Funds**	Urban Development **Action Funds**	Economic Development **Funds**	WIA **Grants**	General Government **Funds**
$	$	$	$	$	$	$
				12,781		1,589
883	92	113				1,556
						2,155
20	79			15		63
20,131	8,819	4,499		5,323	1,597	1,865
						1
218	1		879	11		850
21,252	8,991	4,612	879	18,130	1,597	8,079
					1,597	6,503
21,353	8,456					
		4,795				
			9,275	17,631		
12		45	233			1,842
21,365	8,456	4,840	9,508	17,631	1,597	8,345
(113)	535	(228)	(8,629)	499	-	(266)
	30	17		128		143
(30)			(1,633)	(1,042)		
143						
113	30	17	(1,633)	(914)	-	143
-	565	(211)	(10,262)	(415)	-	(123)
	8,757	443	51,647	25,371		21,557
$ -	$ 9,322	$ 232	$ 41,385	$ 24,956	$ -	$ 21,434

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

	Special Revenue Funds - Non-Budgeted			
	Public Works Funds	Public Safety Funds	Public Health Funds	Gateway Shared Income Tax Funds
REVENUES:				
Income taxes	$	$	$	$
Property taxes				
Other shared revenues				
Licenses and permits	1		1,623	
Charges for services	68		221	
Fines, forfeits and settlements		723		
Investment earnings	4	19	4	
Grants	1,576	28,835	7,846	
Contributions		36		
Miscellaneous	24	216	276	
Total revenues	1,673	29,829	9,970	-
EXPENDITURES:				
Current:				
General Government				
Public Works	1,557			
Public Safety		42,928		
Community Development				
Building and Housing				
Public Health			9,659	
Economic Development				
Capital outlay	150	4,526		
Debt service:				
Principal retirement				
Interest				
General Government				
Other				
Total expenditures	1,707	47,454	9,659	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34)	(17,625)	311	-
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Issuance of debt				
Issuance of refunding bonds				
Premium on bonds				
Payment to refund bonds				
Sale of City assets				
Issuance of refunding bonds				
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(34)	(17,625)	311	-
FUND BALANCES AT BEGINNING OF YEAR	1,173	6,111	224	
FUND BALANCES AT END OF YEAR	$ 1,139	$ (11,514)	$ 535	$ -

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	**Core City Program Funds**	**Supplemental Empowerment Zone**	**Total Non-Budgeted Funds**	**Total Special Revenue Funds**
$	$	$	$ -	$ 39,361
			-	-
	192		14,562	27,813
			1,624	2,845
			2,933	3,610
			2,878	2,878
	68	18	290	367
		3,187	83,678	83,678
			37	37
	104	400	2,979	2,981
-	364	3,605	108,981	163,570
			8,100	8,100
			1,557	28,327
			42,928	42,928
			29,809	29,809
			4,795	4,795
			9,659	9,659
943	3,970	4,124	35,943	35,943
			6,808	10,998
			-	4,604
			-	797
			-	-
			-	1,070
943	3,970	4,124	139,599	177,030
(943)	(3,606)	(519)	(30,618)	(13,460)
		519	837	20,666
(128)	(1,555)		(4,388)	(39,816)
			-	-
			-	-
			-	-
			-	-
			143	143
			-	-
(128)	(1,555)	519	(3,408)	(19,007)
(1,071)	(5,161)	-	(34,026)	(32,467)
8,351	43,988		167,622	194,334
$ 7,280	$ 38,827	$ -	$ 133,596	$ 161,867

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in Thousands)

	Debt Service Funds - Budgeted				
	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Lower Euclid Avenue TIF	Core City Bonds
REVENUES:					
Income taxes	$	$	$	$	$
Property taxes	16,890				
Other shared revenues	5,093				
Licenses and permits					
Charges for services					
Fines, forfeits and settlements					
Investment earnings	48	1	5		6
Grants					
Contributions					
Miscellaneous					
Total revenues	22,031	1	5	-	6
EXPENDITURES:					
Current:					
General Government			29		
Public Works					
Public Safety					
Community Development					
Building and Housing					
Public Health					
Economic Development					
Capital outlay					
Debt service:					
Principal retirement	22,345	1,325	3,610	191	1,985
Interest	11,283	302	1,842	140	1,103
General Government					
Other					
Total expenditures	33,628	1,627	5,481	331	3,088
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,597)	(1,626)	(5,476)	(331)	(3,082)
OTHER FINANCING SOURCES (USES):					
Transfers in	14,262	1,622	4,530	523	1,751
Transfers out					
Issuance of debt					
Premium on bonds					
Payment to refund bonds and notes	(710)				
Sale of City assets					
Issuance of refunding bonds					
Total other financing sources (uses)	13,552	1,622	4,530	523	1,751
NET CHANGE IN FUND BALANCES	1,955	(4)	(946)	192	(1,331)
FUND BALANCES AT BEGINNING OF YEAR	3,124	6	2,818	1,004	4,714
FUND BALANCES AT END OF YEAR	$ 5,079	$ 2	$ 1,872	$ 1,196	$ 3,383

		Debt Service Funds Non-Budgeted				
Subordinate Lien Income Tax Fund	Total Budgeted Funds	Cleveland Stadium Debt Service Fund	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
$	$ -	$	$	$	$ -	$ -
	16,890				-	16,890
	5,093				-	5,093
	-				-	-
	-				-	-
	-				-	-
26	86	23			23	109
	-				-	-
	-				-	-
509	509		1,127		1,127	1,636
535	22,578	23	1,127	-	1,150	23,728
	29				-	29
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
	-				-	-
7,835	37,291	6,495	730		7,225	44,516
12,223	26,893	2,541	134		2,675	29,568
	-				-	-
	-				-	-
20,058	64,213	9,036	864	-	9,900	74,113
(19,523)	(41,635)	(9,013)	263	-	(8,750)	(50,385)
16,123	38,811	9,133			9,133	47,944
	-				-	-
	-				-	-
	-				-	-
	(710)				-	(710)
	-				-	-
	-				-	-
16,123	38,101	9,133	-	-	9,133	47,234
(3,400)	(3,534)	120	263	-	383	(3,151)
12,709	24,375	8,420	942	2,202	11,564	35,939
$ 9,309	$ 20,841	$ 8,540	$ 1,205	$ 2,202	$ 11,947	$ 32,788

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in Thousands)

	Capital Projects Funds		
	Non-Budgeted		
	Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement
REVENUES:			
Income taxes	$	$	$
Property taxes			
Other shared revenues			356
Licenses and permits			
Charges for services			
Fines, forfeits and settlements			
Investment earnings	313		16
Grants		42,219	
Contributions			1,807
Miscellaneous			
Total revenues	313	42,219	2,179
EXPENDITURES:			
Current:			
General Government			
Public Works			
Public Safety			
Community Development			
Building and Housing			
Public Health			
Economic Development			
Capital outlay	40,337	42,219	809
Debt service:			
Principal retirement			
Interest			
General Government	476		
Other			
Total expenditures	40,813	42,219	809
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,500)	-	1,370
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out	(3,314)		
Issuance of debt	28,125		
Premium on bonds	7,497		
Payment to refund bonds	(27,440)		
Sale of City assets			
Issuance of refunding bonds	23,680		
Total other financing sources (uses)	28,548	-	-
NET CHANGE IN FUND BALANCES	(11,952)	-	1,370
FUND BALANCES AT BEGINNING OF YEAR	147,679		2,422
FUND BALANCES AT END OF YEAR	$ 135,727	$ -	$ 3,792

Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$ -	$ 39,361
	-	16,890
	356	33,262
	-	2,845
	-	3,610
	-	2,878
60	389	865
	42,219	125,897
	1,807	1,844
	-	4,617
60	44,771	232,069
	-	8,129
	-	28,327
	-	42,928
	-	29,809
	-	4,795
	-	9,659
	-	35,943
4,674	88,039	99,037
	-	49,120
	-	30,365
	476	476
	-	1,070
4,674	88,515	339,658
(4,614)	(43,744)	(107,589)
2,000	2,000	70,610
	(3,314)	(43,130)
	28,125	28,125
	7,497	7,497
	(27,440)	(28,150)
	-	143
	23,680	23,680
2,000	30,548	58,775
(2,614)	(13,196)	(48,814)
14,775	164,876	395,149
$ 12,161	$ 151,680	$ 346,335

(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, 2016

(Amounts in Thousands)

	Division of Streets			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$	$	$	$ -
Other shared revenues	13,084	13,084	13,200	116
Licenses and permits	900	900	1,221	321
Charges for services	4,625	1,825	427	(1,398)
Investment earnings	2	2	2	-
Miscellaneous			2	2
Total revenues	18,611	15,811	14,852	(959)
EXPENDITURES:				
Current:				
Public Works:				
Personnel	15,848	15,848	15,124	724
Other	11,193	11,193	9,735	1,458
Capital outlay				-
Principal retirement				-
Interest				-
Total expenditures	27,041	27,041	24,859	2,182
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,430)	(11,230)	(10,007)	1,223
OTHER FINANCING SOURCES (USES):				
Transfers in	8,423	11,223	10,146	(1,077)
Transfers out				-
Total other financing sources (uses)	8,423	11,223	10,146	(1,077)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(7)	(7)	139	146
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			66	66
FUND BALANCES AT BEGINNING OF YEAR	7	7	7	-
FUND BALANCES AT END OF YEAR	$ -	$ -	$ 212	$ 212

Restricted Income Tax				Rainy Day Reserve Fund			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$ 39,350	$ 39,350	$ 39,350	$ -	$	$	$	$ -
			-				-
			-				-
			-				-
20	20	43	23	75	75	95	20
			-				-
39,370	39,370	39,393	23	75	75	95	20
			-				-
			-				-
6,841	6,841	6,841	-				-
5,674	5,674	5,674	-				-
797	797	797	-				-
13,312	13,312	13,312	-	-	-	-	-
26,058	26,058	26,081	23	75	75	95	20
			-				-
(27,215)	(27,215)	(26,295)	920				-
(27,215)	(27,215)	(26,295)	920	-	-	-	-
(1,157)	(1,157)	(214)	943	75	75	95	20
		109	109				-
1,158	1,158	1,158	-	18,726	18,726	18,726	-
$ 1	$ 1	$ 1,053	$ 1,052	$ 18,801	$ 18,801	$ 18,821	$ 20

(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, 2016

(Amounts in Thousands)

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

Cleveland Stadium Operations				Totals			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
$	$	$	$ -	$ 39,350	$ 39,350	$ 39,350	$ -
			-	13,084	13,084	13,200	116
			-	900	900	1,221	321
250	250	250	-	4,875	2,075	677	(1,398)
12	12	22	10	109	109	162	53
			-	-	-	2	2
262	262	272	10	58,318	55,518	54,612	(906)
			-	15,848	15,848	15,124	724
819	819	791	28	13,187	13,187	11,651	1,536
			-	6,841	6,841	6,841	-
			-	5,674	5,674	5,674	-
			-	797	797	797	-
819	819	791	28	42,347	42,347	40,087	2,260
(557)	(557)	(519)	38	15,971	13,171	14,525	1,354
9,300	9,300	9,683	383	18,898	21,698	20,954	(744)
(9,565)	(9,565)	(9,133)	432	(36,780)	(36,780)	(35,428)	1,352
(265)	(265)	550	815	(17,882)	(15,082)	(14,474)	608
(822)	(822)	31	853	(1,911)	(1,911)	51	1,962
			-	-	-	175	175
12,506	12,506	12,506	-	32,397	32,397	32,397	-
$ 11,684	$ 11,684	$ 12,537	$ 853	$ 30,486	$ 30,486	$ 32,623	$ 2,137

(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, 2016

(Amounts in Thousands)

	Unvoted Tax Supported Obligations Fund			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:				
Property taxes	$ 16,131	$ 16,131	$ 16,890	$ 759
Other shared revenues	5,086	5,086	5,093	7
Investment earnings	6	20	44	24
Miscellaneous				-
Total revenues	21,223	21,237	22,027	790
EXPENDITURES:				
Principal retirement	22,635	22,345	22,345	-
Interest	11,764	11,315	11,283	32
General Government				-
Total expenditures	34,399	33,660	33,628	32
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,176)	(12,423)	(11,601)	822
OTHER FINANCING SOURCES (USES):				
Transfers in:				
From other subfunds			3,262	3,262
Restricted income tax fund	11,920	11,000	11,000	-
Payment to refund Bonds and Notes		(710)	(710)	-
Total other financing sources (uses)	11,920	10,290	13,552	3,262
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,256)	(2,133)	1,951	4,084
FUND BALANCES AT BEGINNING OF YEAR	3,124	3,124	3,124	-
FUND BALANCES AT END OF YEAR	$ 1,868	$ 991	$ 5,075	$ 4,084

Stadium Bond Fund				Subordinated Income Tax Fund			
Original Budget	**Revised Budget**	**Actual**	**Variance- Positive (Negative)**	**Original Budget**	**Revised Budget**	**Actual**	**Variance- Positive (Negative)**
$	$	$	$ -	$	$	$	$ -
			-				-
1	1	1	-	3	3	4	1
			-				-
1	1	1	-	3	3	4	1
1,325	1,325	1,325	-	3,610	3,610	3,610	-
303	302	302	-	1,842	1,843	1,842	1
			-		29	29	-
1,628	1,627	1,627	-	5,452	5,482	5,481	1
(1,627)	(1,626)	(1,626)	-	(5,449)	(5,479)	(5,477)	2
1,622	1,622	1,622	-	4,530	4,530	4,530	-
			-				-
			-				-
1,622	1,622	1,622	-	4,530	4,530	4,530	-
(5)	(4)	(4)	-	(919)	(949)	(947)	2
6	6	6	-	2,818	2,818	2,818	-
$ 1	$ 2	$ 2	$ -	$ 1,899	$ 1,869	$ 1,871	$ 2

(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, 2016

(Amounts in Thousands)

	Lower Euclid Avenue TIF				Core City Bonds			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:								
Property taxes	$	$	$	$ -	$	$	$	$ -
Other shared revenues				-				-
Investment earnings				-	1	1	4	3
Miscellaneous				-				-
Total revenues	-	-	-	-	1	1	4	3
EXPENDITURES:								
Principal retirement	191	191	191	-	1,985	1,985	1,985	-
Interest	140	140	140	-	1,183	1,183	1,103	80
General Government				-				-
Total expenditures	331	331	331	-	3,168	3,168	3,088	80
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(331)	(331)	(331)	-	(3,167)	(3,167)	(3,084)	83
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	450	524	523	(1)	1,751	1,751	1,751	-
Restricted income tax fund				-				-
Payment to refund Bonds and Notes				-				-
Total other financing sources (uses)	450	524	523	(1)	1,751	1,751	1,751	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	119	193	192	(1)	(1,416)	(1,416)	(1,333)	83
FUND BALANCES AT BEGINNING OF YEAR	1,004	1,004	1,004	-	4,714	4,714	4,714	-
FUND BALANCES AT END OF YEAR	$ 1,123	$ 1,197	$ 1,196	$ (1)	$ 3,298	$ 3,298	$ 3,381	$ 83

Subordinate Lien Income Tax Bonds				Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$ 16,131	$ 16,131	$ 16,890	$ 759
			-	5,086	5,086	5,093	7
14	21	24	3	25	46	77	31
509	509	509	-	509	509	509	-
523	530	533	3	21,751	21,772	22,569	797
7,835	7,835	7,835	-	37,581	37,291	37,291	-
12,223	12,223	12,223	-	27,455	27,006	26,893	113
			-	-	29	29	-
20,058	20,058	20,058	-	65,036	64,326	64,213	113
(19,535)	(19,528)	(19,525)	3	(43,285)	(42,554)	(41,644)	910
775	775	828	53	9,128	9,202	12,516	3,314
15,295	15,295	15,295	-	27,215	26,295	26,295	-
			-	-	(710)	(710)	-
16,070	16,070	16,123	53	36,343	34,787	38,101	3,314
(3,465)	(3,458)	(3,402)	56	(6,942)	(7,767)	(3,543)	4,224
12,709	12,709	12,709	-	24,375	24,375	24,375	-
$ 9,244	$ 9,251	$ 9,307	$ 56	$ 17,433	$ 16,608	$ 20,832	$ 4,224

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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, 2016
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
ASSETS			
Current assets:			
Cash and cash equivalents	$ 62,082	$ 32	$ 1,382
Restricted cash and cash equivalents	1,603		
Receivables:			
Accounts	94,383	315	
Unbilled revenue	3,783		
Accrued interest	6		
Less: Allowance for doubtful accounts	(2,534)	(175)	
Receivables, net	95,638	140	-
Due from other funds	357		
Inventory of supplies	370		
Total current assets	160,050	172	1,382
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	31,885		
Accrued interest receivable	10		
Total restricted assets	31,895	-	-
Capital assets:			
Land	297	4,261	198
Land improvements			
Utility plant	148,060		
Buildings, structures and improvements	9,019	21,218	13,234
Furniture, fixtures, equipment and vehicles	16,246	1,144	1,722
Construction in progress	21,948	4,536	2,660
Less: Accumulated depreciation	(117,072)	(21,446)	(9,755)
Total capital assets, net	78,498	9,713	8,059
Total noncurrent assets	110,393	9,713	8,059
Total assets	270,443	9,885	9,441
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding			
Pension	3,244	542	132
Total deferred outflows of resources	3,244	542	132

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 1	$ 3,537	$ 78	$ 152	$ 67,264
				1,603
	21			94,719
				3,783
	1			7
				(2,709)
-	22	-	-	95,800
	20	1		378
	50	4		424
1	3,629	83	152	165,469
	8,540	5,567		45,992
	2			12
-	8,542	5,567	-	46,004
413	5,478	1,259	1,822	13,728
484	1,256	5,692	4,033	11,465
				148,060
2,400	54,167	6,916	1,815	108,769
450	1,284	698	479	22,023
	7,590	1,610	150	38,494
(2,644)	(30,968)	(5,098)	(5,209)	(192,192)
1,103	38,807	11,077	3,090	150,347
1,103	47,349	16,644	3,090	196,351
1,104	50,978	16,727	3,242	361,820
	931			931
	397	397		4,712
-	1,328	397	-	5,643

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
LIABILITIES			
Current liabilities:			
Accounts payable	$ 2,116	$ 96	$ 160
Accrued wages and benefits	1,076	63	32
Due to other funds	4,019	60	54
Due to other governments	119,687		
Accrued interest payable	198		
Current portion of long-term obligations	727		
Total current liabilities	127,823	219	246
Long-term liabilities:			
Accrued wages and benefits	148	13	6
Construction loans payable	94		
Revenue bonds payable	37,025		
Pension	8,979	1,617	344
Total liabilities	174,069	1,849	596
DEFERRED INFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps			
Pension	209	37	8
Total deferred inflows of resources	209	37	8
NET POSITION			
Net investment in capital assets	70,873	9,713	8,059
Restricted for debt service	2,525		
Unrestricted	26,011	(1,172)	910
Total net position	$ 99,409	$ 8,541	$ 8,969

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 415	$ 28	$	$ 2,815
	91	77		1,339
	128	11		4,272
	239			119,926
	319			517
	3,040			3,767
-	4,232	116	-	132,636
	21	22		210
				94
	18,288			55,313
	1,032	1,032		13,004
-	23,573	1,170	-	201,257
	218			218
	24	25		303
-	242	25	-	521
1,103	21,261	11,077	3,090	125,176
	5,576			8,101
1	1,654	4,852	152	32,408
$ 1,104	$ 28,491	$ 15,929	$ 3,242	$ 165,685

(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, 2016

(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
OPERATING REVENUES:			
Charges for services	$ 28,730	$ 1,413	$ 1,216
Total operating revenue	28,730	1,413	1,216
OPERATING EXPENSES:			
Operations	10,756	2,645	1,454
Maintenance	8,254	13	35
Depreciation	5,925	64	595
Total operating expenses	24,935	2,722	2,084
OPERATING INCOME (LOSS)	3,795	(1,309)	(868)
NON-OPERATING REVENUE (EXPENSES):			
Investment income (loss)	197		7
Interest expense	(15)		
Gain (Loss) on disposal of capital assets	(123)		
Other revenues (expenses)	234		
Total non-operating revenues (expenses)	293	-	7
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,088	(1,309)	(861)
Capital contributions		68	552
Transfers in		1,082	
CHANGE IN NET POSITION	4,088	(159)	(309)
NET POSITION AT BEGINNING OF YEAR	95,321	8,700	9,278
NET POSITION AT END OF YEAR	$ 99,409	$ 8,541	$ 8,969

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 9,232	$ 1,542	$	$ 42,133
-	9,232	1,542	-	42,133
33	4,069	1,713		20,670
	151	1	18	8,472
60	1,363	603	126	8,736
93	5,583	2,317	144	37,878
(93)	3,649	(775)	(144)	4,255
	(193)	29		40
	(1,320)			(1,335)
				(123)
			23	257
-	(1,513)	29	23	(1,161)
(93)	2,136	(746)	(121)	3,094
	3,303	178		4,101
33		173		1,288
(60)	5,439	(395)	(121)	8,483
1,164	23,052	16,324	3,363	157,202
$ 1,104	$ 28,491	$ 15,929	$ 3,242	$ 165,685

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 26,334	$ 1,485	$ 1,218
Cash payments to suppliers for goods or services	(8,972)	(1,149)	(987)
Cash payments to employees for services	(9,080)	(1,444)	(465)
Agency activity on behalf of other sewer authorities	8,396		
Other	(35)		
Net cash provided by (used for) operating activities	16,643	(1,108)	(234)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds		1,082	
Cash received for royalties			
Net cash provided by (used for) noncapital financing activities	-	1,082	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of revenue bonds, loans and notes	37,775		
Acquisition and construction of capital assets	(8,480)		
Principal paid on long-term debt	(482)		
Interest paid on long-term debt	(943)		
Net cash provided by (used for) capital and related financing activities	27,870	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	247		7
Net cash provided by (used for) investing activities	247	-	7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,760	(26)	(227)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	50,810	58	1,609
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 95,570	$ 32	$ 1,382

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$	$ 9,666	$ 1,542	$	$ 40,245
(39)	(3,506)	(483)	(18)	(15,154)
	(1,161)	(1,217)		(13,367)
				8,396
				(35)
(39)	4,999	(158)	(18)	20,085
33		173		1,288
			23	23
33	-	173	23	1,311
				37,775
	(1,966)	(1)		(10,447)
	(2,880)			(3,362)
	(1,235)			(2,178)
-	(6,081)	(1)	-	21,788
	27	29		310
-	27	29	-	310
(6)	(1,055)	43	5	43,494
7	13,132	5,602	147	71,365
$ 1	$ 12,077	$ 5,645	$ 152	$ 114,859

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

	Water Pollution Control	Public Auditorium	West Side Market
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 3,795	$ (1,309)	$ (868)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	5,925	64	595
(Increase) Decrease in Assets:			
Receivables, net	(8,459)	76	
Prepaid expenses and other assets	5		
Due from other funds	(214)	2	
Inventory of supplies	48		
(Increase) Decrease in Deferred Outflows of Resources:			
Pension	(2,164)	(355)	(89)
Increase (Decrease) in Liabilities:			
Accounts payable	121	16	42
Accrued wages and benefits	(167)	(37)	(6)
Pension	2,468	411	103
Due to other funds	(380)	9	(15)
Due to other governments	15,575		
Unearned revenue			
Increase (Decrease) in Deferred Inflows of Resources:			
Pension	90	15	4
Total adjustments	12,848	201	634
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 16,643	$ (1,108)	$ (234)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions and accounts payable related to capital assets	$ 1,603	$ 68	$ 552

East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ (93)	$ 3,649	$ (775)	$ (144)	$ 4,255
60	1,363	603	126	8,736
	(6)			(8,389)
				5
	22	(1)		(191)
	(6)	3		45
	(267)	(267)		(3,142)
(6)	67	3		243
	(6)	(32)		(248)
	309	309		3,600
	(17)	(13)		(416)
				15,575
	(120)			(120)
	11	12		132
54	1,350	617	126	15,830
$ (39)	$ 4,999	$ (158)	$ (18)	$ 20,085
	$ 3,303	$ 178		$ 5,704

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INTERNAL SERVICE FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,593	$ 551	$ 82	$ 1,585
Receivables:				
Accounts				
Due from other funds	1,346	184	39	
Inventory of supplies	941	107		
Prepaid expenses and other assets		17		2
Total current assets	5,880	859	121	1,587
Noncurrent assets:				
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	3,131	884		317
Furniture, fixtures, equipment and vehicles	12,773	1,468		1,614
Less: Accumulated depreciation	(13,978)	(1,418)		(1,195)
Total capital assets, net	2,735	934	-	736
Total noncurrent assets	2,735	934	-	736
TOTAL ASSETS	8,615	1,793	121	2,323
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,852	265		3,095

	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
	$ 30	$ 1,910	$ 636	$ 1,468	$ 9,140	$ 11,057	$ 2,667	$ 32,719
				13		12	2	27
	26		1,359	256	3,347			6,557
								1,048
								19
	56	1,910	1,995	1,737	12,487	11,069	2,669	40,370
								663
								146
				112				4,444
		316	153	217				16,541
		(174)	(137)	(96)				(16,998)
	-	142	16	233	-	-	-	4,796
	-	142	16	233	-	-	-	4,796
	56	2,052	2,011	1,970	12,487	11,069	2,669	45,166
	133	2,223	516	221				8,305

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2016
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities:				
Accounts payable	$ 922	$ 116	$	$ 97
Accrued wages and benefits	562	70	7	976
Claims payable				
Due to other funds	18	2		3
Due to other governments				
Total current liabilities	1,502	188	7	1,076
Long-term liabilities:				
Accrued wages and benefits	177	24	1	214
Pension	4,816	688		7,188
Total liabilities	6,495	900	8	8,478
DEFERRED INFLOWS OF RESOURCES				
Pension	115	16		175
NET POSITION				
Net investment in capital assets	2,735	934		736
Unrestricted	1,122	208	113	(3,971)
Total net position	$ 3,857	$ 1,142	$ 113	$ (3,235)

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 10	$ 182	$ 1,172	$ 11	$	$	$	$ 2,510
18	614	113	42	12,487			14,889
					9,160	226	9,386
	50		2		1		76
	1,086						1,086
28	1,932	1,285	55	12,487	9,161	226	27,947
7	120	30	20				593
344	5,366	1,135	447				19,984
379	7,418	2,450	522	12,487	9,161	226	48,524
8	130	28	12				484
	142	16	233				4,796
(198)	(3,415)	33	1,424		1,908	2,443	(333)
$ (198)	$ (3,273)	$ 49	$ 1,657	$ -	$ 1,908	$ 2,443	$ 4,463

(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, 2016

(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
OPERATING REVENUES:				
Charges for services	$ 15,565	$ 2,213	$ 487	$ 12,700
Total operating revenue	15,565	2,213	487	12,700
OPERATING EXPENSES:				
Operations	13,980	2,182	501	11,889
Maintenance	878	91		155
Depreciation	363	73		47
Total operating expenses	15,221	2,346	501	12,091
OPERATING INCOME (LOSS)	344	(133)	(14)	609
NON-OPERATING REVENUES (EXPENSES):				
Investment income	14	3		7
Loss on disposal of capital assets	(2)			
Total non-operating revenues (expenses)	12	3	-	7
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	356	(130)	(14)	616
Capital contributions	134			
Transfers in				
CHANGE IN NET POSITION	490	(130)	(14)	616
NET POSITION AT BEGINNING OF YEAR	3,367	1,272	127	(3,851)
NET POSITION AT END OF YEAR	$ 3,857	$ 1,142	$ 113	$ (3,235)

	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
	$ 160	$ 9,104	$ 7,971	$ 3,344	$ 1,271	$ 68,446	$ 15,338	$ 136,599
	160	9,104	7,971	3,344	1,271	68,446	15,338	136,599
	760	9,259	7,501	2,011	1,271	66,620	13,710	129,684
		129	131	1,901				3,285
		59	7	33				582
	760	9,447	7,639	3,945	1,271	66,620	13,710	133,551
	(600)	(343)	332	(601)	-	1,826	1,628	3,048
		41	5	8				78
								(2)
	-	41	5	8	-	-	-	76
	(600)	(302)	337	(593)	-	1,826	1,628	3,124
								134
	603							603
	3	(302)	337	(593)	-	1,826	1,628	3,861
	(201)	(2,971)	(288)	2,250		82	815	602
	$ (198)	$ (3,273)	$ 49	$ 1,657	$ -	$ 1,908	$ 2,443	$ 4,463

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 15,459	$ 2,205	$ 497
Cash payments to suppliers for goods or services	(9,049)	(1,394)	(419)
Cash payments to employees for services	(5,442)	(824)	(89)
Net cash provided by (used for) operating activities	968	(13)	(11)
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		(12)	
Net cash provided by (used for) capital and related financing activities	-	(12)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	14	3	
Net cash provided by investing activities	14	3	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	982	(22)	(11)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,611	573	93
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,593	$ 551	$ 82

	Utilities Administration	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
	$ 12,822	$ 134	$ 9,202	$ 7,577	$ 3,372	$ 335	$ 73,367	$ 15,339	$ 140,309
	(2,759)	(549)	(3,172)	(5,734)	(3,355)		(67,670)	(13,981)	(108,082)
	(9,035)	(192)	(6,000)	(1,351)	(513)				(23,446)
	1,028	(607)	30	492	(496)	335	5,697	1,358	8,781
		603							603
	-	603	-	-	-	-	-	-	603
	(661)		(40)						(713)
	(661)	-	(40)	-	-	-	-	-	(713)
	7		41	5	8				78
	7	-	41	5	8	-	-	-	78
	374	(4)	31	497	(488)	335	5,697	1,358	8,749
	1,211	34	1,879	139	1,956	8,805	5,360	1,309	23,970
	$ 1,585	$ 30	$ 1,910	$ 636	$ 1,468	$ 9,140	$ 11,057	$ 2,667	$ 32,719

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 344	$ (133)	$ (14)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	363	73	
(Increase) Decrease in Assets:			
Receivables, net			
Prepaid expenses and other assets		(6)	
Due from other funds	(107)	(7)	10
Inventory of supplies	(103)	12	
(Increase) Decrease in Deferred Outflows of Resources:			
Pension	(1,244)	(178)	
Increase (Decrease) in Liabilities:			
Accounts payable	281	32	
Accrued wages and benefits	(5)	(12)	(5)
Pension	1,440	206	
Claims Payable			
Due to other funds	(54)	(7)	(2)
Due to other governments			
Increase (Decrease) in Deferred Inflows of Resources:			
Pension	53	7	
Total adjustments	624	120	3
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 968	$ (13)	$ (11)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of capital assets	$ 134		

Utilities Administration	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Health Self Insurance Fund	Prescription Self Insurance Fund	Total
$ 609	$ (600)	$ (343)	$ 332	$ (601)	$	$ 1,826	$ 1,628	$ 3,048
47		59	7	33				582
				(1)				(1)
4								(2)
14	(26)		(394)	29	1,606	4,921		6,046
								(91)
(2,136)	(90)	(1,511)	(355)	(147)				(5,661)
58	4	(11)	517	(9)				872
69	(1)	(13)	(29)	(5)	(1,271)			(1,272)
2,365	103	1,749	412	206				6,481
						(1,051)	(270)	(1,321)
(89)	(1)	(61)	(12)	(7)		1		(232)
		97		(2)				95
87	4	64	14	8				237
419	(7)	373	160	105	335	3,871	(270)	5,733
$ 1,028	$ (607)	$ 30	$ 492	$ (496)	$ 335	$ 5,697	$ 1,358	$ 8,781
								$ 134

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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, 2016
(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	$ 2,103	$ 11,773	$ 12,256	$ 1,620
Total assets	$ 2,103	$ 11,773	$ 12,256	$ 1,620
LIABILITIES				
Due to others	$ 2,103	$ 11,773	$ 12,256	$ 1,620
Total liabilities	$ 2,103	$ 11,773	$ 12,256	$ 1,620
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	$ 4,441	$ 4,320	$ 4,441	$ 4,320
Taxes receivable	16,991	17,985	16,991	17,985
Due from other governments	1,491	1,613	1,491	1,613
Total assets	$ 22,923	$ 23,918	$ 22,923	$ 23,918
LIABILITIES				
Due to other governments	$ 22,923	$ 23,918	$ 22,923	$ 23,918
Total liabilities	$ 22,923	$ 23,918	$ 22,923	$ 23,918

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	$ 21,382	$ 251,033	$ 250,164	$ 22,251
Total assets	$ 21,382	$ 251,033	$ 250,164	$ 22,251
LIABILITIES				
Due to others	$ 21,382	$ 251,033	$ 250,164	$ 22,251
Total liabilities	$ 21,382	$ 251,033	$ 250,164	$ 22,251

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 27,926	$ 267,126	$ 266,861	$ 28,191
Taxes receivable	16,991	17,985	16,991	17,985
Due from other governments	1,491	1,613	1,491	1,613
Total assets	$ 46,408	$ 286,724	$ 285,343	$ 47,789
LIABILITIES				
Due to other governments	$ 22,923	$ 23,918	$ 22,923	$ 23,918
Due to others	23,485	262,806	262,420	23,871
Total liabilities	$ 46,408	$ 286,724	$ 285,343	$ 47,789

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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, 2016
(Amounts in Thousands)

Governmental Funds Capital Assets:	
Land	$ 66,506
Land improvements	209,929
Buildings, structures and improvements	715,235
Furniture, fixtures, equipment and vehicles	237,867
Infrastructure	732,792
Construction in progress	252,360
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,214,689

* 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, 2016
(Amounts in Thousands)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Construction In Progress
General Government:							
General government	$ 349,541	$ 208	$ 1,866	$ 305,601	$ 26,009	$ 6,663	$ 9,194
City Hall	28,679	877		25,959		1,347	496
Engineering and construction	525,670		28,525		1,826	482,639	12,680
Justice Center	29,776			28,930	846		
Research, planning and development	49,035	903	39,786	4,326	61	2,997	962
Charles V. Carr Municipal Center	647		15	632			
Total general government	983,348	1,988	70,192	365,448	28,742	493,646	23,332
Public Works:							
Waste collection	40,042	499		9,761	28,176	1,460	146
Streets	417,427	1,540	11,602	14,393	25,429	208,849	155,614
Traffic engineering	5,261			813	2,231	2,200	17
Park maintenance and properties	157,880	37,857	61,480	18,822	16,912	316	22,493
Recreation	139,759	976	58,012	73,542	2,497		4,732
Other	127,104	2,669		110,863	1,238	74	12,260
Total public works	887,473	43,541	131,094	228,194	76,483	212,899	195,262
Public Safety:							
Police	166,573	4,788	784	60,716	77,939	162	22,184
Fire	76,567	1,663		30,901	38,616		5,387
Emergency medical service	17,955			1,168	11,014	5,614	159
Correction	7,727	257		6,570	877	23	
Dog pound	1,878			1,048	473		357
Other	103				103		
Total public safety	270,803	6,708	784	100,403	129,022	5,799	28,087
Public Health:							
Health and environment	13,957	1,112	208	10,746	1,789	56	46
Total public health	13,957	1,112	208	10,746	1,789	56	46
Community Development:							
Community development	46,614	7,130	7,376	9,384	1,396	15,807	5,521
Total community development	46,614	7,130	7,376	9,384	1,396	15,807	5,521
Economic Development:							
Economic development	8,087	6,027	275	740		1,004	41
Total economic development	8,087	6,027	275	740	-	1,004	41
Building and Housing:							
Building and housing	4,407			320	435	3,581	71
Total building and housing	4,407	-	-	320	435	3,581	71
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,214,689	$ 66,506	$ 209,929	$ 715,235	$ 237,867	$ 732,792	$ 252,360

* 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, 2016
(Amounts in Thousands)

	Balance January 1, 2016	Additions	Deductions	Transfers	Balance December 31, 2016
General Government:					
General government	$ 348,102	$ 1,495	$ (4)	$ (52)	$ 349,541
City Hall	28,451	228			28,679
Engineering and construction	539,363	1,932	(24)	(15,601)	525,670
Justice Center	29,776				29,776
Research, planning and development	49,035				49,035
Charles V. Carr Municipal Center	647				647
Total general government	995,374	3,655	(28)	(15,653)	983,348
Public Works:					
Waste collection	41,874	143	(1,808)	(167)	40,042
Streets	337,955	66,379	(2,543)	15,636	417,427
Traffic engineering	5,281		(20)		5,261
Park maintenance and properties	117,532	40,976	(576)	(52)	157,880
Recreation	138,191	1,561	(36)	43	139,759
Other	125,591	1,477		36	127,104
Total public works	766,424	110,536	(4,983)	15,496	887,473
Public Safety:					
Police	164,070	4,372	(1,489)	(380)	166,573
Fire	70,238	7,330	(462)	(539)	76,567
Emergency medical service	17,486	765		(296)	17,955
Correction	7,530	224		(27)	7,727
Dog pound	1,519	372	(32)	19	1,878
Other		79		24	103
Total public safety	260,843	13,142	(1,983)	(1,199)	270,803
Public Health:					
Health and environment	13,817	140			13,957
Total public health	13,817	140	-	-	13,957
Community Development:					
Community development	46,473	108		33	46,614
Total community development	46,473	108	-	33	46,614
Economic Development:					
Economic development	8,087				8,087
Total economic development	8,087	-	-	-	8,087
Building and Housing:					
Building and housing	4,365	21	(17)	38	4,407
Total building and housing	4,365	21	(17)	38	4,407
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 2,095,383	$ 127,602	$ (7,011)	$ (1,285)	$ 2,214,689

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

STATISTICAL SECTION

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CITY OF CLEVELAND, OHIO
Statistical Section

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

Contents | **Page**

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

City of Cleveland, Ohio

Net Position By Component

Last Ten Years

(Accrual Basis of Accounting)

(Amounts in Thousands)

	2016	2015	2014	2013
Governmental Activities				
Net investment in capital assets	$ 722,785	$ 653,925	$ 828,002	$ 686,794
Restricted	155,224	167,042	152,360	145,729
Unrestricted	(459,804)	(422,125)	(110,650)	(53,448)
Total Governmental Activities Net Position	$ 418,205	$ 398,842	$ 869,712	$ 779,075
Business-Type Activities				
Net investment in capital assets	$ 1,367,544	$ 1,354,871	$ 1,335,195	$ 1,307,661
Restricted	236,772	240,979	244,937	244,196
Unrestricted	532,257	482,852	525,970	474,185
Total Business-Type Activities Net Position	$ 2,136,573	$ 2,078,702	$ 2,106,102	$ 2,026,042
Primary Government				
Net investment in capital assets	$ 2,090,329	$ 2,008,796	$ 2,163,197	$ 1,994,455
Restricted	391,996	408,021	397,297	389,925
Unrestricted	72,453	60,727	415,320	420,737
Total Primary Government Net Position	$ 2,554,778	$ 2,477,544	$ 2,975,814	$ 2,805,117

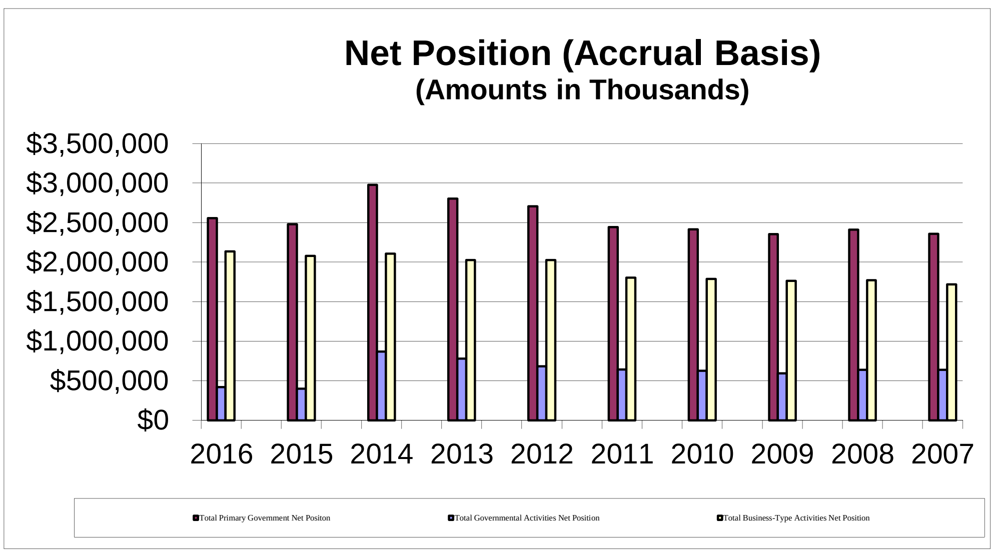
Note:

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

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

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

2012	2011	2010	2009	2008	2007
$ 572,213	$ 543,460	$ 557,804	$ 561,586	$ 555,076	$ 484,758
122,488	117,765	159,942	166,280	179,318	214,811
(12,383)	(19,771)	(90,565)	(134,033)	(95,968)	(59,630)
$ 682,318	$ 641,454	$ 627,181	$ 593,833	$ 638,426	$ 639,939
$ 1,303,584	$ 1,130,178	$ 1,080,332	$ 1,016,182	$ 985,556	$ 957,587
227,826	234,050	243,511	275,907	272,613	252,514
492,956	438,767	462,397	469,010	512,876	506,745
$ 2,024,366	$ 1,802,995	$ 1,786,240	$ 1,761,099	$ 1,771,045	$ 1,716,846
$ 1,875,797	$ 1,673,638	$ 1,638,136	$ 1,577,768	$ 1,540,632	$ 1,442,345
350,314	351,815	403,453	442,187	451,931	467,325
480,573	418,996	371,832	334,977	416,908	447,115
$ 2,706,684	$ 2,444,449	$ 2,413,421	$ 2,354,932	$ 2,409,471	$ 2,356,785



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

	2016	2015	2014	2013
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government (1)	$ 18,636	$ 23,007	$ 31,589	$ 29,983
Public Works (1)	18,301	17,587	17,706	17,561
Public Service (1)				
Public Safety	18,075	13,032	15,318	17,078
Community Development (1)	952	844	1,483	
Building and Housing	17,717	16,408	11,984	11,734
Public Health	3,463	2,544	2,754	2,917
Parks, Recreation and Properties (1)				
Economic Development	103	103	101	377
Subtotal - Charges for Services	77,247	73,525	80,935	79,650
Operating Grants and Contributions:				
General Government (1)	3,468	4,349	4,351	5,601
Public Works (1)	14,802	14,753	20,373	29,770
Public Service (1)				
Public Safety	46,421	3,806	7,315	9,180
Community Development	28,950	32,729	35,673	42,608
Building and Housing	4,380	3,609	2,804	9,133
Public Health	8,122	8,974	11,040	9,249
Parks, Recreation and Properties (1)				
Economic Development	8,614	11,752	18,234	14,046
Subtotal - Operating Grants and Contributions	114,757	79,972	99,790	119,587
Capital Grants and Contributions:				
General Government	134	415	2,862	56,610
Public Works (1)	87,304	45,581	85,253	38,348
Public Service (1)				
Public Safety	6	91	173	
Community Development				
Parks, Recreation and Properties (1)				
Subtotal - Capital Grants and Contributions	87,444	46,087	88,288	94,958
Total Governmental Activities Program Revenues	279,448	199,584	269,013	294,195
Business-Type Activities:				
Charges for Services:				
Water	310,111	301,283	303,412	272,674
Electricity	192,967	192,861	181,843	170,342
Airport facilities	142,433	128,033	131,724	113,244
Nonmajor activities	42,133	39,351	34,276	34,135
Subtotal - Charges for Services	687,644	661,528	651,255	590,395
Operating Grants and Contributions:				
Water	1,678	413	301	5,984
Electricity	3,340	3,225	4,030	656
Airport facilities	191	85	73	132
Nonmajor activities	218	299	161	86
Subtotal - Operating Grants and Contributions	5,427	4,022	4,565	6,858
Capital Grants and Contributions:				
Water	4,326	25,158	34,699	12,446
Electricity	354	481	2	393
Airport facilities	32,280	20,159	19,775	35,089
Nonmajor activities	1,092	1,245	3,280	808
Subtotal - Capital Grants and Contributions	38,052	47,043	57,756	48,736
Total Business-Type Activities Program Revenues	731,123	712,593	713,576	645,989
Total Primary Government Program Revenues	$ 1,010,571	$ 912,177	$ 982,589	$ 940,184

2012 (2)	2011	2010	2009	2008	2007
$ 30,696	$ 32,336	$ 31,570	$ 34,937	$ 36,824	$ 30,470
18,369	16,271				
		12,024	5,517	5,517	4,490
15,049	15,034	13,839	18,296	21,709	21,087
				5,440	1,203
5,757	18,072	7,327	13,402	12,323	10,528
2,967	2,931	3,033	3,187	2,893	2,979
		8,047	1,129	1,351	1,160
100	37	1,469	759	1,057	471
72,938	84,681	77,309	77,227	87,114	72,388
4,345	3,673	1,348	1,121	1,789	1,994
28,342	27,364				
		13,821	13,469	14,317	14,459
13,805	12,497	8,647	13,192	7,448	5,789
69,004	68,887	73,563	41,490	42,129	50,344
6,679	5,698	9,064	11,857	1,106	3,353
10,321	13,228	12,693	15,048	12,786	14,079
		13,830	14,404	16,417	16,123
11,387	4,008	8,156	23,984	33,121	21,077
143,883	135,355	141,122	134,565	129,113	127,218
1,330	23	41		3,057	5,380
24,515	13,982				
		11,179	11,680	13,094	75,871
					1,315
25,845	14,005	11,220	11,680	16,151	82,566
242,666	234,041	229,651	223,472	232,378	282,172
280,323	236,626	237,270	228,235	242,872	242,014
165,227	168,448	166,665	155,865	158,237	155,559
116,694	114,967	106,696	98,143	111,402	105,887
35,188	34,600	39,358	43,110	41,950	40,614
597,432	554,641	549,989	525,353	554,461	544,074
4,567	3,305	3,553	4,917	8,384	11,033
97	883	566	169	2,118	2,589
177		619	1,232	3,809	3,718
478	278	4,051	3,857	5,557	6,399
5,319	4,466	8,789	10,175	19,868	23,739
21,800	2,284	7,645	1,677	3,460	7,906
964	206	1,035		2,803	1,485
25,025	56,385	57,089	44,219	54,646	73,358
5,773	5,716	19,765	5,429	3,155	2,591
53,562	64,591	85,534	51,325	64,064	85,340
656,313	623,698	644,312	586,853	638,393	653,153
$ 898,979	$ 857,739	$ 873,963	$ 810,325	$ 870,771	$935,325

(Continued)

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

	2016	2015	2014	2013
Expenses				
Governmental Activities:				
General Government (1)	$ 139,022	$ 140,946	$ 121,050	$ 115,793
Public Works (1)	119,019	117,040	129,551	130,108
Public Service (1)				
Public Safety	383,453	328,453	298,768	310,246
Community Development (1)	32,173	35,026	39,099	44,337
Building and Housing	14,111	13,433	11,059	17,694
Public Health	16,110	16,841	18,236	15,405
Parks, Recreation and Properties (1)				
Economic Development	37,913	29,474	32,508	18,142
Interest on debt	27,596	36,489	26,333	24,913
Total Governmental Activities Expenses	769,397	717,702	676,604	676,638
Business-Type Activities				
Water	270,014	259,892	253,822	258,014
Electricity	196,092	197,823	181,862	171,669
Airport facilities	172,254	162,499	161,021	155,343
Nonmajor activities	39,501	37,088	38,430	35,235
Total Business-Type Activities Expenses	677,861	657,302	635,135	620,261
Total Primary Government Program Expenses	1,447,258	1,375,004	1,311,739	1,296,899
Net (Expense)/Revenue				
Governmental Activities	(489,949)	(518,118)	(407,591)	(382,443)
Business-Type Activities	53,262	55,291	78,441	25,728
Total Primary Government Net Expense	(436,687)	(462,827)	(329,150)	(356,715)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Income taxes	359,668	346,797	337,933	332,719
Property taxes	28,634	55,017	52,327	45,055
Other taxes	48,945	38,904	35,851	37,765
Shared revenues	35,888	34,974	37,240	34,434
State and local government funds	24,061	26,567	23,846	30,081
Unrestricted investment earnings	1,801	1,060	1,193	683
Other	14,906	8,760	11,454	21,194
Transfers	(4,591)	(1,957)	(1,616)	(1,527)
Total Governmental Activities	509,312	510,122	498,228	500,404
Business-Type Activities				
Unrestricted investment earnings	7	4	3	3
Other	11			
Special items - gain on sale of capital assets				
Transfers	4,591	1,957	1,616	1,527
Total Business-Type Activities Expenses	4,609	1,961	1,619	1,530
Total Primary Government General Revenues and Other Changes in Net Position	513,921	512,083	499,847	501,934
Change in Net Position				
Governmental Activities	19,363	(7,996)	90,637	117,961
Business-Type Activities	57,871	57,252	80,060	27,258
Total Primary Government Change in Net Position	$ 77,234	$ 49,256	$ 170,697	$ 145,219

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.

2012 (2)	2011	2010	2009	2008	2007
$ 106,141	$ 95,833	$ 81,898	$ 90,311	$ 101,878	$ 99,311
128,276	139,577				
		93,425	85,947	87,154	86,435
310,745	308,051	315,900	329,765	329,922	322,840
70,705	75,778	70,589	59,204	44,550	54,425
14,729	14,098	17,445	20,925	15,831	13,999
17,385	19,596	19,740	22,999	20,351	21,412
		46,963	58,799	61,628	54,332
13,845	22,323	24,729	38,083	53,944	39,168
26,153	27,686	47,531	30,448	32,896	27,763
687,979	702,942	718,220	736,481	748,154	719,685
244,647	232,497	232,862	224,269	213,335	205,470
163,547	167,799	165,330	158,100	154,426	148,832
153,627	167,531	158,262	168,734	172,274	167,967
39,671	46,302	43,443	46,546	44,507	45,762
601,492	614,129	599,897	597,649	584,542	568,031
1,289,471	1,317,071	1,318,117	1,334,130	1,332,696	1,287,716
(445,313)	(468,901)	(488,569)	(513,009)	(515,776)	(437,513)
54,821	9,569	44,415	(10,796)	53,851	85,122
(390,492)	(459,332)	(444,154)	(523,805)	(461,925)	(352,391)
330,863	311,492	298,209	296,507	329,316	317,268
56,086	63,839	88,087	63,573	65,398	69,313
28,680	27,312	28,450	25,053	25,918	28,567
27,338	19,558	23,869	28,741	28,587	23,805
25,966	43,821	49,266	43,420	52,450	51,164
692	97	654	1,740	3,344	5,670
18,141	19,086	14,104	10,207	9,556	14,482
(1,589)	(2,031)	19,278	(825)	(306)	(290)
486,177	483,174	521,917	468,416	514,263	509,979
	30	4	25	42	30
	5,125				
1,589	2,031	(19,278)	825	306	290
1,589	7,186	(19,274)	850	348	320
487,766	490,360	502,643	469,266	514,611	510,299
40,864	14,273	33,348	(44,593)	(1,513)	72,466
56,410	16,755	25,141	(9,946)	54,199	85,442
$ 97,274	$ 31,028	$ 58,489	$ (54,539)	$ 52,686	$157,908

(Concluded)

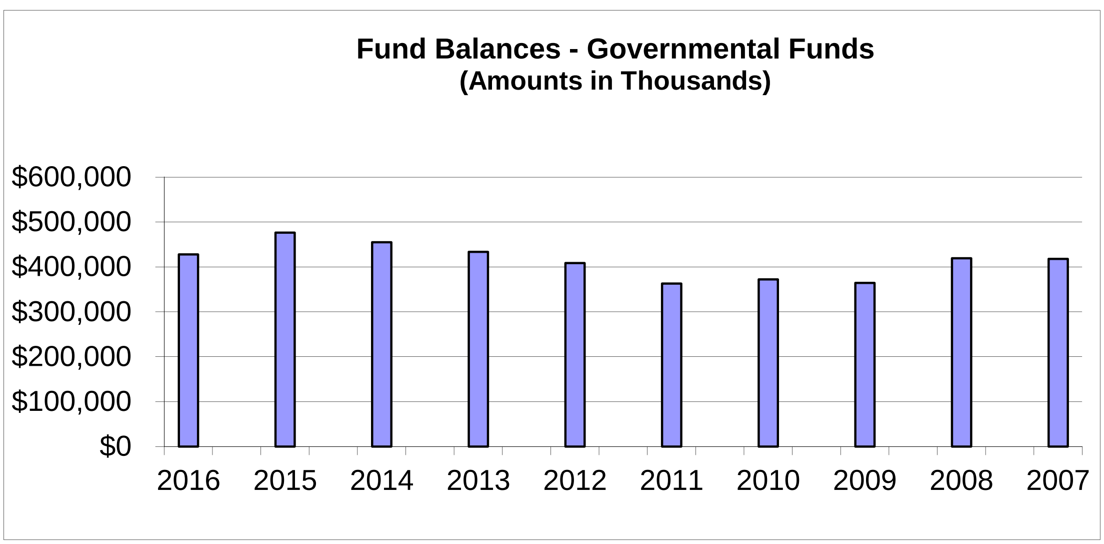
City of Cleveland, Ohio

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

	2016	2015	2014	2013
General Fund				
Reserved	$	$	$	$
Unreserved				
Nonspendable		740	885	648
Assigned	15,631	11,979	15,041	13,209
Unassigned	66,091	68,490	78,401	75,891
Total General Fund	81,722	81,209	94,327	89,748
All Other Governmental Funds				
Reserved				
Unreserved reported in:				
Special Revenue funds				
Capital Projects funds				
Nonspendable		865	1,387	355
Restricted	287,250	312,089	268,905	245,015
Committed	70,597	82,189	90,739	98,806
Assigned	2	6	8	3
Unassigned	(11,514)			
Total All Other Governmental Funds	346,335	395,149	361,039	344,179
Total Governmental Funds	$ 428,057	$ 476,358	$ 455,366	$ 433,927

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

2012	2011	2010	2009	2008	2007
$	$	$ 15,070	$ 15,513	$ 14,689	$ 14,455
		(2,529)	(9,648)	16,856	17,399
632	576				
9,239	12,027				
61,879	38,991				
71,750	51,594	12,541	5,865	31,545	31,854
		257,696	263,059	272,039	277,669
		64,432	45,781	72,421	77,223
		37,753	49,556	43,438	31,136
495	1,172				
233,832	204,590				
102,901	105,624				
2	1				
	(96)				
337,230	311,291	359,881	358,396	387,898	386,028
$ 408,980	$ 362,885	$ 372,422	$ 364,261	$ 419,443	$ 417,882



City of Cleveland, Ohio

Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

(Amounts in Thousands)

	2016	2015	2014	2013
Revenues				
Income taxes	$ 355,092	$ 350,524	$ 336,743	$ 333,359
Property taxes	49,311	49,697	49,198	49,740
State and local government funds	24,431	26,433	25,077	28,439
Other taxes and shared revenues (2)				
Other taxes (2)	48,945	38,904	35,851	37,764
Other shared revenues (2)	49,108	48,864	54,329	59,907
Licenses and permits	21,236	18,884	15,404	16,034
Charges for services	37,620	35,169	36,120	39,297
Fines, forfeits and settlements	14,295	18,864	28,928	27,020
Investment earnings	1,725	927	858	865
Grants	125,956	102,257	111,935	115,851
Contributions	1,844	2,803	2,571	15,948
Miscellaneous	16,067	13,565	18,534	27,770
Total Revenues	745,630	706,891	715,548	751,994
Expenditures				
Current:				
General Government (1)	98,102	86,686	91,199	85,638
Public Works (1)	93,148	90,961	89,042	86,576
Public Service (1)				
Public Safety	347,426	311,177	294,605	303,234
Community Development (1)	29,990	33,076	37,191	42,677
Building and Housing	13,710	13,419	10,885	17,444
Public Health	15,410	16,462	17,722	14,983
Parks, Recreation and Properties (1)				
Economic Development	37,552	29,393	32,360	18,030
Other	7,388	8,635	10,580	11,877
Capital outlay	99,622	127,001	100,868	115,170
Inception of capital lease		571	6,044	5,046
Debt service:				
Principal retirement	49,370	48,648	47,752	46,252
Interest	30,365	28,627	27,935	30,380
General Government	476	2,462	1,114	615
Other	1,070	1,071	1,077	1,176
Total Expenditures	823,629	798,189	768,374	779,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	(77,999)	(91,298)	(52,826)	(27,104)
Other Financing Sources (Uses)				
Transfers in	72,227	92,273	77,659	56,516
Transfers out	(74,118)	(94,734)	(79,766)	(58,466)
Issuance of debt	28,125	101,385	69,200	35,840
Issuance of refunding bonds	23,680	117,325	20,110	25,360
Proceeds from sale of debt				
Premium on bonds and notes	7,497	30,085	6,666	4,415
Discount on bonds and notes			(13)	
Payment to refund bonds and notes	(28,150)	(135,757)	(20,635)	(25,360)
Proceeds from sale of general obligation bonds and notes				
Loan proceeds				2,786
Sale of City assets	437	1,713	1,044	4,425
Capital leases				6,535
Total Other Financing Sources (Uses)	29,698	112,290	74,265	52,051
Net Change in Fund Balances	$ (48,301)	$ 20,992	$ 21,439	$ 24,947
Debt Service as a Percentage of Noncapital Expenditures	10.8%	11.1%	11.7%	11.5%

(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.

2012	2011	2010	2009	2008	2007
$ 331,118	$ 312,508	$ 300,427	$ 298,546	$ 326,464	$ 311,784
55,312	55,949	58,660	63,754	65,258	69,254
31,821	45,640	47,972	45,590	52,269	53,506
86,084	77,636	79,620	81,440	81,200	80,789
15,070	16,877	13,529	17,061	15,047	13,802
41,436	39,433	33,779	22,136	26,000	24,388
26,830	28,376	28,643	32,321	34,763	31,246
468	518	621	2,691	8,871	16,875
129,724	120,119	116,920	112,024	94,769	167,125
1,364	52	72	659	549	549
18,770	15,356	16,490	25,811	27,649	18,581
737,997	712,464	696,733	702,033	732,839	787,899
85,125	77,792	80,865	90,074	91,664	84,578
85,753	91,926				
		53,567	58,229	60,105	60,700
303,767	302,009	308,321	319,334	318,339	311,606
69,238	73,682	70,437	58,101	43,677	53,668
14,542	14,031	17,401	20,841	15,691	13,892
16,986	19,160	19,229	22,460	19,724	21,014
		37,822	39,598	42,593	40,494
12,794	19,348	24,635	36,849	51,921	33,787
10,992	11,171	11,490	10,446	10,627	9,206
69,945	66,575	56,227	66,720	60,513	120,680
5,648	4,566	3,201			3,933
48,115	47,481	48,223	53,048	51,566	44,258
33,741	30,628	28,682	32,942	34,318	30,075
1,264	438	18,722	477	5,394	
1,168	315	795	475	1,868	2,438
759,078	759,122	779,617	809,594	808,000	830,329
(21,081)	(46,658)	(82,884)	(107,561)	(75,161)	(42,430)
59,830	68,643	106,617	53,414	57,550	61,064
(62,145)	(71,514)	(88,152)	(54,525)	(58,243)	(61,894)
82,945	31,260	171,505	44,580		
			13,820		
				266,160	
8,770	1,105	1,885	2,289	4,042	3,730
(145)	(217)	(237)		(386)	(18)
(28,910)		(108,390)	(13,767)	(192,675)	(140,457)
					181,420
324	1,229	1,127	6,568	274	207
6,507	6,615	6,690			
67,176	37,121	91,045	52,379	76,722	44,052
$ 46,095	$ (9,537)	$ 8,161	$ (55,182)	$ 1,561	$ 1,622
11.8%	11.1%	10.4%	11.5%	11.3%	10.3%

City of Cleveland, Ohio

Assessed Valuation and Estimated Actual Values of Taxable Property

Last Ten Years

(Amounts in Thousands)

	Real Property			Tangible Personal Property	
	Assessed Value			Public Utility	
Collection Year	Residential/ Agricultural	Commercial Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value
2016	$ 2,002,439	$ 2,255,156	$ 12,164,557	$ 331,843	$ 377,094
2015	2,035,581	2,593,704	13,226,529	318,829	362,306
2014	2,051,307	2,550,042	13,146,711	298,603	339,322
2013	2,075,286	2,526,924	13,149,171	266,558	302,907
2012	2,641,867	2,743,313	15,386,229	246,081	279,638
2011	2,675,681	2,722,417	15,423,137	242,172	275,195
2010	2,693,686	2,585,663	15,083,857	233,870	265,761
2009	3,062,170	2,434,549	15,704,911	220,820	250,932
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

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.

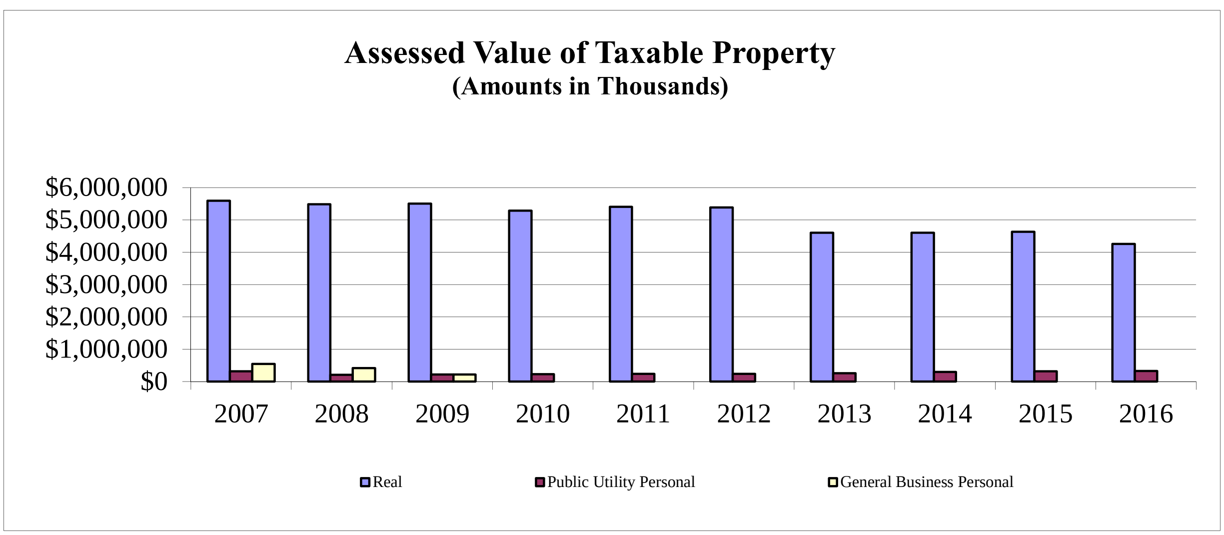
The assessed valuation of personal property constituting "inventory" was 23% of true value, in 2006 it was reduced to 18.75%, in 2007 to 12.50%, and in 2008 to 6.25%. The percentage decreased to 0% in 2009 and remains at 0% in 2016.

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

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

Source: Cuyahoga County Fiscal Officer.

Tangible Personal Property						
General Business		Total				
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Ratio	
$	$	$ 4,589,438	$ 12,541,651	12.70	36.6	%
		4,948,114	13,588,835	12.70	36.4	
		4,899,952	13,486,033	12.70	36.3	
		4,868,768	13,452,078	12.70	36.2	
		5,631,261	15,665,867	12.70	35.9	
		5,640,270	15,698,332	12.70	35.9	
		5,513,219	15,349,618	12.70	35.9	
219,920	3,518,720	5,937,459	19,474,563	12.70	30.5	
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	



City of Cleveland, Ohio

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

	2016	2015	2014	2013
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	52.527150	52.479460	52.699898	52.427248
Commercial/Industrial and Public Utility Real	61.578271	61.740058	61.107741	60.124573
General Business and Public Utility Personal	79.300000	79.300000	79.900000	79.800000
County				
Residential/Agricultural Real	13.880201	13.869781	14.050000	14.050000
Commercial/Industrial and Public Utility Real	14.012362	14.050000	14.019470	13.949465
General Business and Public Utility Personal	14.050000	14.050000	14.050000	14.050000
Special Taxing Districts (1)				
Residential/Agricultural Real	13.116607	13.112910	13.202292	12.298441
Commercial/Industrial and Public Utility Real	13.322508	13.363153	13.312617	12.339767
General Business and Public Utility Personal	13.680000	13.680000	13.680000	12.780000

Note:

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

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

Source: Cuyahoga County Fiscal Officer.

2012	2011	2010	2009	2008	2007
4.350000	4.350000	4.350000	4.350000	4.350000	4.350000
0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
4.400000	4.400000	4.400000	4.400000	4.400000	4.400000
7.750000	7.750000	7.750000	7.750000	7.750000	7.750000
0.250000	0.250000	0.250000	0.250000	0.250000	0.250000
0.300000	0.300000	0.300000	0.300000	0.300000	0.300000
8.300000	8.300000	8.300000	8.300000	8.300000	8.300000
12.700000	12.700000	12.700000	12.700000	12.700000	12.700000
52.116544	31.674164	31.506887	31.460074	29.076676	29.050497
60.128798	44.235815	44.362102	44.661412	44.661009	44.592555
79.800000	64.800000	64.800000	64.800000	64.800000	64.800000
13.220000	13.118223	13.186617	13.178886	12.660733	11.868868
12.996761	12.784540	12.841251	12.845700	12.815297	12.453559
13.220000	13.220000	13.320000	13.320000	13.320000	13.420000
11.391842	11.225159	11.207637	10.723710	10.330071	9.059500
11.418198	11.232744	11.236434	10.859248	10.838537	10.191700
11.880000	11.880000	11.880000	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
2016	$ 70,861,467	$ 61,490,574	86.78 %	$ 3,862,554	$ 65,353,128
2015	75,115,511	62,192,254	82.80	4,537,073	66,729,327
2014	72,904,038	60,147,465	82.50	4,542,885	64,690,350
2013	68,191,726	57,319,877	84.06	4,664,866	61,984,743
2012	76,327,893	58,664,824	76.86	6,972,134	65,636,958
2011	74,312,975	59,301,577	79.80	5,104,558	64,406,135
2010	73,818,689	59,078,863	80.03	5,259,959	64,338,822
2009	76,071,934	63,707,028	83.75	5,351,909	69,058,937
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

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

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

Source: Cuyahoga County Fiscal Officer.

Total Tax Levy	Percent of Total Tax Collections To Total Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
$ 87,924,969	74.33 %	$ 23,066,836	26.23 %
110,147,288	60.58	47,220,991	42.87
110,329,017	58.63	41,284,638	37.42
104,953,336	59.06	40,343,634	38.44
122,143,372	53.74	47,654,232	39.01
109,926,575	58.59	44,679,192	40.64
107,119,066	60.06	39,704,298	37.07
107,873,764	64.02	36,999,445	34.30
107,071,494	67.83	31,984,896	29.87
108,161,761	68.88	22,770,570	21.05

City of Cleveland, Ohio

Principal Taxpayers - Real Estate Tax

2016 and 2007

	2016	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Electric Illuminating Co.	$ 203,456,950	4.78 %
East Ohio Gas Co.	117,676,990	2.76
City of Cleveland, Ohio	103,108,120	2.42
Cuyahoga County, Ohio	96,739,690	2.27
Key Center Properties LLC	84,622,410	1.99
American Transmission System	66,788,240	1.57
Rock Ohio Ceasars Cleveland LLC	45,641,450	1.07
Cleveland Financial Associates, LLC	45,527,380	1.07
Cleveland Clinic Foundation	34,917,010	0.82
National City Bank	33,508,720	0.79
Total	$ 831,986,960	19.54 %
Total Real Property Assessed Valuation	$ 4,257,595,000	

	2007	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	$ 137,750,750	2.46 %
Cleveland Clinic Foundation	81,604,420	1.46
Cleveland Financial Associates, LLC	49,232,020	0.88
Case Western Reserve	36,260,690	0.65
Nation City Center, LLC	27,949,990	0.50
ISG Cleveland West	26,790,930	0.48
Western Reserve	23,391,320	0.42
TIC OCC Ainley, LLC & ETAL	22,177,160	0.40
Behringer Harvard 600	21,000,000	0.37
MB Cleveland Erieview, LLC	19,921,860	0.36
Total	$ 446,079,140	7.98 %
Total Real Property Assessed Valuation	$ 5,589,053,000	

(1) The amounts presented represent the assessed values upon which 2016 and 2007 collections were based.

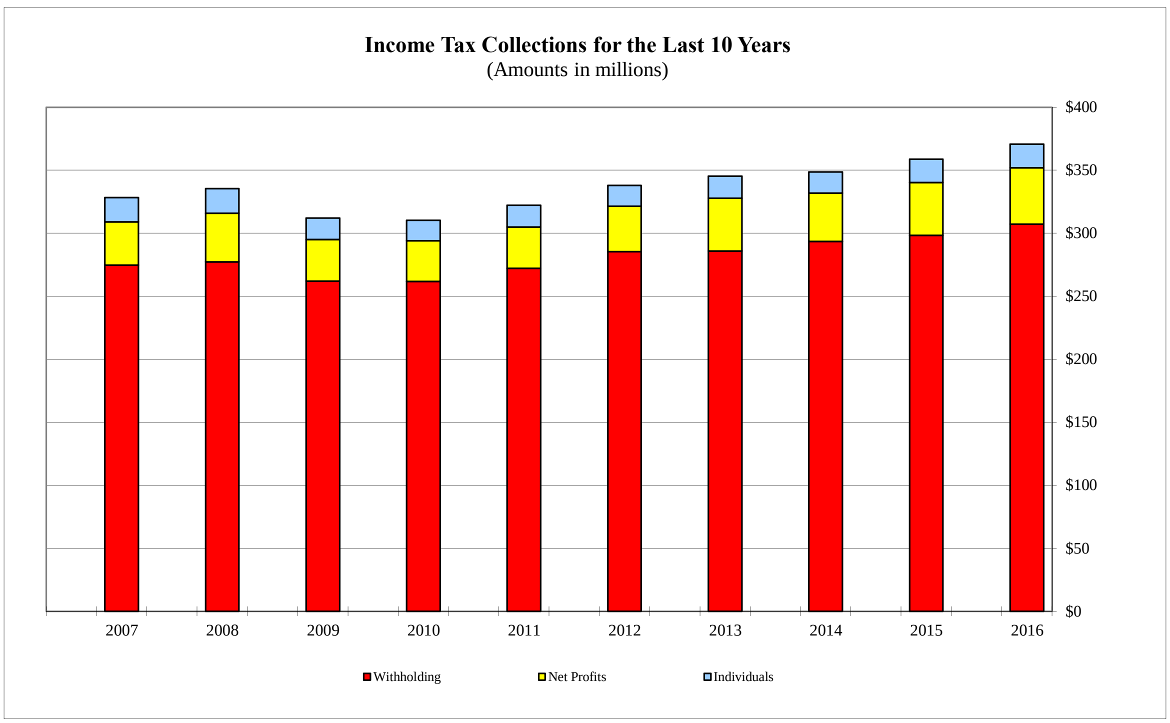
Source: Cuyahoga County Fiscal Officer.

City of Cleveland, Ohio

Income Tax Revenue Base and Collections

Last Ten Years

Tax Year	Tax Rate	Total Tax Collected (1)	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individuals	Percentage of Taxes from Individuals
2016	2.00%	$ 370,753,947	$ 307,143,756	82.84%	$ 44,644,300	12.04%	$ 18,965,891	5.12%
2015	2.00	358,677,459	298,318,465	83.17	41,948,933	11.70	18,410,061	5.13
2014	2.00	348,674,282	293,456,642	84.16	38,294,001	10.98	16,923,639	4.86
2013	2.00	345,255,736	285,891,566	82.81	41,929,164	12.14	17,435,006	5.05
2012	2.00	338,046,790	285,450,129	84.44	35,946,656	10.63	16,650,005	4.93
2011	2.00	322,072,689	272,209,650	84.52	32,693,730	10.15	17,169,309	5.33
2010	2.00	310,339,588	261,801,977	84.36	32,095,566	10.34	16,442,045	5.30
2009	2.00	312,129,641	261,878,357	83.90	33,065,140	10.59	17,186,144	5.51
2008	2.00	335,310,894	277,203,932	82.67	38,709,596	11.54	19,397,366	5.79
2007	2.00	328,167,945	274,733,506	83.72	34,314,408	10.46	19,120,031	5.82



Note:

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

(1) Gross collections.

Source: Central Collection Agency.

City of Cleveland, Ohio

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

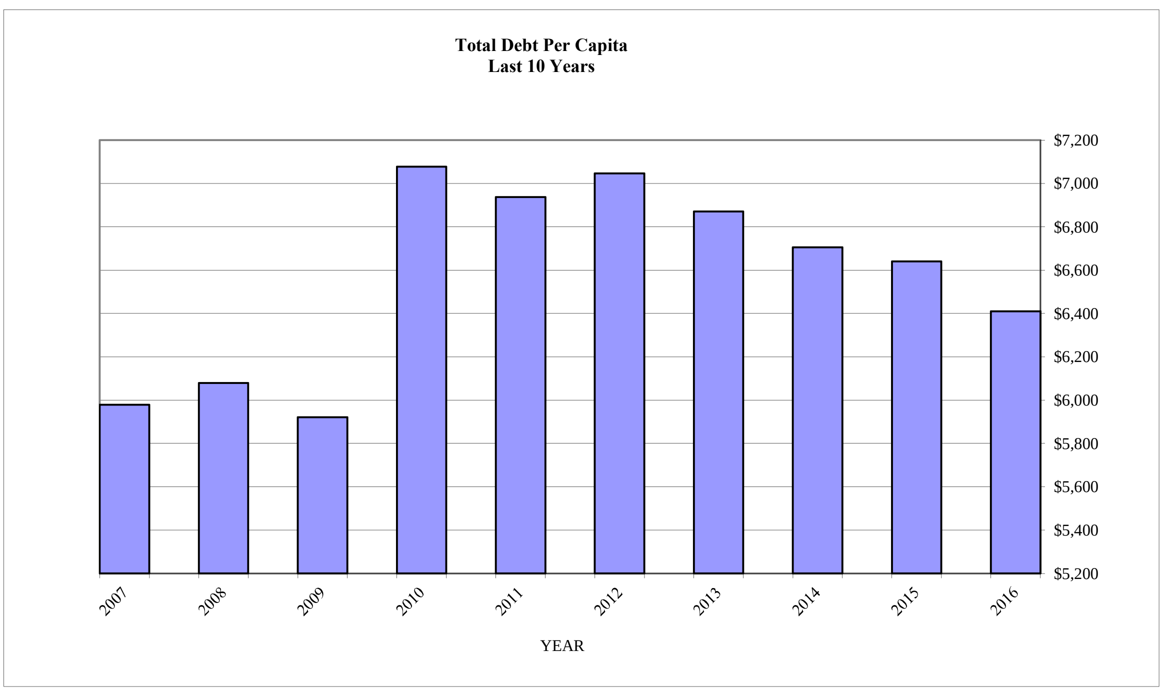
	Governmental Activities						
Year	General Obligation Bonds	Urban Renewal Bonds	Non-Tax Revenue Bonds	Capital Lease Obligations	Subordinated Income Tax Refunding Bonds	Certificates of Participation	Subordinate Lien Income Tax Bonds
2016	$ 233,900,000	$ 1,615,000	$ 60,328,000	$ 7,344,000	$ 35,275,000	$ 99,100,000	$ 258,160,000
2015	228,740,000	2,345,000	63,829,000	11,354,000	38,885,000	105,595,000	265,995,000
2014	257,565,000	3,030,000	50,203,000	15,262,000	43,650,000	111,780,000	188,335,000
2013	282,550,000	3,670,000	53,108,000	19,185,000	46,915,000	117,670,000	124,490,000
2012	308,700,000	4,270,000	55,894,000	16,236,000	50,020,000	123,605,000	92,380,000
2011	298,660,000	4,835,000	58,591,000	12,908,000	52,975,000	129,547,000	80,505,000
2010	297,115,000	5,365,000	61,795,000	8,937,000	55,785,000	135,537,000	83,025,000
2009	326,230,000	5,860,000	64,956,000	5,320,000	58,460,000	119,016,000	57,630,000
2008	313,630,000	6,325,000	67,617,000	8,604,000	59,960,000	129,949,000	59,560,000
2007	336,990,000	6,760,000	68,091,000	11,786,000	58,900,000	140,714,000	

Note:

Population and Personal Income data are presented on page S21.

In 2014, this table was modified to include Note/Loans payable, as it is part of the Governmental Debt.

		Business-Type Activities					
Annual Appropriation Bonds	Note / Loans Payable	Revenue Bonds	OWDA / OPWC Loans	Total Net Premium/ (Discount)	Total Debt	Percentage of Personal Income	Per Capita
$ 9,745,000	$ 1,671,000	$ 1,617,778,000	$ 91,316,000	$ 127,632,000	$ 2,543,864,000	36.56%	$ 6,411
10,020,000	2,240,000	1,699,688,000	99,220,000	107,383,000	2,635,294,000	38.09	6,641
10,280,000	2,801,000	1,786,283,000	106,815,000	84,641,000	2,660,645,000	39.46	6,705
10,525,000		1,863,588,000	114,372,000	90,327,000	2,726,400,000	40.87	6,871
10,765,000		1,926,203,000	109,742,000	98,249,000	2,796,064,000	43.22	7,046
11,000,000		1,930,163,000	115,523,000	58,362,000	2,753,069,000	42.56	6,938
11,000,000		1,974,828,000	121,335,000	53,819,000	2,808,541,000	43.42	7,078
		2,032,178,000	107,654,000	55,381,000	2,832,685,000	41.43	5,921
		2,100,768,000	112,275,000	49,320,000	2,908,008,000	42.53	6,079
		2,075,755,000	110,070,000	50,984,000	2,860,050,000	41.83	5,978



City of Cleveland, Ohio

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

Year	Population (1)		Assessed Value of Taxable Property (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value of Taxable Property	Net Bonded Debt Per Capita
			(Amounts in Thousands)			
2016	396,815	(a)	$ 4,589,438	$ 228,821	4.99 %	$ 576.64
2015	396,815	(a)	4,948,114	225,616	4.56	568.57
2014	396,815	(a)	4,899,952	254,484	5.19	641.32
2013	396,815	(a)	4,868,768	279,124	5.73	703.41
2012	396,815	(a)	5,631,261	302,484	5.37	762.28
2011	396,815	(a)	5,640,270	297,172	5.27	748.89
2010	396,815	(a)	5,513,219	294,923	5.35	743.23
2009	478,403	(b)	5,937,459	323,631	5.45	676.48
2008	478,403	(b)	6,114,332	311,134	5.09	650.36
2007	478,403	(b)	6,457,248	333,823	5.17	697.79

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, 2016

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	$ 233,900,000	100.00 %	$ 233,900,000
Capital Lease Obligations	7,344,000	100.00	7,344,000
Urban Renewal Bonds	1,615,000	100.00	1,615,000
Subordinated Income Tax Refunding Bonds	35,275,000	100.00	35,275,000
Subordinate Lien Income Tax Bonds	258,160,000	100.00	258,160,000
Non-Tax Revenue Bonds	60,328,000	100.00	60,328,000
Annual Appropriation Bonds	9,745,000	100.00	9,745,000
Total Direct Debt	606,367,000		606,367,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds (1)	259,197,941	96.73	250,722,168
Cuyahoga County			
General Obligation Bonds (1)	226,090,000	16.75	37,870,075
Regional			
Transit Authority (1)	3,910,000	16.75	654,925
Total Overlapping Debt	489,197,941		289,247,168
Total	$ 1,095,564,941		$ 895,614,168

(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

	2016	2015	2014	2013
Total Assessed Property Value	$ 4,589,437,780	$4,948,113,550	$ 4,899,952,220	$4,868,767,980
Overall Legal Debt Limit (10½% of Assessed Valuation)	481,890,967	519,551,923	514,494,983	511,220,638
Debt Outstanding:				
General Obligation Bonds	233,900,000	228,740,000	257,565,000	282,550,000
Revenue Bonds	1,617,778,000	1,699,688,000	1,786,283,000	1,863,588,000
Urban Renewal Bonds	1,615,000	2,345,000	3,030,000	3,670,000
Subordinated Income Tax Refunding Bonds	35,275,000	38,885,000	43,650,000	46,915,000
Subordinate Lien Income Tax Bonds	258,160,000	265,995,000	188,335,000	124,490,000
OWDA/OPWC Loans	91,316,000	99,220,000	106,815,000	114,372,000
Non-tax Revenue Bonds	60,328,000	63,829,000	50,203,000	53,108,000
Annual Appropriation Bonds	9,745,000	10,020,000	10,280,000	10,525,000
Total Gross Indebtedness	2,308,117,000	2,408,722,000	2,446,161,000	2,499,218,000
Less:				
General Obligation Bonds	233,900,000	228,740,000	257,565,000	282,550,000
Revenue Bonds	1,617,778,000	1,699,688,000	1,786,283,000	1,863,588,000
Urban Renewal Bonds	1,615,000	2,345,000	3,030,000	3,670,000
Subordinated Income Tax Refunding Bonds	35,275,000	38,885,000	43,650,000	46,915,000
Subordinate Lien Income Tax Bonds	258,160,000	265,995,000	188,335,000	124,490,000
OWDA/OPWC Loans	91,316,000	99,220,000	106,815,000	114,372,000
Non-tax Revenue Bonds	60,328,000	63,829,000	50,203,000	53,108,000
Annual Appropriation Bonds	9,745,000	10,020,000	10,280,000	10,525,000
General Obligation Bond Retirement Fund Balance	5,079,000	3,124,000	3,081,000	3,426,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	$ 481,890,967	$ 519,551,923	$ 514,494,983	$ 511,220,638
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)	$ 252,419,078	$ 272,146,245	$ 269,497,372	$ 267,782,239
Total Gross Indebtedness	2,308,117,000	2,408,722,000	2,446,161,000	2,499,218,000
Less:				
General Obligation Bonds	233,900,000	228,740,000	257,565,000	282,550,000
Revenue Bonds	1,617,778,000	1,699,688,000	1,786,283,000	1,863,588,000
Urban Renewal Bonds	1,615,000	2,345,000	3,030,000	3,670,000
Subordinated Income Tax Refunding Bonds	35,275,000	38,885,000	43,650,000	46,915,000
Subordinate Lien Income Tax Bonds	258,160,000	265,995,000	188,335,000	124,490,000
OWDA/OPWC Loans	91,316,000	99,220,000	106,815,000	114,372,000
Non-tax Revenue Bonds	60,328,000	63,829,000	50,203,000	53,108,000
Annual Appropriation Bonds	9,745,000	10,020,000	10,280,000	10,525,000
General Obligation Bond Retirement Fund Balance	5,079,000	3,124,000	3,081,000	3,426,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	$ 252,419,078	$ 272,146,245	$ 269,497,372	$ 267,782,239
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.

2012	2011	2010	2009	2008	2007
$5,631,261,380	$5,640,270,380	$5,513,219,400	$5,937,458,591	$6,114,332,281	$6,457,247,750
591,282,445	592,228,390	578,888,037	623,433,152	642,004,890	678,011,014
308,700,000	298,660,000	297,115,000	326,230,000	313,630,000	336,990,000
1,926,203,000	1,930,163,000	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000
4,270,000	4,835,000	5,365,000	5,860,000	6,325,000	6,760,000
50,020,000	52,975,000	55,785,000	58,460,000	59,960,000	58,900,000
92,380,000	80,505,000	83,025,000	57,630,000	59,560,000	
109,742,000	115,523,000	121,335,000	107,654,000	112,275,000	110,070,000
55,894,000	58,591,000	61,795,000	64,956,000	67,617,000	68,091,000
10,765,000	11,000,000	11,000,000			
2,557,974,000	2,552,252,000	2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000
308,700,000	298,660,000	297,115,000	326,230,000	313,630,000	336,990,000
1,926,203,000	1,930,163,000	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000
4,270,000	4,835,000	5,365,000	5,860,000	6,325,000	6,760,000
50,020,000	52,975,000	55,785,000	58,460,000	59,960,000	58,900,000
92,380,000	80,505,000	83,025,000	57,630,000	59,560,000	
109,742,000	115,523,000	121,335,000	107,654,000	112,275,000	110,070,000
55,894,000	58,591,000	61,795,000	64,950,000	67,617,000	68,091,000
10,765,000	11,000,000	11,000,000			
6,216,000	1,488,000	2,192,000	2,599,000	2,496,000	3,167,000
-	-	-	-	-	-
$ 591,282,445	$ 592,228,390	$ 578,888,037	$ 623,433,152	$ 642,004,890	$ 678,011,014
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
$ 309,719,376	$ 310,214,871	$ 303,227,067	$ 326,560,223	$ 336,288,275	$ 355,148,626
2,557,974,000	2,552,252,000	2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000
308,700,000	298,660,000	297,115,000	326,230,000	313,630,000	336,990,000
1,926,203,000	1,930,163,000	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000
4,270,000	4,835,000	5,365,000	5,860,000	6,325,000	6,760,000
50,020,000	52,975,000	55,785,000	58,460,000	59,960,000	58,900,000
92,380,000	80,505,000	83,025,000	57,630,000	59,560,000	
109,742,000	115,523,000	121,335,000	107,654,000	112,275,000	110,070,000
55,894,000	58,591,000	61,795,000	64,950,000	67,617,000	68,091,000
10,765,000	11,000,000	11,000,000			
6,216,000	1,488,000	2,192,000	2,599,000	2,496,000	3,167,000
-	-	-	-	-	-
$ 309,719,376	$ 310,214,871	$ 303,227,067	$ 326,560,223	$ 336,288,275	$ 355,148,626
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

City of Cleveland, Ohio
Pledged Revenue Coverage
Airport Revenue Bonds
Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Principal	Debt Service Interest	Coverage
2016	$ 178,723,000	$ 81,501,000	$ 97,222,000	$ 39,765,000	$ 29,907,925	1.40
2015	164,346,000	74,841,000	89,505,000	34,415,000	33,357,922	1.32
2014	165,780,000	72,101,000	93,679,000	33,155,000	34,568,497	1.38
2013	154,616,000	67,164,000	87,452,000	32,120,000	35,369,367	1.30
2012	152,030,000	68,855,000	83,175,000	16,285,000	33,765,871	1.66
2011	150,112,000	73,310,000	76,802,000	13,660,000	34,940,285	1.58
2010	152,053,000	70,152,000	81,901,000	14,705,000	36,386,915	1.60
2009	167,358,000	68,432,000	98,926,000	22,450,000	37,622,000	1.65
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

(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
2016	$ 193,194,000	$ 166,591,000	$ 26,603,000	$ 8,055,000	$ 9,859,269		1.49
2015	192,934,000	166,150,000	26,784,000	7,500,000	10,410,464		1.50
2014	181,877,000	154,115,000	27,762,000	10,770,000	8,061,556		1.47
2013	170,383,000	141,116,000	29,267,000	12,710,000	9,766,869		1.30
2012	165,307,000	136,987,000	28,320,000	10,050,000	9,746,181		1.43
2011	168,599,000	139,952,000	28,647,000	10,495,000	9,987,500	(3)	1.40
2010	166,761,000	138,030,000	28,731,000	8,045,000	9,871,011	(3)	1.60
2009	156,034,000	128,436,000	27,598,000	8,530,000	9,009,810	(3)	1.57
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

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

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

(3) Net of capitalized interest per indenture.

City of Cleveland, Ohio

Pledged Revenue Coverage

Water System Revenue Bonds

Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Principal	Debt Service Interest (3)	Coverage
2016	$ 311,882,000	$ 162,618,000	$ 149,264,000	$ 44,720,000	$ 15,100,291	2.50
2015	301,715,000	165,981,000	135,734,000	42,110,000	21,034,935	2.15
2014	304,182,000	153,559,000	150,623,000	41,200,000	26,822,980	2.21
2013	274,324,000	154,947,000	119,377,000	39,910,000	29,089,797	1.73
2012	282,288,000	149,169,000	133,119,000	31,100,000	26,639,529	2.31
2011	238,975,000	146,232,000	92,743,000	34,000,000	30,275,641	1.44
2010	241,277,000	149,513,000	91,764,000	37,150,000	32,447,214	1.32
2009	232,357,000	147,716,000	84,641,000	31,945,000	33,200,509	1.30
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

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

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

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

City of Cleveland, Ohio

Pledged Revenue Coverage
Water Pollution Control Revenue Bonds
Last Year (3)

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2016	$ 28,861,000	$ 19,010,000	$ 9,851,000	$	$ 928,547	10.61

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

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

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

City of Cleveland, Ohio

Principal Employers

2016 and 2007

2016

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	31,668	21.37%
University Hospitals	16,595	11.20
U.S. Office of Personnel Management	11,536	7.78
Cleveland Metropolitan School District	7,558	5.10
Cuyahoga County	7,498	5.06
City of Cleveland	6,608	4.46
MetroHealth System	6,381	4.30
KeyCorp	4,612	3.11
Case Western Reserve University	4,455	3.01
Shermain-Williams Co.	3,759	2.54
Total	100,670	67.93%
Total Employment within the City	148,200	

2007

Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	28,461	16.51%
University Hospitals Health System	15,904	9.22
Cuyahoga County	9,295	5.39
U.S. Office of Personnel Management	9,172	5.32
City of Cleveland	8,327	4.83
Cleveland Municipal School District	7,442	4.32
KeyCorp	6,615	3.84
National City Corp	6,563	3.81
MetroHealth System	5,627	3.26
Case Western Reserve University	4,955	2.87
Total	102,361	59.37%
Total Employment within the City	172,400	

Note:

Largest employers headquartered in the City ranked by FTE employees.

Source:

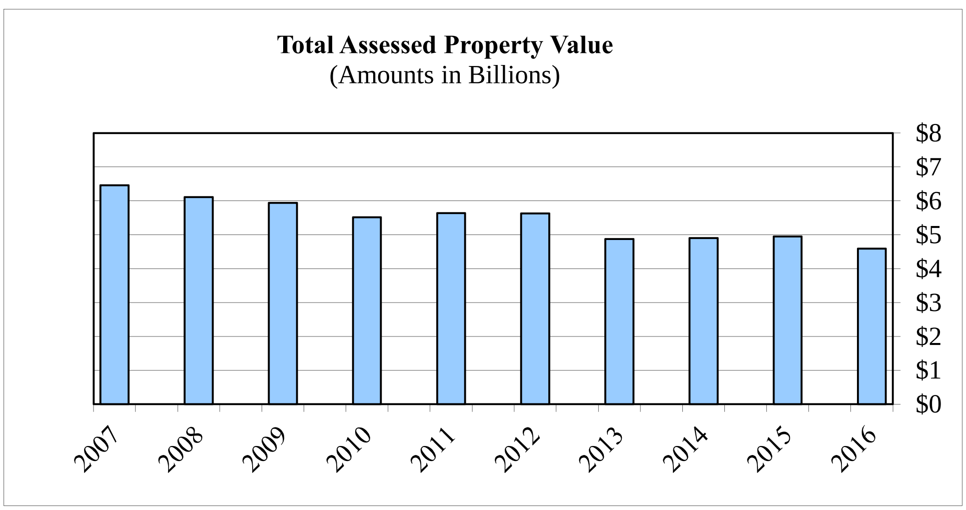
Number of employees from Crain's Cleveland:
Book of Lists 2016, Largest Northeast Ohio Employers; FTEs as of 6/30/2016
Book of Lists 2007, Largest Cuyahoga County Employers; FTEs as of 01/01/2007

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	
2016	396,815	(1)	$ 6,958,944,655	$ 17,537	(10)	$ 26,150	(10)	35.7	(1)
2015	396,815	(1)	$ 6,918,866,340	17,436	(9)	26,179	(9)	35.7	(1)
2014	396,815	(1)	6,742,680,480	16,992	(8)	26,217	(8)	35.7	(1)
2013	396,815	(1)	6,671,253,780	16,812	(7)	26,556	(7)	35.7	(1)
2012	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2011	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2010	396,815	(1)	6,468,878,130	16,302	(1)	27,349	(1)	35.7	(1)
2009	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)
2008	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)
2007	478,403	(2)	6,836,857,273	14,291	(2)	25,928	(2)	33	(2)



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

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

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

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

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

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

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

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

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

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

Educational Attainment: Bachelor's Degree or Higher		School Enrollment (3)	City Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value (5) (Amounts in Thousands)
15.6%	(10)	39,125	6.9%	$ 59,403	$ 4,589,438
15.2	(9)	38,555	5.2	67,280	4,948,114
14.9	(8)	37,967	7.8	54,549	4,899,952
14.0	(7)	38,725	9.3	59,737	4,868,768
13.1	(1)	42,883	8.5	55,774	5,631,261
13.1	(1)	45,060	10.0	54,638	5,640,270
13.1	(1)	47,615	11.5	60,398	5,513,219
11.4	(2)	74,615	10.6	57,075	5,937,459
11.4	(2)	50,078	8.8	50,515	6,114,332
11.4	(2)	52,769	7.6	57,230	6,457,248

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City of Cleveland, Ohio

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Years

Function/Program	2016	2015	2014	2013
General Government				
Council	65.50	60.50	61.00	60.00
Mayor's Office	25.00	23.00	22.50	25.50
Office of Capital Projects	49.00	55.50	50.50	49.50
Landmarks Commission	3.00	3.50	4.00	5.00
Building Standards and Appeals	5.50	5.50	5.50	6.00
Board of Zoning Appeals	4.50	4.00	4.50	4.50
Civil Service Commission	8.50	8.50	9.50	10.00
Community Relations Board	22.00	23.00	24.00	22.00
City Planning Commission	20.50	21.50	22.50	20.50
Equal Employment Opportunity	6.00	8.50	10.00	8.50
Court	446.00	448.00	457.50	465.50
Office of Budget Administration	7.00	7.00	7.00	8.00
Aging	19.00	23.50	21.00	22.00
Personnel and Human Resources	12.00	15.50	17.00	19.00
Consumer Affairs				
Law	73.50	71.50	76.50	77.00
Finance	239.50	238.50	226.00	222.50
Security of Persons and Property				
Administration	37.00	35.00	48.50	42.50
Police	1,826.50	1,903.00	1,901.00	1,913.50
Fire	696.00	705.00	707.00	730.00
EMS	244.00	238.00	224.00	232.00
Dog Pound	18.00	18.00	17.00	17.00
House of Corrections	117.50	117.50	127.00	131.50
Department of Justice Compliance	13.50	8.50		
Public Health Services	135.00	139.00	138.00	133.00
Leisure Time Activities				
Parks, Recreation and Property Administration				
Research, Planning and Development				
Recreation	203.00	202.50	200.50	191.50
Public Auditorium, Westside Market and Cleveland Stadium (3)	53.00	55.00	54.50	54.00
Parking Facilities	40.00	42.50	40.00	40.50
Property Management	64.50	67.50	73.50	72.50
Parks Maintenance	132.00	128.00	133.00	130.00
Community Development	61.50	63.00	74.00	76.00
Building and Housing	119.00	109.00	115.00	117.00
Economic Development	26.00	26.00	25.00	29.00
Public Works				
Public Works Administration	34.00	36.00	38.00	37.00
Architecture				
Waste Collection and Disposal	179.50	171.00	192.50	199.50
Engineering and Construction				
Motor Vehicle Maintenance	70.00	72.00	66.00	68.00
Streets	252.00	257.00	249.00	248.00
Traffic Engineering	29.00	30.00	29.00	29.00
Port Control	393.50	410.00	383.00	392.00
Basic Utility Services				
Water	980.00	1,013.00	1,008.00	1,042.50
Cleveland Public Power	248.00	244.00	266.00	316.00
Water Pollution Control	123.00	121.00	134.50	135.00
Totals:	7,102.00	7,229.00	7,263.00	7,402.50

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

(1) House of Corrections was moved from Public Health to Public Safety in 2007.
(2) In 2012, a departmental reorganization occurred that merged the departments of Public Service with Parks, Recreation and Properties becoming the Department of Public Works. The Office of Capital Projects was created from the Divisions of Architecture, Engineering and Construction and Research, Planning and Development and is reported under General Government. In addition, the Division of Consumer Affairs was merged with Community Development and was moved from General Government.
(3) In 2010, the Convention Center was sold to Cuyahoga County; however, the City continues to maintain and operate the Public Auditorium.

Source: City Payroll Department.

2012	2011	2010	2009	2008	2007
61.50	63.00	62.00	65.50	64.50	62.50
25.50	24.50	25.50	25.50	27.50	26.00
46.00 (2)					
5.00	5.00	5.50	5.50	5.50	5.50
6.00	6.00	5.50	5.50	5.50	5.50
4.50	4.50	4.00	4.50	4.50	4.50
10.00	9.50	11.00	10.50	10.00	11.50
24.00	28.00	30.50	29.00	27.50	27.00
20.50	21.50	24.00	24.00	23.00	26.00
8.00	8.00	10.00	10.00	11.00	13.00
461.00	479.50	531.00	542.50	541.50	551.00
7.00	7.00	7.00	5.50	7.00	8.00
22.00	25.00	24.50	21.50	21.00	22.50
18.00	16.00	16.50	15.00	17.00	20.00
(2)	4.00	3.00	5.00	6.00	5.00
72.50	76.00	87.00	88.50	86.50	89.50
232.00	234.00	241.50	248.50	250.50	255.00
36.50	36.50	40.00	39.00	39.00	42.50
1,873.00	1,869.50	1,983.50	2,079.00	2,095.50	2,105.00
729.00	803.00	875.00	894.00	883.00	902.00
232.00	214.00	218.00	236.00	252.00	288.00
14.50	15.00	16.00	15.00	14.50	14.50
133.00	153.00	170.00	188.00	176.50	183.50 (1)
125.50	140.50	159.50	168.50	169.50	168.50 (1)
(2)	8.00	7.00	7.00	7.00	8.00
(2)	5.00	6.00	8.00	9.00	9.00
190.50	189.00	230.00	238.00	233.50	238.00
42.50	29.50	27.50	31.00	54.50	59.50
39.50	42.50	42.50	41.00	44.50	49.00
70.50	73.50	81.50	84.50	87.50	89.50
119.00	126.00	140.00	141.00	151.00	164.00
78.50	76.50	87.00	86.00	77.50	78.50
113.00	120.00	134.50	142.00	147.00	161.00
26.00	28.00	34.00	68.00	73.00	88.00
34.00	5.50	4.50	4.50	5.00	5.00
(2)	5.00	6.00	6.00	7.00	8.00
206.50	212.50	238.50	253.50	225.50	252.50
(2)	31.50	59.50	61.50	60.50	65.50
68.00	75.00	81.00	85.00	86.00	95.00
260.00	285.00	257.50	271.50	283.50	306.00
29.00	36.00	38.00	39.00	40.00	41.00
404.50	418.00	446.50	447.50	406.50	386.00
1,093.00	1,157.00	1,164.50	1,179.50	1,215.50	1,194.00
335.00	358.00	345.00	343.00	340.00	341.00
136.00	148.50	158.00	157.00	150.00	157.00
7,412.50	7,673.00	8,139.50	8,420.50	8,442.50	8,632.00

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2016	2015	2014	2013	2012
General Government					
Council and Clerk					
Number of ordinances passed	526	621	582	642	631
Number of resolutions adopted	587	564	696	686	739
Number of other actions (communications, tabled legislation, etc.)	353	399			
Number of planning commission docket items (4)	310	127	232	267	359
Zoning board of appeals docket items	325	274	256	276	237
Finance Department					
Number of payments issued	37,602	37,931	37,689	37,257	38,010
Total amount of payments	$ 1,526,411,690	$ 1,463,635,524	$ 1,423,313,034	$ 1,454,825,245	$ 1,236,189,641
Interest earnings for fiscal year (cash basis)	$ 4,638,092	$ 1,669,023	$ 2,004,466	$ 2,922,320	$ 3,283,638
Number of receiving warrants (8)	33,848	34,912	36,245	33,006	32,087
Number of journal entries issued (8)	189,424	260,377	206,253	176,343	190,554
Number of budget adjustments issued	2	2	4	5	4
Agency ratings - Standard & Poor's (1)	AA	AA	AA	AA	AA
Agency ratings - Moody's Financial Services (1)	A1	A1	A1	A1	A1
Health insurance costs vs. General Fund expenditures %	18%	17%	15%	15%	15%
General Fund receipts (cash basis in thousands)	$ 513,561	$ 495,331	$ 502,860	$ 511,253	$ 501,018
General Fund expenditures (cash basis in thousands)	$ 483,971	$ 481,730	$ 487,584	$ 485,912	$ 468,543
General Fund cash balances (in thousands)	$ 61,405	$ 79,239	$ 92,693	$ 89,988	$ 84,869
Income Tax Department					
Number of individual returns	174,471	181,382	181,811	188,767	192,362
Number of business returns	22,352	28,502	29,866	22,601	25,140
Number of business withholding accounts	13,867	13,863	13,857	13,914	14,414
Amount of penalties and interest collected	$ 1,980,758	$ 2,010,333	$ 1,848,347	$ 1,880,485	$ 1,771,088
Annual number of corporate withholding forms processed	156,603	153,640	149,291	143,976	147,175
Annual number of balance due statements forms processed	41,688	41,837	38,059	39,012	37,642
Annual number of estimated payment forms processed	40,598	39,577	42,027	40,932	41,813
Annual number of reconciliations of withholdings processed	11,728	12,248	11,851	10,737	11,416
Engineer Contracted Services					
Dollar amount of construction overseen by engineer (2)	$ 59,585,941	$ 104,493,079	$ 52,004,000	$ 30,424,253	$ 25,400,000
Municipal Court					
Number of civil cases (10)	18,646	19,411	18,910	7,534	9,451
Number of criminal cases (10)	64,050	78,238	103,098	109,740	110,754
Vital Statistics					
Certificates filed (3)					
Number of births	18,607	18,524	17,061	16,448	17,264
Number of deaths	14,832	14,349	13,509	13,460	13,016
Number of fetal deaths	385	407	337	380	384
Certificates issued (3)					
Number of births	58,611	58,513	55,753	57,935	57,297
Number of deaths	63,348	63,930	60,897	61,717	60,173
Civil Service					
Number of police entry tests administered	1	1	1	1	
Number of fire entry tests administered			1		
Number of police promotional tests administered			3		
Number of fire promotional tests administered			4	4	
Number of hires of police officers from certified lists	56	45	103	47	50
Number of hires of fire/medics from certified lists	29	40	37	33	
Number of promotions from police certified lists	30	48	4	36	33
Number of promotions from fire certified lists	33	16	49	29	42

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

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2016	2015	2014	2013	2012
Building Department Indicators					
Construction permits issued	16,125	15,038	14,002	15,760	16,245
Estimated value of construction	$ 1,468,917,169	$ 1,430,231,410	$ 951,833,168	$ 898,217,589	$ 1,033,330,550
Number of other permits issued	2,820	3,274	4,560	4,632	4,854
Amount of revenue generated from permits	$ 12,799,847	$ 11,580,333	$ 8,318,937	$ 8,727,385	$ 7,867,168
Number of contract registrations issued	3,202	3,262	2,395	2,357	2,802
Annual apartment/rooming house license fees	$ 1,582,496	$ 1,515,849	$ 1,340,845	$ 1,382,001	$ 1,305,182
Security of Persons and Property					
Police					
Number of traffic citations issued	49,084	64,565	89,835	111,271	121,474
Number of parking citations issued	32,516	39,862	37,569	36,678	42,404
Number of criminal arrests	19,670	24,308	31,633	33,742	35,730
Number of accident reports completed	18,256	17,712	15,575	15,806	14,549
Part 1 offenses (major offenses)	34,158	29,048	33,975	37,125	39,028
OVI arrests (14)	491	387	693	779	790
Prisoners	14,214	17,284	21,201	23,935	35,251
Motor vehicle accidents	18,256	17,712	15,575	15,806	14,549
Fatalities from motor vehicle accidents	56	48	21	32	31
Community diversion program youths	119	108	105	98	152
Fire					
Fire calls - incoming for services (6)	70,988	68,983	64,357	61,728	65,040
Fires	2,752	2,469	2,431	2,478	2,846
Fires with loss	1,035	1,591	1,441	1,403	1,372
Fires with losses exceeding $10K	344	346	310	247	259
Fire losses $	$ 15,495,855	$ 18,625,607	$ 16,936,874	$ 9,634,925	$ 13,128,848
Fire safety inspections	9,059	12,963	12,730	10,110	13,380
Number of times mutual aid given to fire			5	2	30
EMS					
EMS calls - incoming for service	116,056	115,303	109,045	106,385	96,359
Ambulance billing collections (net)	$ 13,157,301	$ 10,348,422	$ 12,214,724	$ 11,589,324	$ 12,051,964
Public Health and Welfare					
Number of health inspections					
Barber shops	124	211	360	303	333
Food	7,041	7,356	7,187	7,796	7,674
Hotels/motels	42	36	35	22	38
Marinas					
Mobile home parks					5
Laundries	77	54	68	81	62
Nuisance	1,176	2,450	17,117	22,375	21,118
Pools	114	165	147	132	161
Schools	293	398	417	547	419
Day care inspections	181	187	194	188	161
Maternity inspections	1		1	2	
Abortion inspections	4	4	4	5	5
Cemetery burials					
Cemetery cremations	263	260	249	179	196

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

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2016	2015	2014	2013	2012
Leisure Time Activities					
Recreation men and women leagues receipts	$ 1,305	$ 1,425	$ 2,940	$ 3,407	$ 9,862
Economic Development					
Grant amounts received (Amounts in Thousands) (13)	$ 10,107	$ 8,244	$ 12,856	$ 3,045	$ 5,856
Public Works					
Street improvements - asphalt overlay (square yards) (9)	279,170	244,774	244,500	297,183	212,032
Crackseal coating program (linear feet) (9)	252,160	320,785	662,225		
Street repair (curbs, aprons, berms, asphalt) (hours)	118,560	136,993	152,214	138,034	117,239
Guardrail repair (hours) (11)	380	765	114	131	100
Paint striping					
Lane line (miles)	629	485	640	672	661
Crosswalks (each)	6,007	3,783	4,476	4,227	4,952
Arrows (each)	3,853	3,664	3,684	3,928	4,273
Street sweeper (hours) (11)	672	744	992	1,132	2,176
Cold patch (hours)	6,400	12,960	11,376	9,143	19,271
Snow and ice removal regular hours	70,137	88,865	89,234	86,978	87,369
Snow and ice removal overtime hours	16,244	14,876	18,791	19,212	18,912
Leaf collection (hours) (12)					
Holiday lights setup (hours) (7)	240	240	275	300	500
Equipment repair/body shop (hours)	2,060	2,110	2,200	2,215	4,196
Tons of snow melting salt purchased November-March	57,424	61,447	73,888	57,966	40,236
Cost of salt purchased	$ 3,037,155	$ 3,147,313	$ 2,538,951	$ 1,972,003	$ 1,834,359
Refuse disposal per year (in tons) (15)	241,911	217,083	209,410	214,561	212,367
Refuse disposal costs per year (15)	$ 5,552,840	$ 5,729,541	$ 5,466,793	$ 5,258,741	$ 5,723,227
Annual recycling tonnage (excluding leaf, and compost items)	25,600	21,809	17,900	15,893	14,146
Percentage of waste recycled	9.45%	9.54%	11.00%	13.00%	10.06%
Port Control					
Cleveland Hopkins Airport					
Landed weight (in thousands of pounds)	5,117,105	5,118,972	4,773,831	5,732,142	5,732,148
Total operations	118,653	117,773	137,363	181,340	180,944
Total passengers	8,422,676	8,100,073	7,609,404	9,072,045	9,010,077
Total enplaned passengers	4,205,739	4,046,634	3,797,261	4,525,612	4,495,353
Burke Lakefront Airport					
Total operations	53,495	63,603	66,862	68,665	72,916
Total passengers	163,696	161,006	155,583	148,294	184,427
Total enplaned passengers	81,934	80,724	77,984	74,385	92,160
Water Department					
Water rates per 1st 600 cubic feet of water used (5)	$ 19.26	$ 19.26	$ 17.34	$ 15.51	$ 13.76
Average number of water accounts billed monthly	138,816	139,823	139,460	139,201	139,023
Total water collections annually (including P&I)	$ 282,194,878	$ 273,223,067	$ 261,928,659	$ 250,250,867	$ 246,046,531
Payments to Cleveland for bulk water purchases	$ 21,309,226	$ 21,889,987	$ 21,810,862	$ 20,194,830	$ 21,271,504
Wastewater Department					
Sewer and sanitary calls for service	4,537	3,919	5,859	4,856	4,035
After hours sewer calls (hours)	180	438	381	227	167
Electric Power					
KWH Sold	1,612,905,829	1,616,459,441	1,618,081,248	1,620,996,815	1,617,569,577
Average accounts billed per month	73,340	73,661	73,746	74,208	74,238
Receipts	$ 191,759,714	$ 194,358,017	$ 183,571,523	$ 170,397,373	$ 170,009,696

(1) General obligation bond rating.
(2) Amounts are new construction starts. The majority of engineering and construction projects are multi-year projects.
(3) Includes entire area serviced by the Division of Vital Statistics (i.e., Cleveland + suburbs).
(4) Beginning 2007, administratively approved cases no longer included.
(5) This is the rate for the City of Cleveland residents only. In 2012 rates changed from per 1000 cubic feet to per 600 cubic feet.
(6) Fire Calls was changed to "Fire calls-Incoming for service" and all years adjusted beginning 2004 to reflect all calls for service received.
(7) Holiday light setup was contracted to an outside agency in 2009, 2010 and 2011.
(8) The City went "live" on a new financial system in January 2010. The new system creates journal entries at the transaction level instead of at the summary level like the prior financial system.
(9) No program was available for asphalt overlay in 2010 and a new program was implemented for crackseal coating. In 2011, this program ended due to state budget cuts and the asphalt overlay program was again funded.
(10) 2010 data has been changed. Figures included cases from prior years.
(11) Street sweeping was limited in 2011 and 2012 due to state imposed budget cuts.
(12) Beginning in 2011, the City no longer provides an organized leaf collection program.
(13) Economic Development grants received were restated in 2011 for all years shown. They include Neighborhood Development Investment Fund, Supplemental Empowerment Zone, Economic Development Funds, Urban Development Action Funds, WIA Grants and Core City Program Funds. Beginning in 2011 WIA Grants were moved to General Government.
(14) In 2013, OVI arrests, operating a vehicle impaired, is formerly known as DUI arrests, driving under the influence. They are both counted using the same measures; however, the State of Ohio now refers to them as OVI as does the City of Cleveland.
(15) Prior to 2015 , Public Work reported the refuse disposal and it's cost as of August through July. Public Works provides calculations base on the calendar year.

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

(Concluded)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2016	2015	2014	2013	2012
General Government					
Square footage occupied (4)	3,075,124	3,659,100	3,659,100	3,659,100	3,690,000
Administrative vehicles	36	35	41	38	37
Police					
Stations	5	5	5	5	5
Square footage of buildings (1)	783,546	614,500	553,100	553,100	553,100
Vehicles	805	842	867	823	825
Fire					
Stations	26	26	26	26	26
Square footage of buildings	311,655	313,224	313,224	313,224	313,224
Vehicles	135	92	95	91	104
EMS					
Stations (headquarters)	1	1	1	1	1
Square footage of buildings	52,776	33,000	33,000	33,000	33,000
Vehicles	56	46	47	47	45
Port Control (Hopkins)					
Runways	3	3	3	3	3
Terminal area (approximate square footage)	935,000	935,000	935,000	935,000	935,000
Gates (7)	65	65	65	96	96
Parking spaces (approximately)					
CLE Smart Park Garage (6)	3,811	3,811	3,997	3,959	
Long-term					2,600
Short-term					3,900
Surface	2,095	2,055	1,544	1,100	640
Total parking spaces	5,906	5,866	5,541	5,059	7,140
Vehicles	329	313	320	315	335
Other Public Works					
Streets (miles)	1,300	1,300	1,300	1,300	1,300
Service vehicles (5)	1,686	1,646	1,500	1,539	1,906

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

(Continued)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2016	2015	2014	2013	2012
Recreation					
Number of parks	168	168	168	154	154
Number of playgrounds	108	109	109	110	110
Number of baseball diamonds	130	133	133	138	138
Number of tennis courts	92	90	90	119	119
Number of basketball courts					
Full	96	110	110	103	103
Half	11	10	10	10	10
Number of soccer fields	4	4	4	4	3
Number of recreation centers	21	21	21	21	21
Number of pools					
Indoor	19	19	19	19	19
Outdoor	22	22	22	21	20
Number of aquatic playgrounds	25	25	25	22	10
Number of golf courses (3)	2	2	2	2	2
Number of ice rinks	1	1	1	1	1
Number of roller rinks	1	1	1	1	1
Number of fine arts centers	1	1	1	1	1
Number of greenhouses	1	1	1	1	1
Number of camps	1	1	1	1	1
Number of Historical Baseball Parks	1				
Total park acreage	1,863	1,863	1,863	1,489	1,489
Vehicles	91	85	86	91	97
Wastewater					
Sanitary sewers (miles)	170	170	170	170	170
Storm sewers (miles)	199	199	199	199	199
Combined sewers (miles)	1,065	1,065	1,065	1,065	1,065
Vehicles	117	110	104	108	116
Electric Power					
Total Distribution lines (miles)	900	900			
Total Transmission lines (miles)	50	50			
Vehicles	265	217	221	216	284
Water Department					
Water lines (miles) (2)	3,315	3,300	3,139	3,051	2,839
Vehicles	740	596	675	658	736

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

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

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

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

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

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

(7) In 2014 the number of gates reflects physical gates. All prior years totals are the number of aircrafts that can be accomodated at any one time, including physical gates and parking positions.

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

(Concluded)

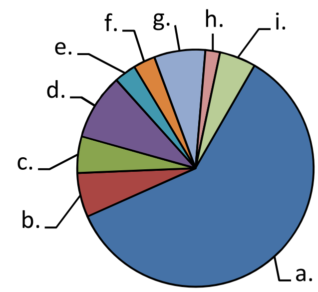
CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

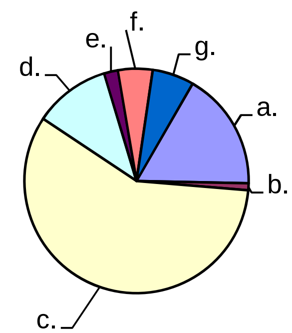
REVENUE DOLLAR BY SOURCE
Where the money came from

a. Income taxes	a.	$0.60
b. Property taxes	b.	0.06
c. State local government funds	c.	0.05
d. Other taxes	d.	0.09
e. Other shared revenues	e.	0.03
f. Licenses and permits	f.	0.03
g. Charges for services	g.	0.07
h. Fines, forfeits and settlements	h.	0.02
i. Miscellaneous	i.	0.05
		$1.00



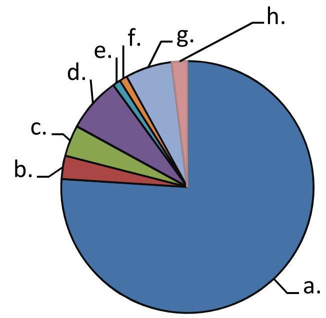
EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. General Government	a.	$0.17
b. Public Health	b.	0.01
c. Public Safety	c.	0.58
d. Public Works	d.	0.11
e. Building and Housing	e.	0.02
f. Economic and Community Development and other	f.	0.05
g. Transfers out	g.	0.06
		$1.00



EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries, wages and related benefits	a.	$0.76
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.07
e. Materials and supplies	e.	0.01
f. Maintenance	f.	0.01
g. Transfers out	g.	0.06
h. Claims, refunds and maintenance	h.	0.02
		$1.00



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CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY

DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2016

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio (the "Agency") as of and for the year ended December 31, 2016 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio as of December 31, 2016, and the changes in financial position and cash flows thereof, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Agency and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2016, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules on pages 37 through 39 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 27, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Finance, Division of Taxation, Central Collection Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the year ended December 31, 2016. Please read this information in conjunction with the Agency's financial statements and footnotes that begin on page 12.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland's Income Tax Ordinance providing the City's Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide for a central income tax collection facility. The Agency began with 14 member communities and during 2016 provided a full range of tax collection services for 75 member communities throughout 35 Ohio counties. Seven communities joined the Agency as new members in 2015-2016 with collections for all beginning in 2016. The Agency employs more than 100 individuals to process approximately one million returns, estimated payments and tax assessments.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Agency are $86,093,820 and $79,160,828 at December 31, 2016 and 2015 respectively; which also equal the liabilities, deferred inflows of resources and net position of the Agency. The Agency's total assets and deferred outflows of resources as well as the liabilities, deferred inflows of resources and net position increased by $6,932,992 in 2016. The change is primarily due to a recovering economy resulting in increased return on funds on deposit, and timing differences regarding the receipt and distribution of cash to member communities which directly effects cash balances and accounts receivable.

- The Agency fund total cash receipts were approximately $464 million in 2016 and $459 million in 2015. In 2016, cash receipts consisted of $373 million of employer withholding, $53 million of business profits, $34 million of individual payments and $4 million of other payments.

- The Agency's total operating expenses were $9,447,746 in 2016 and $9,423,966 in 2015. In 2016, operating expenses consisted of $6,240,038 of employee's wages and benefits, $1,356,054 of allocated charges and $1,851,654 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 operating expenses of the Agency to be reduced by interest income. The Agency's member municipalities also benefit by the Agency printing, mailing and delivering large volumes of income tax information and forms in bulk to local community public buildings and their taxpayers. This information is also available on the Agency's website – www.ccatax.ci.cleveland.oh.us.

- There were additions to capital assets of $40,552 for computer hardware upgrades for the Central Collection Agency's internal network.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The notes to the financial statements and accompanying schedules provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements, required supplementary information and accompanying schedules can be found on pages 17-39 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 internal service and agency funds of the Agency as of December 31, 2016 and 2015:

	2016	2015
Assets:		
Cash and cash equivalents	$ 9,608,951	$ 7,835,889
Capital assets, net of accumulated depreciation	141,550	160,344
Taxes receivable	72,507,361	68,961,521
Due from CCA internal service fund	1,086,569	988,457
Due from member municipalities	526,757	502,643
Total assets	83,871,188	78,448,854
Deferred outflows of resources	2,222,632	711,974
Liabilities:		
Accounts payable	181,640	193,166
Due to CCA agency fund	1,086,569	988,457
Due to the City of Cleveland	57,781,732	52,546,368
Due to member municipalities	24,087,670	23,974,117
Accrued wages and benefits - current	613,468	636,140
Accrued wages and benefits - long-term	120,109	110,606
Pension liability	5,365,647	3,617,001
Total liabilities	89,236,835	82,065,855
Deferred inflows of resources	129,961	66,270
Net Position:		
Net investment in capital assets	141,550	160,344
Unrestricted	(3,414,526)	(3,131,641)
Total net position	$ (3,272,976)	$ (2,971,297)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets: The Agency collects and disburses income tax receipts monthly, except for the Cities of Cleveland, Clayton, Montpelier and Union that receive advances intermittently during the month; the remaining tax receipts balance is disbursed on the scheduled monthly distribution date. Assets primarily consist of cash on hand and anticipated income tax receivable. Total assets and deferred outflows of resources increased by $6,932,992 in 2016. The annual changes are primarily due to changes in cash and cash equivalents due to timing differences in the receipt and distribution of cash to member communities, changes in the membership base and changes in taxes receivable.

Capital assets: The Agency's net investment in capital assets as of December 31, 2016 amounted to $141,550. The investment in capital assets include furniture, fixtures, equipment and vehicles. A summary of the Agency's capital assets during the year ended December 31, 2016 is as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
Furniture, fixtures, equipment and vehicles	$ 275,808	$ 40,552	$	$ 316,360
Total	275,808	40,552	-	316,360
Less: Accumulated depreciation	(115,464)	(59,346)		(174,810)
Total capital assets, net	$ 160,344	$ (18,794)	$ -	$ 141,550

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2016, the net increase in liabilities resulted from increases in amounts due to other communities, including Cleveland, timing difference between the receipt and distribution of cash and additional current pension reporting requirements.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

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

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

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, 2016 and 2015.

	Internal Service Fund	
	2016	2015
Operating Revenues		
Charges for services	$ 9,104,554	$ 9,532,518
Total operating revenues	9,104,554	9,532,518
Operating Expenses		
Salaries and wages	4,432,397	4,449,850
Employee benefits	1,807,641	1,420,136
Postage and office supplies	197,679	295,335
Allocation of City of Cleveland costs	1,356,054	1,420,199
Other administrative expenses	1,572,667	1,770,731
Property rental	21,962	22,913
Depreciation	59,346	44,802
Total operating expense	9,447,746	9,423,966
Operating income (loss)	(343,192)	108,552
Non-operating Activity		
Interest income	41,513	9,632
Change in net position	$ (301,679)	$ 118,184

Operating Revenues In 2016, charges for services decreased by $427,964. Charges for services are shared proportionately between all the members.

Operating Expenses: Salaries, wages and employee benefits increased by $370,052 mainly due to an increase in pension expense. In 2016, other administrative expenses decreased by $198,064 which is primarily due to fewer technology purchases, longer maintenance contracts and a telephone system upgrade agreement that was paid off early.

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

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

The operating budget for the Agency, as approved by the Cleveland City Council for 2017, provides for a conservative overall increase in budgeted expenditures of approximately 1.2%.

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.

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FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - ALL FUND TYPES
December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,910,167	$ 7,698,784
Taxes receivable		72,507,361
Due from CCA internal service fund		1,086,569
Due from member municipalities		526,757
TOTAL CURRENT ASSETS	1,910,167	81,819,471
CAPITAL ASSETS:		
Furniture, fixtures, equipment and vehicles	316,360	
Less: Accumulated depreciation	(174,810)	
CAPITAL ASSETS, NET	141,550	-
DEFERRED OUTFLOWS OF RESOURCES		
Pension	2,222,632	

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

STATEMENT OF NET POSITION - ALL FUND TYPES
December 31, 2016

	Proprietary Fund Type Internal Service	Fiduciary Fund Type Agency
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 181,640	$
Due to CCA agency fund	1,086,569	
Due to the City of Cleveland	49,931	57,731,801
Due to member municipalities		24,087,670
Accrued wages and benefits - current	613,468	
TOTAL CURRENT LIABILITIES	1,931,608	81,819,471
LONG-TERM LIABILITIES		
Pension liability	5,365,647	
Accrued wages and benefits	120,109	
TOTAL LONG-TERM LIABILITIES	5,485,756	-
DEFERRED INFLOWS OF RESOURCES		
Pension	129,961	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,547,325	81,819,471
NET POSITION		
Net investment in capital assets	141,550	
Unrestricted	(3,414,526)	
TOTAL NET POSITION	$ (3,272,976)	$ -

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Year Ended December 31, 2016

OPERATING REVENUES	
Charges for services	$ 9,104,554
TOTAL OPERATING REVENUES	9,104,554
OPERATING EXPENSES	
Salaries and wages	4,432,397
Employee benefits	1,807,641
Postage and office supplies	197,679
Allocation of City of Cleveland costs	1,356,054
Other administrative expenses	1,572,667
Property rental	21,962
Depreciation	59,346
TOTAL OPERATING EXPENSES	9,447,746
OPERATING INCOME (LOSS)	(343,192)
NON-OPERATING ACTIVITY	
Interest Income	41,513
CHANGE IN NET POSITION	(301,679)
NET POSITION AT BEGINNING OF YEAR	(2,971,297)
NET POSITION AT END OF YEAR	$ (3,272,976)

See notes to financial statements.

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

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from member municipalities	$ 9,202,665
Cash payments to suppliers of goods and services	(3,172,289)
Cash payments for employee services and benefits	(6,000,390)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	29,986
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(40,552)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES	(40,552)
CASH FLOWS FROM INTESTING ACTIVITIES	
Interest earned on investments	41,513
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	41,513
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,947
Cash and cash equivalents at beginning of year	1,879,220
Cash and cash equivalents at end of year	$ 1,910,167
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS	
Operating income (loss)	$ (343,192)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	59,346
Changes in deferred outflows of resources:	
Pension	(1,510,658)
Changes in liabilities:	
Accounts payable	(11,526)
Due to CCA agency fund	98,112
Due to City of Cleveland	(61,264)
Accrued wages and benefits	(13,169)
Pension liability	1,748,646
Changes in deferred inflows of resources:	
Pension	63,691
Total adjustments	373,178
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 29,986

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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 February of 2015, GASB Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required, the Agency has implemented GASB Statement No. 72 as of December 31, 2016.

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

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement* 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2015 —except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The Agency has determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the Agency has implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The Agency has determined that GASB Statement No. 77 has no impact on its financial statements as of December 31, 2016.

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

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Agency has determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* was issued. This statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the Agency has implemented GASB Statement No. 79 as of December 31, 2016.

The Agency's net position is accounted for in the accompanying statement of net position and is divided into amounts in net investment in capital assets and unrestricted. The negative unrestricted amount is primarily the unfunded pension liability and will not be passed along to members of the Agency.

Basis of Accounting*:* All financial transactions of the Agency are reported on the accrual basis of accounting. Under this accounting method, assets and the related liabilities at the end of the year primarily consist of individual income taxes receivable arising from payroll tax withholdings in December and a receivable for quarterly and annual payments of income taxes pertaining to net profits, self-employment and residents' taxes earned in the prior years. For accounting purposes, the agency fund is custodial in nature (assets and deferred outflows of resources equal liabilities and deferred inflows of resources) and does not involve the measurement of operations. Financial transactions for the internal service fund are reported on the accrual basis of accounting; revenues are recognized when earned and measurable and expenses are recognized as incurred. For accounting purposes, the operations of the internal service fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities, the economic resources measurement focus is used.

Supplies: Supplies are expensed when purchased.

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

Statement of Cash Flows: The Agency utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* for its internal service fund. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and investing activities.

For purposes of this statement, cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased and all of the Agency's share of the City of Cleveland's pooled cash accounts.

Allocation of Expenses: The Agency allocates all operating expenses, net of interest income and changes to unfunded pension liability, to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

Allocation of Interest Income: Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue.

The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date, and accordingly, interest income is allocated exclusively to the other members.

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

The Agency has invested funds in STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Agency measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2016

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

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Furniture, fixtures, equipment and vehicles	3 to 60 years

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

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

Compensated Absences: The Agency accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. Normally, all vacation time is to be taken in the year available. The Agency allows employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

NOTE C -- LONG-TERM LIABILITIES

Summary: Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
Accrued wages and benefits	$ 746,746	$ 622,971	$ (636,140)	$ 733,577	$ 613,468
Pension	3,617,001	1,748,646		5,365,647	
Total	$ 4,363,747	$ 2,371,617	$ (636,140)	$ 6,099,224	$ 613,468

NOTE D--DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2016 totaled $2,514,639 and the Agency's bank balances were $2,818,909. The differences represent outstanding warrants payable, positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $2,818,909 of the bank balances at December 31, 2016, respectively, was insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the city reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments is recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; STAR Ohio; commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded in segregated accounts and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the Agency, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2016

NOTE D--DEPOSITS AND INVESTMENTS (Continued)

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

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

Credit Risk: The Agency's investments as of December 31, 2016 include STAR Ohio and money market mutual funds. Investments in STAR Ohio and the Federated Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Agency places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Agency had the following investments at December 31, 2016, 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	2016 Value	2016 Cost	Investment Maturities Less Than One Year
STAROhio	$ 65,048	$ 65,048	$ 65,048
Money Market Mutual Funds	7,029,264	7,029,264	7,029,264
Total Investments	7,094,312	7,094,312	7,094,312
Total Deposits	2,514,639	2,514,639	2,514,639
Total Deposits and Investments	$ 9,608,951	$ 9,608,951	$ 9,608,951

These amounts are monies invested by the City Treasurer on behalf of the Agency and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value. Monies due to member agencies are disbursed from these funds on a monthly basis.

As of December 31, 2016, the investments in STAR Ohio and money market mutual funds are approximately 1% and 99%, of the Agency's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2016

NOTE E -- CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	$ 275,808	$ 40,552	$ -	$ 316,360
Total capital assets, being depreciated	275,808	40,552	-	316,360
Less: Total accumulated depreciation	(115,464)	(59,346)		(174,810)
Total capital assets, being depreciated, net	160,344	(18,794)	-	141,550
Capital assets, net	$ 160,344	$ (18,794)	$ -	$ 141,550

NOTE F -- DUE TO AND DUE FROM TRANSACTIONS

During the course of normal operations, the Agency has numerous transactions between its own funds and the municipalities which it serves, including transfers of resources to provide services. Such transactions are generally reflected as due to or due from account balances in the accompanying financial statements.

Individual due to and due from and certain payable balances as of December 31, 2016 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 1,086,569	$ 1,086,569
Due from member municipalities		526,757	526,757
Total Due From	$ -	$ 1,613,326	$ 1,613,326
Due to the CCA agency fund	$ 1,086,569	$	$ 1,086,569
Due to the City of Cleveland	49,931	57,731,801	57,781,732
Due to member municipalities		24,087,670	24,087,670
Total Due To	$ 1,136,500	$ 81,819,471	$ 82,955,971

NOTE G -- DEFINED BENEFIT PENSION PLAN

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2016

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Agency's contractually required contribution was $519,187 for 2016. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$ 5,365,647
Proportion of Net Pension Liability	0.033857%
Pension Expense	$ 914,897

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2016, the Agency's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 1,703,445
Agency contributions subsequent to the measurement date	519,187
Total Deferred Outflows of Resources	$ 2,222,632
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 110,362
Change in Agency's proportionate share	19,599
Total Deferred Inflows of Resources	$ 129,961

The $519,187 reported as deferred outflows of resources related to pension resulting from the Agency's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2017	$ 366,230
2018	390,701
2019	431,628
2020	390,374
2021	(737)
Thereafter	(4,712)
Total	$ 1,573,484

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

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25 to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple
	through 2018, then 2.8%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

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

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

During 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care portfolios. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is .4% for 2015.

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Agency's proportionate share of the net pension liability	$ 8,447,032	$ 5,365,647	$ 2,766,502

NOTE H -- OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

NOTE H -- OTHER POSTEMPLOYMENT BENEFITS (Continued)

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

***Funding Policy - Ohio Public Employees Retirement System*:** The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Agency's actual contributions to OPERS to fund postemployment benefits were $88,000 in 2016, $87,000 in 2015 and $77,000 in 2014. The required payments due in 2016, 2015 and 2014 have been made.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2016

NOTE I -- RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. These costs, as reported in the statement of revenues and expenses of the internal service fund for the years ended December 31, 2016 were as follows:

City administration	$ 499,550
Office rent	425,000
Telephone	54,900
Utilities	175,905
Parking Facilities	2,160
Printing services	186,694
Motor Vehicle Maintenance	6,363
Other	5,482
Total	$ 1,356,054

NOTE J -- DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $526,757 at December 31, 2016 as accrued wages and benefits. These amounts are recorded as due from member municipalities in the agency fund.

NOTE K -- CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Agency for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Agency's financial position, results of operations or cash flows.

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 2016.

The City provides the choice of three separate health insurance plans to its employees until March 31, 2016. As of April 1, 2016, the City provided the choice of two separate health self-insurance plans to its employees. The Agency is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

NOTE K -- 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

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
ASSETS				
Cash and cash equivalents	$ 5,956,669	$ 464,290,828	$ (462,548,713)	$ 7,698,784
Taxes receivable	68,961,521	72,507,361	(68,961,521)	72,507,361
Due from the CCA internal service fund	988,457	1,086,569	(988,457)	1,086,569
Due from member municipalities	502,643	526,757	(502,643)	526,757
TOTAL ASSETS	$ 76,409,290	$ 538,411,515	$ (533,001,334)	$ 81,819,471
LIABILITIES				
Due to the City of Cleveland	$ 52,435,173	$ 432,790,616	$ (427,493,988)	$ 57,731,801
Due to member municipalities	23,974,117	105,620,899	(105,507,346)	24,087,670
TOTAL LIABILITIES	$ 76,409,290	$ 538,411,515	$ (533,001,334)	$ 81,819,471

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014	2013
Agency's Proportion of the Net Pension Liability	0.033857%	0.030085%	0.030085%
Agency's Proprotionate Share of the Net Pension Liability (Asset)	$ 5,365,647	$ 3,617,001	$ 3,541,261
Agency's Covered - Employee Payroll	$ 4,316,792	$ 3,764,833	$ 3,409,992
Agency's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	124.30%	96.07%	103.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 is not available. The Agency will continue to present information for years available until a full ten-year trend is compiled.

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

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

	2016	2015	2014	2013
Contractually Required Contributions	$ 519,187	$ 518,015	$ 451,780	$ 443,299
Contributions in Relation to the Contractually Required Contributions	$ (519,187)	$ (518,015)	$ (451,780)	$ (443,299)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Agency Covered-employee Payroll	$ 4,326,558	$ 4,316,792	$ 3,764,833	$ 3,409,992
Contribution as a Percentage of Covered - Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Members	Balance Collected and Due Members January 1, 2016	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31, 2016
Ada	$ 174,020.01	$ 1,854,734.62	$ 2,028,754.63	$ 1,811,340.92	$ 53,768.08	$ 1,865,109.00	$ 163,645.63
Akron	(285.76)	9,889.39	9,603.63	7,040.21	2,472.35	9,512.56	91.07
Alger	(1,227.09)	46,048.35	44,821.26	39,562.86	6,330.32	45,893.18	(1,071.92)
Alliance	(1,150.35)	31,629.45	30,479.10	20,840.99	7,916.11	28,757.10	1,722.00
Athens	828.00	7,121.04	7,949.04	6,094.04	1,841.66	7,935.70	13.34
Barberton	935,182.33	13,560,217.76	14,495,400.09	13,252,360.03	309,159.67	13,561,519.70	933,880.39
Barnesville	(46.07)		(46.07)				(46.07)
Bedford	(399.43)	577.00	177.57	65.00	144.25	209.25	(31.68)
Bradner	2,707.11	143,884.33	146,591.44	131,760.34	11,250.00	143,010.34	3,581.10
Bratenahl	183,472.28	1,814,795.38	1,998,267.66	1,627,707.02	38,365.54	1,666,072.56	332,195.10
Burton	63,785.54	578,040.95	641,826.49	571,000.32	27,485.97	598,486.29	43,340.20
Carey		788,325.24	788,325.24	653,097.43	18,393.22	671,490.65	116,834.59
Centerville	498.80	3,638.06	4,136.86	3,216.86	909.52	4,126.38	10.48
Chillocothe	66.01	10,815.72	10,881.73	8,382.41	2,703.93	11,086.34	(204.61)
Clayton	1,949.98	3,635,814.80	3,637,764.78	3,374,426.44	121,251.28	3,495,677.72	142,087.06
Cleveland	282,121.42	365,918,815.86	366,200,937.28	356,507,206.06	6,484,473.99	362,991,680.05	3,209,257.23
Cuyahoga Falls	(723.79)	601.40	(122.39)		150.35	150.35	(272.74)
Dayton	4,029.54	19,729.10	23,758.64	17,984.44	5,779.29	23,763.73	(5.09)
Dresden	7,784.44	275,071.31	282,855.75	252,766.58	18,883.55	271,650.13	11,205.62
East Liverpool		53,063.75	53,063.75	38,385.94	13,310.86	51,696.80	1,366.95
Elida	23,533.15	483,782.09	507,315.24	445,730.59	29,520.01	475,250.60	32,064.64
Englewood	(153.24)	589.02	435.78	400.78	147.26	548.04	(112.26)
Franklin	183.50	2,023.34	2,206.84	1,564.36	505.84	2,070.20	136.64
Frazeysburg	5,697.08	171,173.00	176,870.08	147,430.97	13,000.66	160,431.63	16,438.45
Gates Mills	134,555.33	1,693,433.32	1,827,988.65	1,602,963.38	53,706.70	1,656,670.08	171,318.57
Geneva-on-the-Lake	12,409.05	244,459.38	256,868.43	230,209.07	14,895.41	245,104.48	11,763.95
Grand Rapids	4,560.84	199,883.49	204,444.33	178,972.86	18,907.83	197,880.69	6,563.64
Grand River	26,386.81	300,039.66	326,426.47	289,566.58	8,712.57	298,279.15	28,147.32
Hamilton	2,283.28	78,955.96	81,239.24	59,312.97	19,836.67	79,149.64	2,089.60
Hartville	(146.28)		(146.28)				(146.28)
Highland Hills	313,250.42	3,818,681.20	4,131,931.62	3,779,404.21	47,104.45	3,826,508.66	305,422.96
Huber Heights	829.71	3,155.36	3,985.07	2,958.89	788.84	3,747.73	237.34
Huntsville	2,675.99	72,921.19	75,597.18	65,202.23	7,184.00	72,386.23	3,210.95
Lakewood	840.74	2,217.60	3,058.34	2,458.76	554.40	3,013.16	45.18
Lancaster	83.08	1,025.00	1,108.08	783.08	256.25	1,039.33	68.75
Liberty Center	7,901.01	285,134.02	293,035.03	263,224.35	17,970.84	281,195.19	11,839.84
Lima	(0.29)	1,060.63	1,060.34	880.34	265.16	1,145.50	(85.16)
Linndale	4,690.17	62,976.95	67,667.12	61,395.65	2,194.14	63,589.79	4,077.33
London	160.10	2,836.92	2,997.02	1,862.74	709.23	2,571.97	425.05
Lorain	(107.90)	92,883.04	92,775.14	46,436.81	23,220.76	69,657.57	23,117.57
Madison	112,402.13	987,568.09	1,099,970.22	972,006.75	57,050.00	1,029,056.75	70,913.47
Medina	1,072,947.31	14,425,534.18	15,498,481.49	13,726,735.81	475,809.37	14,202,545.18	1,295,936.31
Mentor-on-the-Lake	65,438.30	942,317.18	1,007,755.48	881,646.78	44,161.89	925,808.67	81,946.81
Montgomery	(734.01)	25.00	(709.01)		6.25	6.25	(715.26)
Montpelier		428,259.51	428,259.51	360,869.06	7,787.64	368,656.70	59,602.81
Mt. Orab	12.05	390.00	402.05	267.45	97.50	364.95	37.10
Munroe Falls	73,479.31	1,225,674.82	1,299,154.13	1,142,305.59	51,486.25	1,193,791.84	105,362.29
Napoleon	(140.40)	1,379.50	1,239.10	893.94	344.88	1,238.82	0.28
New Carlisle		235.80	235.80		17.50	17.50	218.30
North Baltimore	71,112.02	801,811.24	872,923.26	758,084.61	37,601.51	795,686.12	77,237.14
North Perry	74,364.09	1,169,892.38	1,244,256.47	1,147,551.93	18,379.90	1,165,931.83	78,324.64
North Randall	175,249.80	2,143,596.95	2,318,846.75	2,114,931.82	37,355.82	2,152,287.64	166,559.11
Northfield	272,178.76	3,961,808.21	4,233,986.97	3,888,495.07	77,157.21	3,965,652.28	268,334.69
Norton	411,536.00	5,849,209.00	6,260,745.00	5,567,165.33	188,091.12	5,755,256.45	505,488.55
Orwell		815,815.49	815,815.49	736,428.52	19,052.57	755,481.09	60,334.40
Paulding	65,116.67	1,018,426.81	1,083,543.48	957,193.70	47,391.13	1,004,584.83	78,958.65
Peninsula	3,845.57		3,845.57	3,845.57		3,845.57	-
Rock Creek		103,884.33	103,884.33	96,990.28	6,517.99	103,508.27	376.06
Rocky River	1,156,415.95	694,497.18	1,850,913.13	1,825,768.13	25,145.00	1,850,913.13	-
Rushsylvania	1,444.76	76,319.85	77,764.61	68,503.77	4,833.86	73,337.63	4,426.98
Russells Point	13,158.92	280,162.50	293,321.42	253,017.24	19,825.22	272,842.46	20,478.96
Salem	(489.27)	150.00	(339.27)	(414.27)	37.50	(376.77)	37.50
Seville	73,553.52	908,504.97	982,058.49	864,928.84	48,097.10	913,025.94	69,032.55
South Russell	129,028.78	1,692,088.91	1,821,117.69	1,588,636.19	65,926.94	1,654,563.13	166,554.56
Springfield	395.82	16,621.29	17,017.11	11,607.11	4,155.32	15,762.43	1,254.68
Stow	(107.57)	1,632.95	1,525.38	1,061.63	408.24	1,469.87	55.51
Timberlake	1,207.56	83,897.09	85,104.65	72,412.75	8,387.65	80,800.40	4,304.25
Trotwood	(49.72)	6,317.95	6,268.23	3,758.80	1,579.49	5,338.29	929.94
Troy	(73.78)	448.00	374.22	294.22	112.00	406.22	(32.00)
Union	36,130.32	1,049,083.59	1,085,213.91	1,036,061.68	51,831.90	1,087,893.58	(2,679.67)
Village of Oakwood	3,981.47	70,308.38	74,289.85	66,530.14	7,134.40	73,664.54	625.31
Wadsworth	605,581.93	243,765.83	849,347.76	838,152.76	11,195.00	849,347.76	-
Warren	(92.40)	16,674.63	16,582.23	8,658.48	4,168.66	12,827.14	3,755.09
Warrensville Heights	1,397,245.08	16,735,678.99	18,132,924.07	16,420,918.51	287,088.20	16,708,006.71	1,424,917.36
Waynesfield	7,917.56	131,147.35	139,064.91	121,591.60	9,687.41	131,279.01	7,785.90
West Alexandria		291,595.91	291,595.91	274,438.07	16,966.25	291,404.32	191.59
West Liberty	25,428.82	424,058.77	449,487.59	396,945.52	25,338.78	422,284.30	27,203.29
West Milton	169.62	1,349,195.60	1,349,365.22	1,231,419.17	59,597.92	1,291,017.09	58,348.13
Wickliffe	(193.26)	8.00	(185.26)		2.00	2.00	(187.26)
Wilmington	(221.48)	2,624.33	2,402.85	1,660.62	656.08	2,316.70	86.15
Totals	$ 8,039,485.75	$ 454,220,655.24	$ 462,260,140.99	$ 442,945,359.68	$ 9,104,554.41	$ 452,049,914.09	$ 10,210,226.90

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE ENTIRE YEAR ENDED DECEMBER 31, 2016

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities	Allocation of Net Operating Expenses
Ada	0.716694%	2.256318%	$ 54,704.74	$ 936.66	$ 53,768.08
Akron	0.000000%	0.000000%	2,472.35		2,472.35
Alger	0.083266%	0.060919%	6,355.61	25.29	6,330.32
Alliance	0.000000%	0.000000%	7,916.11		7,916.11
Athens	0.000000%	0.000000%	1,841.66		1,841.66
Barberton	4.140397%	16.558716%	316,033.66	6,873.99	309,159.67
Bedford	0.000000%	0.000000%	144.25		144.25
Bradner	0.151672%	0.000000%	11,250.00		11,250.00
Bratenahl	0.514586%	2.198005%	39,277.99	912.45	38,365.54
Burton	0.363918%	0.702464%	27,777.58	291.61	27,485.97
Carey	0.246111%	0.944986%	18,785.51	392.29	18,393.22
Centerville	0.000000%	0.000000%	909.52		909.52
Chillicothe	0.000000%	0.000000%	2,703.93		2,703.93
Clayton	1.612481%	4.404141%	123,079.56	1,828.28	121,251.28
Cleveland	66.405947%	0.000000%	6,484,473.99		6,484,473.99
Cuyahoga Falls	0.000000%	0.000000%	150.35		150.35
Dayton	0.000000%	0.000000%	5,779.29		5,779.29
Dresden	0.249207%	0.333034%	19,021.80	138.25	18,883.55
East Liverpool	0.000000%	0.000000%	13,310.86		13,310.86
Elida	0.390047%	0.606984%	29,771.99	251.98	29,520.01
Englewood	0.000000%	0.000000%	147.26		147.26
Franklin	0.000000%	0.000000%	505.84		505.84
Frazeysburg	0.171453%	0.207780%	13,086.92	86.26	13,000.66
Gates Mills	0.714917%	2.077441%	54,569.10	862.40	53,706.70
Geneva-on-the-Lake	0.196764%	0.297338%	15,018.84	123.43	14,895.41
Grand Rapids	0.249061%	0.247661%	19,010.64	102.81	18,907.83
Grand River	0.116128%	0.364629%	8,863.94	151.37	8,712.57
Hamilton	0.000000%	0.000000%	19,836.67		19,836.67
Highland Hills	0.642200%	4.611193%	49,018.69	1,914.24	47,104.45
Huber Heights	0.000000%	0.000000%	788.84		788.84
Huntsville	0.094623%	0.092793%	7,222.52	38.52	7,184.00
Lakewood	0.000000%	0.000000%	554.40		554.40
Lancaster	0.000000%	0.000000%	256.25		256.25
Liberty Center	0.237326%	0.347109%	18,114.93	144.09	17,970.84
Lima	0.000000%	0.000000%	265.16		265.16
Linndale	0.029163%	0.076822%	2,226.03	31.89	2,194.14
London	0.000000%	0.000000%	709.23		709.23
Lorain	0.000000%	0.000000%	23,220.76		23,220.76
Madison	0.793385%	0.000000%	57,050.00		57,050.00
Medina	6.331188%	17.936307%	483,255.23	7,445.86	475,809.37
Mentor-on-the-Lake	0.584910%	1.165649%	44,645.78	483.89	44,161.89
Montgomery	0.000000%	0.000000%	6.25		6.25
Montpelier	0.104869%	0.522670%	8,004.61	216.97	7,787.64
Mt. Orab	0.000000%	0.000000%	97.50		97.50
Munroe Falls	0.682667%	1.496565%	52,107.52	621.27	51,486.25
Napoleon	0.000000%	0.000000%	344.88		344.88
New Carlisle	0.000231%	0.000283%	17.62	0.12	17.50
North Baltimore	0.498022%	0.992890%	38,013.69	412.18	37,601.51
North Perry	0.248491%	1.414536%	18,967.11	587.21	18,379.90
North Randall	0.503441%	2.581140%	38,427.32	1,071.50	37,355.82
Northfield	1.010846%	0.000000%	77,157.21		77,157.21
Norton	2.502814%	7.098863%	191,038.06	2,946.94	188,091.12
Orwell	0.254997%	0.990489%	19,463.75	411.18	19,052.57
Paulding	0.627613%	1.238458%	47,905.25	514.12	47,391.13
Rock Creek	0.086072%	0.124860%	6,569.82	51.83	6,517.99
Rocky River	0.234970%	0.000000%	25,145.00		25,145.00
Rushsylvania	0.063826%	0.091456%	4,871.83	37.97	4,833.86
Russells Point	0.261580%	0.339654%	19,966.22	141.00	19,825.22
Salem	0.000000%	0.000000%	37.50		37.50
Seville	0.636126%	1.103192%	48,555.07	457.97	48,097.10
South Russell	0.875122%	2.096967%	66,797.45	870.51	65,926.94
Springfield	0.000000%	0.000000%	4,155.32		4,155.32
Stow	0.000000%	0.000000%	408.24		408.24
Timberlake	0.110447%	0.102755%	8,430.31	42.66	8,387.65
Trotwood	0.000000%	0.000000%	1,579.49		1,579.49
Troy	0.000000%	0.000000%	112.00		112.00
Union	0.685984%	1.273830%	52,360.70	528.80	51,831.90
Village of Oakwood	0.093949%	0.088344%	7,171.07	36.67	7,134.40
Wadsworth	0.134519%	0.000000%	11,195.00		11,195.00
Warren	0.000000%	0.000000%	4,168.66		4,168.66
Warrensville Heights	3.871465%	20.278212%	295,506.25	8,418.05	287,088.20
Waynesfield	0.127777%	0.158411%	9,753.17	65.76	9,687.41
West Alexandria	0.224190%	0.351804%	17,112.29	146.04	16,966.25
West Liberty	0.334805%	0.521905%	25,555.44	216.66	25,338.78
West Milton	0.789733%	1.642427%	60,279.74	681.82	59,597.92
Wickcliffe	0.000000%	0.000000%	2.00		2.00
Wilmington	0.000000%	0.000000%	656.08		656.08
Totals	100.000000%	100.000000%	$ 9,146,067.20	$ 41,512.79	$ 9,104,554.41

CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF INCOME TAXES RECEIVABLE
FOR YEAR ENDED DECEMBER 31, 2016

Ada	$	342,485.61
Akron		25.00
Alger		22,502.53
Alliance		4,566.94
Athens		52.00
Barberton		2,278,990.24
Bedford		100.00
Bratenahl		660,224.94
Burton		161,725.16
Carey		194,086.04
Chillicothe		332.95
Clayton		350,227.56
Cleveland		54,522,543.92
Dayton		3,221.51
Dresden		79,360.91
East Liverpool		4,488.20
Elida		166,088.76
Franklin		224.96
Frazeysburg		58,777.28
Gates Mills		651,491.32
Geneva-on-the-Lake		82,853.94
Grand Rapids		66,393.07
Grand River		58,106.48
Hamilton		7,217.68
Highland Hills		378,286.21
Huber Heights		322.36
Huntsville		23,732.74
Lancaster		150.00
Liberty Center		77,521.35
Linndale		8,394.55
London		676.47
Lorain		26,506.89
Medina		3,898,817.45
Mentor-on-the-Lake		249,117.14
Montpelier		188,091.73
Mt. Orab		59.20
Munroe Falls		336,457.86
North Baltimore		184,349.48
North Perry		160,172.35
North Randall		373,204.39
Norton		1,683,922.26
Orwell		75,669.88
Paulding		261,146.16
Rock Creek		9,969.92
Rushsylvania		17,357.84
Russells Point		88,105.84
Salem		100.00
Seville		256,833.68
South Russell		641,091.35
Springfield		1,792.07
Stow		237.00
Timberlake		33,964.68
Trotwood		845.49
Union		100,366.72
Village of Oakwood		18,089.27
Warren		7,366.07
Warrensville Heights		3,356,146.41
Waynesfield		34,715.53
West Alexandria		28,354.70
West Liberty		139,323.92
West Milton		129,875.20
Wilmington		140.00
	$	72,507,361.16

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2016

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio (the "Division") as of and for the year ended December 31, 2016 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2016, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Works, Division of Parking Facilities (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2016. Please read this information in conjunction with the Division's financial statements and footnotes which begin on page 12.

The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The Division's operating revenues are derived primarily from charges for parking at its facilities and from parking meter collections. In 2016, 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 $28,491,000 and $23,052,000 at December 31, 2016 and 2015, respectively. Of these amounts, $1,654,000 and $3,035,000 (unrestricted net position) at December 31, 2016 and 2015, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $5,439,000 during 2016. In 2016, operating revenues increased $656,000 due to increased parking activity. During 2016 Cleveland hosted the Republican National Convention and also held several sporting events with the Cleveland Cavaliers playing in the National Basketball Association (NBA) Championship and the Cleveland Indians playing in the World Series. These events increased parking activity during 2016. Capital contributions increased by $3,049,000 due to improvements made on the Gateway East Garage, Willard Garage and the parking lot at West Side Market.

- The Division's total bonded debt decreased by $2,880,000 (12.2%) during 2016. This amount represents the principal payment made in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Parking Facilities Fund, in which the City accounts for the activities of off-street parking operations and meter revenue collections. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Parking Facilities Fund is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

The basic financial statements of the Division can be found on pages 12 – 17 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 – 41 of this report. Required supplementary information can be found on pages 43 – 44 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, 2016 and 2015:

	2016	2015
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 3,629	$ 4,906
Restricted assets	8,542	8,328
Capital assets, net	38,807	34,902
Total assets	50,978	48,136
Deferred outflows of resources	1,328	1,355
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	4,232	4,194
Long-term liabilities	19,341	22,232
Total liabilities	23,573	26,426
Deferred inflows of resources	242	13
Net positon:		
Net investment in capital assets	21,261	14,460
Restricted for debt service	5,576	5,557
Unrestricted	1,654	3,035
Total net position	$ 28,491	$ 23,052

Assets:

Current, restricted and other non-capital assets: From 2015 to 2016, the Division's current and restricted assets have decreased 8.0%. This decrease is primarily related to a decrease in cash and cash equivalents related to an increase in capital expenditures.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

***Capital assets**:* The Division's capital assets (net of accumulated depreciation) as of December 31, 2016 amounted to $38,807,000. The total increase in the Division's investment in capital assets was $3,905,000 (11.2%) in 2016. The increase in 2016 was due to asset additions exceeding depreciation expense. New parking equipment was purchased during 2016 as well as improvements on the garages and the parking lot at the West Side Market.

A summary of the activity in the Division's capital assets during the year ended December 31, 2016 is as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
	(Amounts in Thousands)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256			1,256
Buildings, structures and improvements	54,167			54,167
Furniture, fixtures, equipment and vehicles	1,263	21		1,284
Construction in progress	2,343	5,247		7,590
Total	64,507	5,268	-	69,775
Less: Accumulated depreciation	(29,605)	(1,363)		(30,968)
Capital assets, net	$ 34,902	$ 3,905	$ -	$ 38,807

Additional information on the Division's capital assets can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets.

Liabilities:

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

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

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

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

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Long-term debt: At the end of 2016, the Division had total bonded debt outstanding of $20,810,000. This is a reduction of approximately 12.2%. This reduction is the result of annual principal payments on the Division's outstanding bonds. This current debt was incurred to refund debt previously issued to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994 and was subsequently sold in 2011. The Willard Park Garage construction was completed in April 1996. The bonds are backed by the net revenues from these facilities. In addition, the City has pledged additional revenues, which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2016, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2016 is summarized below:

	Balance January 1, 2016	Debt Retired	Balance December 31, 2016
	(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006	$ 23,690	$ (2,880)	$ 20,810

The bond ratings at December 31, 2016 for the Division's revenue bonds are as follows:

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

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

In addition, the Division entered into a derivative or hedging agreement in 2003. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note B – Long-Term Debt and Other Obligations.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The Division has reported deferred 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, 2016. 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 $28,491,000 at December 31, 2016.

Of the Division's net position at December 31, 2016, $5,576,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division had a net balance of $21,261,000 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 $1,654,000 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 2016 increased net position by $5,439,000. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2016 and 2015:

	2016	2015
	(Amounts in Thousands)	
Operating revenues	$ 9,232	$ 8,576
Operating expenses	5,583	5,332
Operating income (loss)	3,649	3,244
Non-operating revenue (expense):		
Investment income (loss)	(193)	191
Interest expense	(1,320)	(1,443)
Total non-operating revenue (expense), net	(1,513)	(1,252)
Income (loss) before capital contributions	2,136	1,992
Capital contributions	3,303	254
Change in net position	$ 5,439	$ 2,246

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

Operating revenues: From 2015 to 2016, operating revenues increased $656,000 or 7.6%. This increase is primarily due to increased parking revenue related to sporting events and the Republican National Convention.

Operating expenses: In 2016, operating expenses increased $251,000 or 4.7%. This increase is due to maintenance contracts, credit card processing fees associated with the new parking equipment and indirect cost allocations of the centralized services rendered for the Division.

Non-operating revenues and expenses: From 2015 to 2016, net non-operating expenses increased $261,000. This is primarily due to the investment loss from the derivative investment interest rate swap.

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

Operating revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the net income from the Gateway garage and on-street parking meter revenue.

The Division continues to assess their operations to improve efficiencies, identify additional revenue sources and improve existing revenue sources. City Council has the authority to further increase parking fees when deemed necessary to assist the Division in meeting operational and debt commitments as economic circumstances dictate.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
December 31, 2016
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	$ 3,537
Accounts receivable - net of allowance	21
Accrued interest	1
Due from other City of Cleveland departments, divisions or funds	20
Inventory of supplies, at cost	50
TOTAL CURRENT ASSETS	3,629
RESTRICTED ASSETS	
Cash and cash equivalents	8,540
Accrued interest receivable	2
TOTAL RESTRICTED ASSETS	8,542
CAPITAL ASSETS	
Land	5,478
Land improvements	1,256
Buildings, structures and improvements	54,167
Furniture, fixtures, equipment and vehicles	1,284
Construction in progress	7,590
	69,775
Less: Accumulated depreciation	(30,968)
CAPITAL ASSETS, NET	38,807
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	931
Pension	397
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,328

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

STATEMENT OF NET POSITION
December 31, 2016
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITON	
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	$ 3,040
Accounts payable	415
Due to other governments	239
Due to other City of Cleveland departments, divisions or funds	128
Accrued interest payable	319
Accrued wages and benefits	91
TOTAL CURRENT LIABILITIES	4,232
LONG-TERM LIABILITIES	
Revenue bonds - excluding amount due within one year	18,288
Accrued wages and benefits	21
Pension	1,032
TOTAL LONG-TERM LIABILITIES	19,341
TOTAL LIABILITIES	23,573
DEFERRED INFLOWS OF RESOURCES	
Derivative instruments-interest rate swaps	218
Pension	24
TOTAL DEFERRED INFLOWS OF RESOURCES	242
NET POSITION	
Net investment in capital assets	21,261
Restricted for debt service	5,576
Unrestricted	1,654
TOTAL NET POSITION	$ 28,491

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 9,232
TOTAL OPERATING REVENUES	9,232
OPERATING EXPENSES	
Operations	4,069
Maintenance	151
Depreciation	1,363
TOTAL OPERATING EXPENSES	5,583
OPERATING INCOME (LOSS)	3,649
NON-OPERATING REVENUE (EXPENSE)	
Investment income (loss)	(193)
Interest expense	(1,320)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(1,513)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	2,136
Capital contributions	3,303
INCREASE (DECREASE) IN NET POSITION	5,439
NET POSITION, beginning of year	23,052
NET POSITION, end of year	$ 28,491

See notes to financial statements.

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 9,666
Cash payments to suppliers for goods or services	(3,506)
Cash payments to employees for services	(1,161)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	4,999
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,966)
Principal paid on long-term debt	(2,880)
Interest paid on long-term debt	(1,235)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(6,081)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	27
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	27
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,055)
CASH AND CASH EQUIVALENTS, beginning of year	13,132
CASH AND CASH EQUIVALENTS, end of year	$ 12,077

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

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

Operating Income	$ 3,649
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,363
Changes in assets:	
Accounts receivable, net	(6)
Due from other City of Cleveland departments, divisions or funds	22
Inventory of supplies	(6)
Changes in deferred outflows of resources:	
Pension	(267)
Changes in liabilities:	
Accounts payable	67
Unearned revenue	(120)
Due to other City of Cleveland departments, divisions or funds	(17)
Accrued wages and benefits	(6)
Pension liability	309
Changes in deferred inflows of resources:	
Pension	11
TOTAL ADJUSTMENTS	1,350
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,999

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Contributions of capital assets	$ 3,303

See notes to financial statements.

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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 February of 2015, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required, the Division has implemented GASB Statement No. 72 as of December 31, 2016.

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2015 — except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The Division has determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and* Local *Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify — in the context of the current governmental financial reporting environment — the hierarchy of generally accepted accounting principles (GAAP). The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the Division has implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The Division has determined that GASB Statement No. 77 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Division has determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* was issued. This Statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the Division has implemented GASB Statement No. 79 as of December 31, 2016.

The Division's net position is accounted for in the accompanying statements of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the Gateway and Willard Park garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily or monthly basis.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Division follows the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The Division's investments in money market mutual funds and State Treasury Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72, and instead are reported at amortized cost.

The Division has invested funds in the STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

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

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

Bond Issuance Costs, Discounts/Premiums and Unamortized Loss on Debt Refunding: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resource and is amortized over the shorter of the defeased bond or the newly issued bond.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2016 is as follows:

	Interest Rate	Original Issuance	2016
		(Amounts in Thousands)	
Parking Facilities Refunding Revenue Bonds:			
Series 2006, due through 2022	5.25%	$ 57,520	$ 20,810
Unamortized (discount) premium			518
Current portion (due within one year)			(3,040)
Total Long-Term Debt			$ 18,288

Summary: Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
			(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:					
Series 2006, due through 2022	$ 23,690	$	$ (2,880)	$ 20,810	$ 3,040
Accrued wages and benefits	118	93	(99)	112	91
Pension	723	309		1,032	
Total	$ 24,531	$ 402	$ (2,979)	$ 21,954	$ 3,131

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

Minimum principal and interest payments on outstanding long-term debt are as follows:

Year	Principal	Interest	Total
	(Amounts in Thousands)		
2017	$ 3,040	$ 1,093	$ 4,133
2018	3,200	933	4,133
2019	3,370	765	4,135
2020	3,540	588	4,128
2021	3,730	402	4,132
2022	3,930	206	4,136
Total	$ 20,810	$ 3,987	$ 24,797

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

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

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

Effective August 15, 2006, the City issued $57,520,000 of Parking Facilities Refunding Revenue Bonds, Series 2006. The bonds were issued to currently refund $56,300,000 of the outstanding Parking Facilities Refunding Revenue Bonds, Series 1996. In addition, proceeds were also used to fund a portion of a payment owed by the City upon early termination under an interest rate swaption agreement entered into in 2003. Net proceeds of $58,709,855 were placed in an irrevocable escrow account which was used to pay the principal, interest and premium on the refunded bonds. As a result, the refunded bonds were considered to be defeased and the liability for these bonds was removed from long-term debt. The City completed the refunding to reduce its total debt service payments by $1,340,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $970,000. At the time of the issuance of the Series 2006 Bonds, the City entered into a basis swap agreement with UBS, which is described below.

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

Interest Rate Swap Transaction

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

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

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

Basis Risk: By entering into the swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between the SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher or lower for various periods of time due to disruptions in the financial markets. The payments received from the counterparty may be less than the amount owed to the counterparty, resulting in a net increase in debt service. From 2013 to early 2016, the SIFMA/LIBOR relationship was significantly lower than 67%. In this case payments received from the counterparty were greater than the amount owed to the counterparty which resulted in a net decrease in debt service. In addition, a reduction in federal income tax rates 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, 2016 as reported by PNC was $218,000, which would be payable by the City.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $20,810,000 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 $24,797,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,115,000 and $5,004,000, respectively.

In 2016, 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, 2016, the Division was in compliance with the terms and requirements of the trust indenture.

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

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The Division entered into a derivative or hedging agreement in 2003. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in the preceding section.

Derivative Instruments

The Division has reported an asset and/or a liability as appropriate in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2016. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor. The Division recognized a $222,000 investment loss pursuant to this swap in 2016.

The tables below present the fair value balances and notional amounts of the Division's derivative instrument outstanding at December 31, 2016, classified by type and the change in fair value of this derivative during fiscal year 2016 as reported in the respective financial statements. The fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2016 and the specific terms and conditions of the swap, have been provided by the counterparty and confirmed by the City's financial advisor.

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

	Changes in Fair Value		Fair Value at December 31, 2016		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
	(Amounts in Thousands)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Loss	$ (222)	Debt	$ (218)	$ 20,810

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, 2016, along with the credit rating of the swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
			(Amounts in Thousands)				
2006 Parking Bonds	Basis Swap - Pay Floating / Receive Floating	Exchange floating rate payments on Series 2006 Parking System Revenue Bonds	$ 20,810	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

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

In conjunction with the sale of the Gateway North Garage, the Division defeased some of the Parking Facilities Refunding Revenue Bonds, Series 2006, by placing a portion of the proceeds of the sale into an irrevocable trust to provide for all future debt service payments on the defeased bonds. The Division had $9,860,000 of defeased debt outstanding at December 31, 2016.

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 2016, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $1,324,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $51,248,000 at December 31, 2016. 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, 2016 totaled $258,000 and the Division's bank balances were $145,000. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $145,000 of the bank balances at December 31, 2016 was insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of reverse repurchase agreements.

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

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

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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, 2016 include STAR Ohio and money market mutual funds. The Division maintains the highest ratings for their investments. Investments in STAR Ohio, Dreyfus Government Cash Management Mutual Fund and Morgan Stanley Government Institutional Mutual Funds carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2016, 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	2016 Value	2016 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 1,200	$ 1,200	$ 1,200
Money Market Mutual Funds	10,619	10,619	10,619
Total Investments	11,819	11,819	11,819
Total Deposits	258	258	258
Total Deposits and Investments	$ 12,077	$ 12,077	$ 12,077

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2016, the investments in STAR Ohio and money market mutual funds are approximately 10% and 90%, respectively, of the Division's total investments.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2016

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	2,343	5,247		7,590
Total capital assets, not being depreciated	7,821	5,247	-	13,068
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	54,167			54,167
Furniture, fixtures, equipment and vehicles	1,263	21		1,284
Total capital assets, being depreciated	56,686	21	-	56,707
Less: Accumulated depreciation	(29,605)	(1,363)		(30,968)
Total capital assets being depreciated, net	27,081	(1,342)	-	25,739
Capital assets, net	$ 34,902	$ 3,905	$ -	$ 38,807

NOTE F – DEFINED BENEFIT PENSION PLANS

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14 %
Employee	10 %
2016 Actual Contribution Rates	
Employer:	
Pension	12 %
Post-employment Health Care Benefits	2 %
Total Employer	14 %
Employee	10 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $92,000 for 2016. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)
Proportionate Share of the Net Pension Liability	$ 1,032
Proportion of the Net Pension Liability	0.005975%
Pension Expense	$ 167

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	305
Division contributions subsequent to the measurement date		92
Total Deferred Outflows of Resources	$	397
Deferred Inflows of Resources		
Differences between expected and actual experience	$	21
Change in Division's proportionate share		3
Total Deferred Inflows of Resources	$	24

The $92,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)	
2017	$	65
2018		70
2019		77
2020		69
Total	$	281

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25 to 10.05 % including wage inflation
COLA or Ad Hoc COLA	3%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple through 2018, then 2.8%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care plans. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4% for 2015.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 1,647	$ 1,032	$ 513

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

***Funding Policy - Ohio Public Employees Retirement System*:** The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Division's actual contributions to OPERS to fund postemployment benefits were $17,000 in 2016, $16,000 in 2015 and $16,000 in 2014. The required payments due in 2016, 2015 and 2014 have been made.

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides parking facilities at usual and customary rates to various departments and divisions of the City. The Division operates certain garages and parking lots on behalf of other City divisions. The professional management fees recorded by the Division to operate the garages and parking lots:

Department	Amount (Amounts in Thousands)
Department of Community Development	$ 12

Operating Expenses: The Division is provided various services by other City divisions. Charges are based on actual usage or on a reasonable pro-rata basis. The more significant expenses included in the statements of operations for the year ended December 31, 2016 is as follows:

Division	Amount (Amounts in Thousands)
Parks Maintenance	$ 31
Telephone	21
Motor Vehicle Maintenance	9
Printing	6
	$ 67

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 2016.

The City provided the choice of three separate health insurance plans to its employees until March 31, 2016. On April 1, 2016, the City provided the choice of two separate health-insurance plans to its employees. The Division is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

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 2016. Future minimum rentals on non-cancelable leases are as follows:

Year	Amount (Amounts in Thousands)
2017	$ 180
2018	180
2019	180
2020	180
2021	180
Thereafter	4,020
	$ 4,920

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014	2013
	(Amounts in Thousands)		
Division's Proportion of the Net Pension Liability	0.005975%	0.006017%	0.006017%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 1,032	$ 723	$ 708
Division's Covered-Employee Payroll	$ 758	$ 750	$ 685
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	136.15%	96.40%	103.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.

(2) Information prior to 2013 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

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

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS (1)

	2016	2015	2014	2013
	(Amounts in Thousands)			
Contractually Required Contributions	$ 92	$ 91	$ 90	$ 89
Contributions in Relation to the Contractually Required Contributions	(92)	(91)	(90)	(89)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Division Covered-Employee Payroll	$ 767	$ 758	$ 750	$ 685
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

CITY OF CLEVELAND, OHIO

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2016

CITY OF CLEVELAND, OHIO

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

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Divisions and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2016, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of airport revenues and operating expenses as defined in the airline use agreement for the year ended December 31, 2016 is presented for purpose of additional analysis and is not a required part of the Divisions' basic financial statements. The schedule of airport revenues and operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Divisions' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 25, 2017

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 year ended December 31, 2016. Please read this information in conjunction with the Divisions' basic financial statements and notes that begin on page 16.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airports of the City. The Divisions operate a major public airport and a reliever airport serving not only the City, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2016, the Divisions were served by 23 scheduled airlines and four cargo airlines. There were 51,000 scheduled landings with landed weight amounting to 5,117,105,000 pounds. There were 4,206,000 passengers enplaned at Cleveland Hopkins International Airport and 82,000 passengers enplaned at Burke Lakefront Airport during 2016.

COMPARISON OF CURRENT YEAR AND PREVIOUS YEAR DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Divisions exceeded its liabilities and deferred inflows of resources (net position) by $333,178,000 and $330,603,000 at December 31, 2016 and 2015, respectively. Of these amounts, $106,829,000 and $103,310,000 (unrestricted net position) at December 31, 2016 and 2015, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position increased by $2,575,000 in 2016. Several factors attributed to this including an increase in landing fee revenue and terminal concession revenue of $17,265,000. Another main factor was a decrease in interest expense.

- Additions to construction in progress totaled $24,738,000 in 2016.

- The major capital expenses during 2016 were the Snow Removal Equipment Acquisition, Airport Signage Program, CLE Terminal Exterior Façade/Ticketing Lobby Project, Main Substation MSI/MS2 Electrical Distribution Enhancement, CLE Airport-Wide In-Line Baggage Project and CLE Parking Redevelopment.

- The Divisions' total bonded debt decreased by $57,995,000 in 2016. The key factors for the decrease in 2016 were the scheduled principal payments on the Divisions' outstanding bonds and the refunding of several series of outstanding bonds for debt service savings.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Divisions are considered an Enterprise Fund because the operations of the Divisions are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Divisions, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Divisions can be found on pages 16-21 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 23-45 of this report. The required supplementary information can be found on pages 47-48 of this report. The Schedule of Airport Revenues and Operating Expenses as Defined in the Airline Use Agreement can be found on page 49 of this report. The Report on Compliance for the Passenger Facility Program; Report on Internal Control Over Compliance and the Report on Schedule of Expenditures of Passenger Facility Charges in Accordance with 14 CFR Part 158 can be found on pages 51-52 of this report. The remaining passenger facility charges schedules can be found on pages 53-55 of this report.

CONDENSED STATEMENT OF NET POSTION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2016 and 2015:

	2016	2015
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 110,581	$ 111,038
Restricted assets	207,522	222,620
Capital assets, net	819,175	845,755
Total assets	1,137,278	1,179,413
Deferred outflows of resources	27,605	22,565
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	76,969	76,931
Long-term obligations	754,095	794,095
Total liabilities	831,064	871,026
Deferred inflows of resources	641	349
Net position:		
Net investment in capital assets	87,982	87,932
Restricted for debt service	126,222	128,103
Restricted for passenger facility charges	12,145	11,258
Unrestricted	106,829	103,310
Total net position	$ 333,178	$ 330,603

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets: Total assets and deferred outflows of resources decreased $37,095,000 or 3.1% in 2016. The change is primarily due to a decrease in restricted assets of $15,098,000 and a decrease in net capital assets of $26,580,000. The change in restricted assets was due to a decrease in restricted cash and cash equivalents related to capital project expenses; whereas, the change in capital assets is due to increased accumulated depreciation offset by additions to construction in progress.

Capital assets: The Divisions' investment in capital assets as of December 31, 2016 amounted to $819,175,000 (net of accumulated depreciation), which is a decrease of 3.1%. These investments in capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; vehicles; and construction in progress.

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2016 is as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
		(Amounts in Thousands)		
Land	$ 167,457	$	$	$ 167,457
Land improvements	84,172			84,172
Buildings, structures and improvements	341,832	1,431		343,263
Furniture, fixtures and equipment	34,331	1,184	(13)	35,502
Infrastructure	1,000,603	15,230		1,015,833
Vehicles	15,655	158	(31)	15,782
Total	1,644,050	18,003	(44)	1,662,009
Less: Accumulated depreciation	(873,327)	(52,927)	44	(926,210)
Total	770,723	(34,924)		735,799
Construction in progress	75,032	24,738	(16,394)	83,376
Capital assets, net	$ 845,755	$ (10,186)	$ (16,394)	$ 819,175

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2016 affecting the Divisions' capital assets included the following:

- Airport Signage Program, Phase I: This project renovates existing and/or new Airport signage within the Cleveland Airport System (CAS) environment. Project goals are to provide positive and efficient guidance for customers to their desired destinations in and around the various on and off Airport properties, plus achieve aesthetically appealing and functional design to command the attention of Airport patrons. The project was completed in December 2016.
- CLE Terminal Exterior Façade/Ticketing Lobby Project: This project includes the modernization and upgrade of the exterior façade on the passenger terminal building for the upper and lower levels. Work on the project began in May 2015 and was completed in June 2016.
- Main Substation (MS) 1 and Main Substation (MS) 2 Electrical Distribution Enhancement, Phase II: During February 2010, the Electrical Feeders for Substation MS 1 faulted and power was lost to the Terminal at CLE. Phase I of this project was to install emergency generators at strategic locations on the airport for life safety systems. The current Phase of the project calls for a redundant feeder system between MS 1 and MS 2 that will allow power to be supplied to the Terminal uninterrupted from either substation. The project was bid on and preliminary construction began in 2016. The project is expected to be completed in 2017.
- CLE Airport Wide In-Line Baggage Project and Recapitalization: Currently, baggage screening for airlines other than United is conducted on the ticketing lobby floor as there is no centralized baggage sorting areas for these carriers. This configuration takes up valuable queuing and movement areas for the passengers. The design of the system was completed in early 2015. Transportation Security Administration (TSA) prepared an Operational Transaction Agreement (OTA) that secured nearly 90% of the cost of the construction and project administration. The contract was awarded in late 2015 and work began in 2016. The project will be substantially complete by December 2017.
- CLE Parking Redevelopment, Phase II: Phase II will include a design-build project to install car canopy systems over the premium Red Lot as well as the economy Blue Lot. This project was completed in June 2016.
- Snow Removal Equipment Acquisition: New snow removal equipment was purchased to replace aged equipment that had reached the end of its life-cycle. The purchase enables CLE to transition to a reliable, right-sized fleet, capable of performing safe and efficient snow and ice removal.

Additional information on the Divisions' capital assets, including commitments made for future capital expenses can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets to the basic financial statements.

Liabilities: In 2016, total liabilities decreased $39,962,000 or 4.6%. The decrease in long-term obligations was $40,000,000 or 5.0% attributable to a decrease in revenue bonds offset by an increase in pension. Current liabilities increased $38,000 or 0.05% as a result of an increase in the current portion of long-term debt offset by decreases in accrued interest payable and other construction accounts payable.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

As a result of implementing GASB Statement No. 68, the Divisions are reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Long-term debt: At December 31, 2016 and 2015, the Divisions had $724,375,000 and $782,370,000, 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, 2016 is summarized below:

	Balance January 1, 2016	Debt Issued	Debt Retired	Balance December 31, 2016
	(Amounts in Thousands)			
Airport System Revenue Bonds:				
Series 2000	$ 138,400	$	$ (132,400)	$ 6,000
Series 2006	98,930		(49,255)	49,675
Series 2007	7,925		(630)	7,295
Series 2008	5,975			5,975
Series 2009	148,845		(11,340)	137,505
Series 2011	57,190		(7,260)	49,930
Series 2012	235,150			235,150
Series 2013	58,000			58,000
Series 2014	31,955		(1,465)	30,490
Series 2016		144,355		144,355
Total	$ 782,370	$ 144,355	$ (202,350)	$ 724,375

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings from Moody's Investors Service, Standard & Poor's Rating Service and Fitch Ratings are as follows:

Moody's Investors Service	Standard & Poor's Rating Service	Fitch Ratings
Baa1	A-	BBB+

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

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 2016 was 140%.

Additional information on the Divisions' long-term debt can be found in Note B – Long-Term Debt and Other Obligations to the basic financial statements.

Net Position: Net position serves as a useful indicator of an entity's financial position. In the case of the Divisions, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $333,178,000 and $330,603,000 at December 31, 2016 and 2015, respectively. Of the Divisions' net position at December 31, 2016 and 2015, $87,982,000 and $87,932,000 , 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, 2016 and 2015 the restricted net position amounted to $138,367,000 and $139,361,000, 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, $106,829,000 and $103,310,000 for December 31, 2016 and 2015, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

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

The Divisions' net position increased by $2,575,000 in 2016. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2016 and 2015:

	2016	2015
	(Amounts in Thousands)	
Operating revenues:		
Landing fees	$42,577	$ 28,182
Terminal and concourse rentals	56,922	59,328
Concessions	38,934	36,064
Utility sales and other	4,000	4,459
Total operating revenues	142,433	128,033
Operating expenses	134,428	127,161
Operating income (loss)	8,005	872
Non-operating revenue (expense):		
Passenger facility charges revenue	16,608	16,198
Non-operating expense	(9,872)	(4,711)
Sound insulation program	(8)	(329)
Gain (loss) on disposal of capital asset	11	(34)
Investment income (loss)	669	165
Interest expense	(28,032)	(30,842)
Amortization of bond discounts/premiums and loss on debt refundings	6,432	507
Total non-operating revenue (expense), net	(14,192)	(19,046)
Capital and other contributions	8,762	3,881
Change in net position	$ 2,575	$ (14,293)

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

***Operating revenues**:* Operating revenues for 2016 were $142,433,000. Of this amount, $40,324,000 or 28.3% represented landing fees received from signatory airlines. This is a positive change in signatory landing fees of 54.6% from the prior year. Signatory terminal rentals accounted for $42,839,000 or 30.1% of total operating revenues. Parking revenues increased 7.4% over the prior year due to an increase in parking rates, an increased demand for services such as valet airport parking, economy parking usage and employee parking fees. Parking revenues amounted to $28,983,000 or 20.3% of total operating revenues for 2016. The fourth largest airport revenue source, rental cars, accounted for 7.5% of total operating revenues.

***Operating expenses**:* Total operating expenses for 2016 increased $7,267,000 or 5.7%. The increase is primarily due to higher pension retirement benefits, utilities, repairs & maintenance and indirect costs of $6,393,000 or 13.3%.

Non-operating revenue and expense: Non-operating revenue and expense increased $4,854,000 or 25.5%. The main factor that attributed to this increase was the increase in amortization of bond discounts, premiums and loss on refundings of $5,925,000.

Capital and other contributions: In 2016 and 2015, the Divisions' received $8,762,000 and $3,881,000, respectively, in Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer (TSA LEO) and Canine Grants. In both 2016 and 2015, Airport Improvement Program Grant revenue primarily consisted of Letter of Intent (LOI).

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

Federal Sequestration has had a direct impact on Cleveland Airport System federally-funded projects such as the CLE Airport Surface Surveillance Capability Project. This project was put on hold during Sequestration with implementation scheduled for the fall of 2017. In addition, the Divisions' were initially advised by the Federal Aviation Administration (FAA) Airport District Office that there is no funding for an Environmental Assessment (EA) of the airfield due to Sequestration. The Divisions are in the process of obtaining a Categorical Exclusion (CATEX) from the FAA for the North Airfield Improvements Project. Approval of this CATEX is anticipated in July 2017. The Snow Removal Equipment Storage Project's CATEX was approved in August 2016.

The Runway 6R-24L Rehabilitation Project is also projected for a CATEX. Federal funding is not expected until 2019 at the earliest. Long-term, not being able to implement the aforementioned projects due to Sequestration or other scope/funding shortfalls may compromise airfield system preservation (i.e., ability to improve existing infrastructure), airfield capacity, safety and funding for future Airport Improvement Program eligible projects. The FAA has approved the initiation of a project to correct inboard Runway 6R-24L hot spot deficiencies on the airfield. Initial federal funding for the North Airfield Improvements project was received in July 2016. Due to federal funding limitations per fiscal cycle, this project will take at least three construction phasing seasons to complete.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Runway Safety Action Team has identified several hot spots at CLE due to the existing airfield geometry and are in alignment with the Airport's Master Plan to eliminate them. With the collaboration between the FAA and the Divisions, eliminating the hot spots will improve airfield safety and operations. A CATEX was received on this project earlier in 2015, with construction anticipated over a two-year window in 2016 and 2017.

CLE has had an inspired recovery from the significant cuts announced in 2014 by United Airlines when they closed their connecting hub. CLE has attracted additional flights from all of its air carriers and have added Frontier, Spirit, JetBlue and Allegiant. Allegiant's recent February 2017 Cleveland launch was the largest in their history with eleven markets. The CLE average airfare has dropped 29% since the United Airlines hub closed, which has significantly stimulated new traffic and reversed leakage from competing airports in Akron/Canton and Pittsburgh. Southwest Airlines will add their first ever nonstop flights twice daily to Atlanta and a second daily frequency to St. Louis in June 2017. Frontier has announced four new nonstop markets from Cleveland to launch in April and May 2017; they are San Diego, Charlotte, Houston and Minneapolis. With these additions, Frontier will match United Airlines, still CLE's largest carrier, with 17 nonstop markets at CLE. Spirit has also announced the addition of daily nonstop service to New Orleans in May 2017.

The Master Lease and Use Agreement between the Cleveland Airport System and the signatory airlines expired on December 31, 2015. However, the Airport and airlines continue to operate under that agreement on a month to month basis and under the same terms and conditions as outlined in the Agreement. An updated Master Lease has been negotiated and its terms were agreed to by all the signatory airlines. The airlines are in the process of obtaining final approval by their respective boards and/or contract execution by executive staff. Full execution of the agreement by all airlines is expected to be completed by July 2017.

In early 2016, CLE and United Airlines (United) amended both Special Facility Leases covering Concourses C, D and related facilities to allow United to consolidate its operations onto Concourse C. The amendments lengthened United's commitment on Concourse C to the year 2029. The amendments also removed United's right to terminate the Concourse C Special Facility Lease if United retired the bonds associated with Concourse C. While United will continue not to operate on Concourse D for the time being, United remains obligated to all debt, operating and maintenance costs associated with Concourse D throughout the remainder of the lease term.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2016
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 80,299
Restricted cash and cash equivalents	6,708
Receivables:	
Accounts-net of allowance for doubtful accounts of $968,000 in 2016	6,432
Unbilled revenue	3,141
Landing fee settlement due from airlines	2,440
Total receivables	12,013
Prepaid expenses	492
Due from other governments	8,538
Materials and supplies-at cost	2,531
TOTAL CURRENT ASSETS	110,581
RESTRICTED ASSETS	
Cash and cash equivalents	193,550
Investments	11,997
Accrued interest receivable	54
Accrued passenger facility charges	1,921
TOTAL RESTRICTED ASSETS	207,522
CAPITAL ASSETS	
Land	167,457
Land improvements	84,172
Buildings, structures and improvements	343,263
Furniture, fixtures and equipment	35,502
Infrastructure	1,015,833
Vehicles	15,782
	1,662,009
Less: Accumulated depreciation	(926,210)
	735,799
Construction in progress	83,376
CAPITAL ASSETS, NET	819,175
TOTAL ASSETS	1,137,278
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	17,123
Pension	10,482
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,605

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

STATEMENT OF NET POSITION
DECEMBER 31, 2016
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$	39,765
Accounts payable		5,420
Due to other funds		1,814
Current portion of accrued wages and benefits		3,261
Accrued interest payable		14,519
Accrued property taxes		5,482
Construction fund payable from restricted assets		3,520
Other construction accounts payable from restricted assets		3,188
TOTAL CURRENT LIABILITIES		76,969
LONG-TERM OBLIGATIONS - excluding amounts due within one year		
Revenue bonds		726,387
Pension		27,073
Accrued wages and benefits		635
TOTAL LONG-TERM OBLIGATIONS		754,095
TOTAL LIABILITIES		831,064
DEFERRED INFLOWS OF RESOURCES		
Pension		641
TOTAL DEFERRED INFLOWS OF RESOURCES		641
NET POSITION		
Net investment in capital assets		87,982
Restricted for debt service		126,222
Restricted for passenger facility charges		12,145
Unrestricted		106,829
TOTAL NET POSITION	$	333,178

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016
(Amounts in Thousands)

OPERATING REVENUES	
Landing fees:	
Scheduled airlines	$ 40,324
Other	2,253
	42,577
Terminal and concourse rentals:	
Scheduled airlines	42,839
Other	14,083
	56,922
Concessions	38,934
Utility sales and other	4,000
TOTAL OPERATING REVENUES	142,433
OPERATING EXPENSES	
Operations	76,696
Maintenance	4,805
Depreciation	52,927
TOTAL OPERATING EXPENSES	134,428
OPERATING INCOME (LOSS)	8,005
NON-OPERATING REVENUE (EXPENSE)	
Passenger facility charges revenue	16,608
Non-operating revenue (expense)	(9,872)
Sound insulation program	(8)
Gain (loss) on disposal of capital asset	11
Investment income (loss)	669
Interest expense	(28,032)
Amortization of bond discounts/premiums and loss on debt refundings	6,432
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(14,192)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(6,187)
Capital and other contributions	8,762
INCREASE (DECREASE) IN NET POSITION	2,575
NET POSITION, BEGINNING OF YEAR	330,603
NET POSITION, END OF YEAR	$ 333,178

See notes to financial statements.

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 135,444
Cash payments to suppliers for goods and services	(50,392)
Cash payments to employees for services	(30,244)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	54,808
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Disbursement of non-capital grant proceeds	(8)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(8)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(30,358)
Cash receipts (payments) for passenger facility charges	16,828
Proceeds from revenue bonds	170,369
Transfer to Escrow Agent for Bond Refunding	(174,777)
Principal paid on long-term debt	(34,415)
Interest paid on long-term debt	(31,644)
Capital grant proceeds	3,950
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(80,047)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	(11,997)
Proceeds from sale and maturity of investment securities	3,997
Interest received on investments	630
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	(7,370)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,617)
Cash and cash equivalents, beginning of year	313,174
Cash and cash equivalents, end of year	$ 280,557

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	$ 8,005
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	52,927
Changes in assets:	
Accounts receivables	(3,150)
Unbilled revenue	1,559
Landing Fees - Due From Airlines	(2,440)
Prepaid expenses	18
Due from other City of Cleveland departments, divisions or funds	9
Materials and supplies, at cost	(406)
Changes in deferred outflows of resources:	
Pension	(7,084)
Changes in liabilities:	
Accounts payable	897
Due to other City of Cleveland departments, divisions or funds	(599)
Accrued wages and benefits	(70)
Landing fee adjustment	(3,399)
Accrued property taxes	225
Pension	8,024
Changes in deferred inflows of resources:	
Pension	292
TOTAL ADJUSTMENTS	46,803
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 54,808

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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 February of 2015, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required, the Divisions have implemented GASB Statement No. 72 as of December 31, 2016.

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2015 —except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement 68. It also amends certain provisions of GASB Statement No. 67, Financial Reporting for Pension Plans, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The Divisions have determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the Divisions have implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The Divisions have determined that GASB Statement No. 77 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Divisions have determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* was issued. This Statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the Divisions have implemented GASB Statement No. 79 as of December 31, 2016.

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

- Net investment in capital assets
- Amount restricted for debt service
- Amount restricted for passenger facility charges
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Divisions is included in these notes.

Basis of Accounting: The Divisions' financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized when incurred.

Statement of Cash Flows: The Divisions utilize the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and all investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Divisions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Divisions follow the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The Divisions' investments in money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72, and instead are reported at amortized cost.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Divisions' have invested funds in the STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Divisions' measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

Restricted for Passenger Facility Charges: These assets are for passenger facility charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. These are restricted for designated capital projects or debt service.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a useful life in excess of one year and an individual cost of more than $5,000 for furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Land Improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures and equipment	3 to 35 years
Infrastructure	3 to 50 years
Vehicles	3 to 35 years

The Divisions' policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Divisions apply GASB guidance pertaining to capitalization of interest cost in situations involving certain tax-exempt borrowings and certain gifts and grants, for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2016, total interest costs incurred amounted to $29,908,000, of which $1,876,000 was capitalized.

Bond Issuance Costs, Discounts/Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resource 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 Divisions accrue for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position.

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

Environmental Expenses: Environmental expenses consist of costs incurred for remediation efforts to airport property. Environmental expenses that relate to current operations are expensed or capitalized, as appropriate. Environmental expenses that relate to existing conditions caused by past operations and which do not contribute to future revenues are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

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

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

Non-operating Expenses: Non-operating expenses relate to expenses of the Divisions incurred for purposes other than the operations of the airports and consist primarily of interest costs incurred on the Divisions' long-term debt. The funding for non-operating expenses is non-operating revenue (passenger facility charges, revenue bonds and federal grants).

Interfund Transactions: During the course of normal operations, the Divisions have numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2016 is as follows:

	Interest Rate	Original Issuance	2016
		(Amounts in Thousands)	
Airport System Revenue Bonds:			
Series 2000, due through 2017	4.00%-5.00%	$ 149,000	$ 6,000
Series 2006, due through 2021	5.00%-5.25%	118,760	49,675
Series 2007, due through 2027	5.00%	11,255	7,295
Series 2008, due through 2024	Variable Rate	18,700	5,975
Series 2009, due through 2027	0.02%-5.00%	208,900	137,505
Series 2011, due through 2024	3.00%-5.00%	74,385	49,930
Series 2012, due through 2031	5.00%	235,150	235,150
Series 2013, due through 2033	Variable Rate	58,000	58,000
Series 2014, due through 2027	Variable Rate	33,325	30,490
Series 2016, due through 2031	5.00%	144,355	144,355
		$ 1,051,830	724,375
Unamortized (discount) premium			41,777
Current portion (due within one year)			(39,765)
Total Long-Term Debt			$ 726,387

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

Summary: Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
	(Amounts in Thousands)				
Airport System Revenue Bonds:					
Series 2000	$ 138,400	$	$ (132,400)	$ 6,000	$ 6,000
Series 2006	98,930		(49,255)	49,675	8,465
Series 2007	7,925		(630)	7,295	660
Series 2008	5,975			5,975	
Series 2009	148,845		(11,340)	137,505	11,895
Series 2011	57,190		(7,260)	49,930	7,605
Series 2012	235,150			235,150	
Series 2013	58,000			58,000	1,795
Series 2014	31,955		(1,465)	30,490	3,345
Series 2016		144,355		144,355	
Total revenue bonds	782,370	144,355	(202,350)	724,375	39,765
Accrued wages and benefits	3,966	3,278	(3,348)	3,896	3,261
Pension	19,049	8,024		27,073	
Total	$ 805,385	$ 155,657	$ (205,698)	$ 755,344	$ 43,026

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

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(Amounts in Thousands)		
2017	$ 39,765	$ 33,818	$ 73,583
2018	38,535	32,440	70,975
2019	39,970	30,615	70,585
2020	42,095	28,644	70,739
2021	43,825	26,581	70,406
2022-2026	225,825	101,314	327,139
2027-2031	283,825	39,593	323,418
2032-2033	10,535	536	11,071
Total	$ 724,375	$ 293,541	$ 1,017,916

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, 2016, the Divisions were in compliance with the terms and requirements of the bond indenture.

The indenture, as amended, requires, among other things, that the Divisions (1) make equal monthly deposits to the Bond Service Fund to have sufficient assets available to meet debt service requirements on the next payment date; (2) maintain the Bond Service Reserve Fund equal in amount to the maximum annual debt service to be paid in any year; and (3) as long as any revenue bonds are outstanding, charge such rates, fees and charges for use of the airport system to produce in each year, together with other available funds, net revenues (as defined) at least equal to the greater of (a) 116% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125% of the annual debt service due in such year on all outstanding bonds.

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

Effective February 23, 2016, Airport System Revenue Bonds, Series 2016A, were issued in the amount of $108,120,000. These bonds were issued to advance refund $126,700,000 of outstanding Series 2000C Airport System Bonds. Bond proceeds in the amount of $126,957,834, along with $1,055,840 from the Series 2000 Interest Account and $4,497,749 released from the debt service reserve fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. As a result of this refunding, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed this refunding in order to achieve debt service savings of approximately $22,111,000 and realized an economic gain (the difference between the present values of the old and new debt service) of $15,727,000 or 12.4%.

At the same time that the City sold the Series 2016A Bonds, the City also sold $36,235,000 Airport System Revenue Bonds, Series 2016B, on a forward delivery basis. The Series 2016B Bonds were issued effective October 4, 2016 to refund $41,235,000 of outstanding Airport System Revenue Bonds, Series 2006A. Bond proceeds in the amount of $41,157,840, along with $515,000 from the Series 2006 Interest Account and $593,035 released from the debt service reserve fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. The refunded bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The City realized debt service savings of approximately $6,586,000 and net present value savings of $5,149,000 or 12.5% from this refunding.

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

From time to time, the Divisions have defeased certain Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. At December 31, 2016, the aggregate amount of defeased debt outstanding is as follows:

Bond Issue		2016
		(Amounts in Thousands)
Series 2000C	$	126,700
Series 2006A		41,235

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

The City has pledged future airport revenues to repay $724,375,000 in Airport System Revenue Bonds issued in various years since 2001. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 72% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $1,017,916,000. Principal and interest funded for the current year and total net revenues (including other available funds) were $69,673,000 and $97,222,000, respectively.

NOTE C – SPECIAL FACILITY REVENUE BONDS

Airport Special Revenue Bonds, Series 1990, totaling $76,320,000 were issued to finance the acquisition and construction of a terminal, hangar and other support facilities of Continental Airlines (now United Continental Holdings, Inc.) at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999 totaling $71,440,000. In January 2016, United Airlines deposited funds with the trustee sufficient to pay off the Airport Special Revenue Bonds, Series 1999. Additional Airport Special Revenue Bonds, Series 1998, totaling $75,120,000 were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, including a new regional jet concourse. Because all principal and interest on these bonds is unconditionally guaranteed by Continental Airlines (now United Continental Holdings, Inc.) and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2016, totaled approximately $57,761,000 and the Divisions' bank balance was approximately $60,017,000. The difference represents positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $60,017,000 of the bank balances at December 31, 2016 was insured or collateralized with securities held by the City or by its agent in the City's name.

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

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of Reverse Repurchase Agreements.

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

The Divisions categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Divisions (excluding STAR Ohio and money market mutual funds) as of December 31, 2016.

Type of Investment	Fair Value	Fair Value Measurement Using Level 1	Level 2
		(Amounts in Thousands)	
U.S. Treasury Bills	$ 11,997	$ 11,997	$
Other Investments	83		83
Total Investments	$ 12,080	$ 11,997	$ 83

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

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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, 2016 include U.S. Treasury Bills, STAR Ohio, money market mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in U.S. Treasury Bills carry a Moody's rating of Aaa, which is the highest rating given by Moody. Investments in STAR Ohio, the Dreyfus Government Cash Management Fund, Morgan Stanley Government Institutional Mutual Funds and the Federated Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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, 2016, 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	2016 Value	2016 Cost	Investment Maturities Less than One Year
		(Amounts in Thousands)	
U.S. Treasury Bills	$ 11,997	$ 11,997	$ 11,997
STAR Ohio	54,242	54,242	54,242
Money Market Mutual Funds	168,471	168,471	168,471
Other Investments	83	83	83
Total Investments	234,793	234,793	234,793
Total Deposits	57,761	57,761	57,761
Total Deposits and Investments	$ 292,554	$ 292,554	$ 292,554

These amounts are monies invested by the City Treasurer on behalf of the Divisions and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value. Investment type Other Investments consist of deposits into collective cash escrow pools managed by Bank of New York and U.S. Bank National Association, as trustee.

As of December 31, 2016, the investments in U.S. Treasury Bills, STAR Ohio, money market mutual funds and other are approximately 5%, 23%, 72% and less than 1%, respectively, of the Divisions' total investments.

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2016 was as follows:

	January 1, 2016	Additions	Reductions	December 31, 2016
	(Amounts in Thousands)			
Capital Assets, not being depreciated:				
Land	$ 167,457	$	$	$ 167,457
Construction in progress	75,032	24,738	(16,394)	83,376
Total capital assets, not being depreciated	242,489	24,738	(16,394)	250,833
Capital assets, being depreciated:				
Land improvements	84,172			84,172
Buildings, structures and improvements	341,832	1,431		343,263
Furniture, fixtures and equipment	34,331	1,184	(13)	35,502
Infrastructure	1,000,603	15,230		1,015,833
Vehicles	15,655	158	(31)	15,782
Total capital assets, being depreciated	1,476,593	18,003	(44)	1,494,552
Less: Total accumulated depreciation	(873,327)	(52,927)	44	(926,210)
Total capital assets being depreciated, net	603,266	(34,924)	-	568,342
Capital assets, net	$ 845,755	$ (10,186)	$ (16,394)	$ 819,175

Commitments: As of December 31, 2016, the Divisions had capital expenditure purchase commitments outstanding of approximately $69,076,000.

NOTE F – LEASES AND CONCESSIONS

The Divisions lease specific terminal and concourse areas to the various airlines under terms and conditions of the airline use agreements. These agreements remained 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.

Under the Master Lease and Use Agreement, which leases space in the terminal building and other areas, the Divisions are subject to fluctuating rates. The Master Lease End Use Agreement between the Cleveland Airport System and the signatory airlines expired on December 31, 2015. However, the Cleveland Airport System and the airlines continue to operate under that agreement on a month to month basis and under the same terms and conditions as outlined in the agreement. An updated Master Lease is under negotiation with very similar terms as the existing agreement and is targeted for completion by the end of July 2017.

NOTE F – 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, 2016 is approximately $176,746,000.

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

	(Amounts in Thousands)	
2017	$	16,335
2018		15,584
2019		14,288
2020		5,727
2021		5,016
2022		4,957
Thereafter		20,984
	$	82,891

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Divisions for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Divisions' financial position, results of operations or cash flows.

Risk Management: The Divisions are exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Divisions carry insurance to cover particular liabilities and property protection. Otherwise, the Divisions are generally self-insured. No material losses, including incurred but not reported losses, occurred in 2016. There was no significant decrease in any insurance coverage in 2016. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

The City provided the choice of three separate health insurance plans to its employees until March 31, 2016. As of April 1, 2016, the City provided the choice of two separate health self-insurance plans to its employees. The Divisions are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims payable has been included with accounts payable and is considered to be immaterial for the Divisions.

NOTE H – DEFINED BENEFIT PENSION PLAN

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

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

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

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

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Divisions' contractually required contribution was $2,535,000 for 2016. All required payments have been made.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Divisions' proportion of the net pension liability was based on the Divisions' share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)	
Proportionate Share of the Net Pension Liability	$	27,073
Proportion of the Net Pension Liability		0.155342%
Pension Expense	$	4,256

At December 31, 2016, the Divisions' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	7,947
Divisions' contributions subsequent to the measurement date		2,535
Total Deferred Outflows of Resources	$	10,482
Deferred Inflows of Resources		
Differences between expected and actual experience	$	551
Change in Division's proportionate share		90
Total Deferred Inflows of Resources	$	641

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

The $2,535,000 reported as deferred outflows of resources related to pension resulting from the Divisions' contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)	
2017	$	1,693
2018		1,822
2019		2,013
2020		1,791
2021		(4)
Thereafter		(9)
Total	$	7,306

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 %
Future Salary Increases, including inflation	4.25 to 10.05 % including wage inflation
COLA or Ad Hoc COLA	3 %, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple through 2018, then 2.8%, simple
Investment Rate of Return	8 %
Actuarial Cost Method	Individual Entry Age

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

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

During 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care portfolios. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is .4% for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
	(Amounts in Thousands)		
Divisions' proportionate share of the net pension liability	$ 43,287	$ 27,073	$ 13,399

NOTE I – OTHER POSTEMPLOYMENT BENEFITS

Plan Description - Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

Funding Policy - Ohio Public Employees Retirement System: The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Divisions' actual contributions to OPERS to fund postemployment benefits were $430,000 in 2016, $404,000 in 2015 and $407,000 in 2014. The required payments due in 2016, 2015 and 2014 have been made.

NOTE J – RELATED PARTY TRANSACTIONS

The Divisions are provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2016 are as follows:

		(Amounts in Thousands)
City Central Services, including police	$	10,563
Telephone Exchange		945
Electricity purchased		254
Motor vehicle maintenance		175
Radio Communication		293

NOTE K – LANDING FEE ADJUSTMENT AND INCENTIVE COMPENSATION

Under the terms of the airline use agreements, if the annual statement for the preceding term demonstrates that airport revenues over expenses (both as defined) is greater or less than that used in calculating the landing fee for the then current term, such difference shall be charged or credited to the airlines over the remaining billing periods in the current term. The landing fee adjustment for 2016 was a receivable from the Airlines to the Division in the amount of $2,440,000.

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 2016.

NOTE L – PASSENGER FACILITY CHARGES

On November 1, 1992, Cleveland Hopkins International Airport began collecting Passenger Facility Charges (PFC's) subject to title 14, Code of Federal Regulations, Part 158. PFC's are fees imposed on passengers enplaned by public agencies controlling commercial service airports for the strict purpose of supporting airport planning and development projects. The charge is collected by the airlines and remitted to the airport operator net of an administrative fee to be retained by the airline and refunds to passengers.

As of December 31, 2016, Cleveland Hopkins International Airport had the authority from the Federal Aviation Administration to collect approximately $592 million, of which an estimated 14.5% will be spent on noise abatement for the residents of communities surrounding the airport, 59.6% on runway expansion and improvements and 25.9% on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

NOTE M – MAJOR CUSTOMER

In 2016, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 38% of total operating revenue.

NOTE N – SUBSEQUENT EVENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014	2013
	(Amounts in Thousands)		
Divisions' Proportion of the Net Pension Liability	0.155342%	0.158448%	0.158448%
Divisions' Proportionate Share of the Net Pension Liability (Asset)	$ 27,073	$ 19,049	$ 18,650
Divisions' Covered-Employee Payroll	$ 19,800	$ 19,825	$ 17,962
Divisions' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	136.73%	96.09%	103.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.

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

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS (1)

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

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

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

SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2016
(Amounts in Thousands)

	Cleveland Hopkins International	Burke Lakefront	Total
REVENUE			
Airline revenue:			
Landing fees	$ 40,324	$	$ 40,324
Terminal rental	42,839		42,839
Other	2,276		2,276
	85,439		85,439
Operating revenues from other sources:			
Concessions	38,139	795	38,934
Rentals	12,084	402	12,486
Landing fees	2,068	185	2,253
Other	3,100	221	3,321
	55,391	1,603	56,994
Non-operating revenue:			
Interest income	187		187
TOTAL REVENUE	$ 141,017	$ 1,603	$ 142,620
OPERATING EXPENSES			
Salaries and wages	$ 21,069	$ 950	$ 22,019
Employee benefits	8,433	352	8,785
City Central Services, including police	11,504	472	11,976
Materials and supplies	8,108	385	8,493
Contractual services	29,702	526	30,228
TOTAL OPERATING EXPENSES	$ 78,816	$ 2,685	$ 81,501

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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, 2016.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with the passenger facility charge program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Divisions' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Divisions' compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2016.

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, 2016, and have issued our report thereon dated June 27, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the Divisions' basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated in all material respects in relation to the Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2017

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

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2016

Projects	Approved Project Budget	Cumulative Expenditures thru 2015	2016 1st Quarter Expenditures	2016 2nd Quarter Expenditures	2016 3rd Quarter Expenditures	2016 4th Quarter Expenditures	2016 YTD Expenditures	Cumulative Expenditures thru 2016
Insulate Residences - Full Program Phase I	$ 16,960,400	$ 16,960,400	$	$	$	$	$ -	$ 16,960,400
Extension of Taxiway "Q"	2,155,743	2,155,743					-	2,155,743
Land Acquisition-Resident Relocation	14,689,459	14,689,459					-	14,689,459
Asbestos Removal in Terminal CHIA	729,842	729,842					-	729,842
Acquisition of Analex Office Bldg & Vacant Land	13,025,000	13,025,000					-	13,025,000
Waste Water - Glycol Collection System Construction	5,835,921	5,835,921					-	5,835,921
NASA Feasibility & Pre-Engineering Study	355,000	355,000					-	355,000
Sewers for Confined Disposal Facility-BKL (app 1)	5,500,000	5,500,000					-	5,500,000
Sound Insulation	8,595,641	8,595,641					-	8,595,641
Land Acquisition - Midvale, Brysdale, Forestwood, Rocky River	25,282,298	25,282,298					-	25,282,298
Environmental Assessment / Impact Studies	1,725,000	1,725,000					-	1,725,000
Part 150 Noise Compatibility Program Update	584,570	584,570					-	584,570
Brook Park Land Transfer	8,750,000	8,750,000					-	8,750,000
Analex Demolition	1,229,000	1,029,302	5,217	5,217	5,217	5,217	20,868	1,050,170
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	5,242,253	8,310	8,310	8,310	8,310	33,240	5,275,493
Concourse D Ramp/Site Utilities	51,305,804	48,372,660	76,626	76,626	76,626	76,626	306,504	48,679,164
Burke Runway Overlay 6L/24R	530,286	530,286					-	530,286
Burke ILS	2,181,400	1,911,625	7,047	7,048	7,048	7,048	28,191	1,939,816
Runway 6L/23R	270,550,360	179,128,636	2,388,322	2,388,322	2,388,322	2,388,322	9,553,288	188,681,924
Runway 6R/24L Uncoupling	2,148,000	2,148,000					-	2,148,000
Runway 28 Safety Improvements	2,200,000	2,010,454					-	2,010,454
Midfield Deicing Pad	39,100,000	39,100,000					-	39,100,000
Taxiway M Improvements	10,000,000	9,579,060					-	9,579,060
Doan Brook Restoration	1,727,796	188,969	40,201	40,200	40,200	40,201	160,802	349,771
Deicing Environmental Upgrades	2,800,222	306,259	65,153	65,153	65,153	65,153	260,612	566,871
Main Terminal Roof Replacement	992,986	108,603	23,103	23,104	23,104	23,104	92,415	201,018
Main Terminal Boiler Replacement	2,998,819	327,979	69,774	69,773	69,773	69,774	279,094	607,073
Roadway Expansion Joint Repair/Replacement	1,985,973	217,205	46,208	46,208	46,208	46,207	184,831	402,036
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	7,681,742	840,150	178,731	178,731	178,731	178,731	714,924	1,555,074
Airport-wide In-line Baggage System Design	1,688,077	184,624	39,277	39,277	39,277	39,276	157,107	341,731
Airport Master Plan Update	4,170,543	456,132	97,036	97,036	97,036	97,036	388,144	844,276
Runway 10/28- Runway Safety Area Improvements	23,155,051	9,257,101	363,073	363,073	363,073	363,073	1,452,292	10,709,393
South Cargo Ramp Rehabilitation	5,957,918	651,616	138,623	138,623	138,623	138,623	554,492	1,206,108
Taxiway N Rehabilitation	8,738,280	955,704	203,314	203,314	203,314	203,314	813,256	1,768,960
SIDA Security System Enhancements	1,985,973	217,205	46,208	46,208	46,208	46,208	184,832	402,037
Interactive Part 139 Airport Operations Training Program	496,493	54,301	11,552	11,552	11,552	11,552	46,208	100,509
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646	903,574	192,224	192,224	192,224	192,258	768,930	1,672,504
Total	**$ 592,180,668**	**$ 438,105,212**	**$ 3,999,999**	**$ 3,999,999**	**$ 3,999,999**	**$ 4,000,033**	**$ 16,000,030**	**$ 454,105,242**

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

NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2016

GENERAL

The accompanying schedule presents all activity of the Divisions' Passenger Facility Charge (PFC) program. The Divisions' reporting entity is defined in Note A – Summary of Significant Accounting Policies to the Divisions' financial statement.

BASIS OF PRESENTATION

The accompanying schedule is presented on the cash basis of accounting.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2016

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio (the "Division") as of and for the year ended December 31, 2016 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2016, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Cleveland Public Power (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2016. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 16.

The Division was created in 1906 and charged with the responsibility for the distribution of electricity and related electric service to customers within its service areas. The Division operates a municipal electric system that is the largest in the State of Ohio and the thirty-ninth largest in the United States according to the American Municipal Power Association's statistics for 2013. The Division serves an area that is bound by the City limits and presently serves approximately 73,700 customers.

The Division is one of the very few municipal electric companies in the United States that competes with an investor-owned utility, in this case First Energy Corporation's Cleveland Electric Illuminating Company (CEI).

According to the most recent census estimates, the City's population is 390,000 people. There are approximately 212,000 residential dwelling units. Approximately 33,000 companies have a presence in Cleveland. 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 the new Blue Creek Wind project.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The Division's net position was $197,764,000 and $197,277,000 at December 31, 2016 and 2015, respectively. Of these amounts, $26,886,000 and $28,268,000 are unrestricted net position at December 31, 2016 and 2015, respectively, which may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $487,000 in 2016. The increase in net position is primarily due to a reduction in the loss on the disposal of assets of $1,291,000 as compared to 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total long-term bonded debt decreased by $11,315,000 for the year ended December 31, 2016. The decrease is attributed to scheduled payments to bondholders and the refunding of outstanding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Division is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and accrual basis of accounting are used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 16 - 21 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 23 – 45 of this report. Required supplementary information can be found on pages 46 - 47.

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, 2016 and 2015.

	2016	2015
	(Amounts in Thousands)	
Assets:		
Capital assets, net of accumulated depreciation	$ 353,569	$ 353,724
Restricted assets	18,042	21,574
Current assets	79,376	84,203
Total assets	450,987	459,501
Deferred outflows of resources	23,202	18,856
Net Position:		
Net investment in capital assets	167,356	165,505
Restricted for capital projects	484	473
Restricted for debt service	3,038	3,031
Unrestricted	26,886	28,268
Total net position	197,764	197,277
Liabilities:		
Long-term obligations	248,921	248,855
Current liabilities	26,941	29,246
Total liabilities	275,862	278,101
Deferred inflows of resources	563	2,979

Restricted assets*:* The Division's restricted assets decreased by $3,532,000. The decrease is primarily related to use of revenue bond funds for capital project expenses.

Current assets: The Division's current assets decreased by $4,827,000 in 2016. The decrease is mainly due to a reduction of $7,724,000 in unrestricted cash and cash equivalents, offset by an increase of $2,291,000 in recoverable cost of purchased power. The decline in unrestricted cash and cash equivalents is primarily attributed to payments on prior year accrued liabilities, an increase in net accounts receivable of $1,765,000 and power costs incurred but not passed through to customers.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

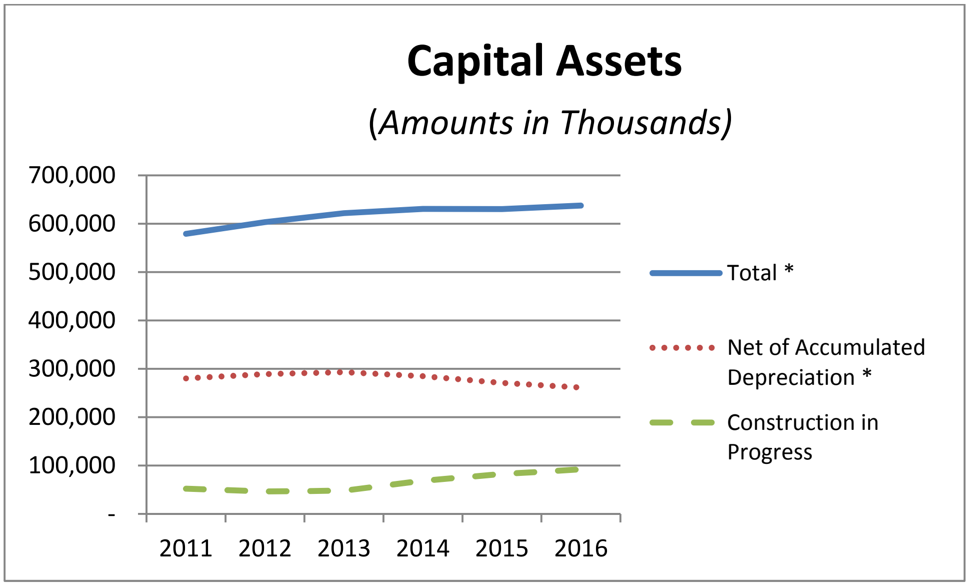
Capital assets: The Division's capital assets as of December 31, 2016, amounted to $353,569,000 (net of accumulated depreciation). The total decrease in the Division's net capital assets for the current year was $155,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2016, is as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
	(Amounts in Thousands)			
Land	$ 5,568	$	$	$ 5,568
Land improvements	305		(12)	293
Utility plant	518,471	8,914	(2,249)	525,136
Buildings, structures and improvements	22,110	48		22,158
Furniture, fixtures, equipment and vehicles	83,420	906	(332)	83,994
Construction in progress	82,694	14,436	(4,880)	92,250
Total	712,568	24,304	(7,473)	729,399
Less: Accumulated depreciation	(358,844)	(18,319)	1,333	(375,830)
Capital assets, net	$ 353,724	$ 5,985	$ (6,140)	$ 353,569

The principal additions to construction in progress during 2016 included the following:

- Lake Road
- Ridge Road Substation
- Denison Avenue
- Customer ATO (Automatic Throw Over) Switches

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)



* Construction in Progress not included

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D to the basic financial statements.

Current liabilities: The decrease in current liabilities of $2,305,000 is primarily due to the decrease of $2,807,000 in other accrued expenses. The Division accrued $2,813,000 of the 2015 liability for costs associated with the remediation of an oil spill that occurred at the Lake Road generating plant. The cleanup work was completed in 2016 and the associated liability removed. In addition, there was a decrease of $1,414,000 in payable from restricted assets, offset by an increase in accounts payable of $1,784,000.

Pension Liability: During 2015, the Division adopted Governmental Accounting Standards Board (GASB) Statements No. 68 and 71 which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

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

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Long-term obligations: The long-term obligations increase of $66,000 in 2016 is mainly due to an increase in pension liability of $7,200,000, along with an increase in accreted interest payable of $2,244,000, offset by a decrease in revenue bonds payable due to the Series 2016 Revenue Bond refunding and scheduled principal payments totaling $8,055,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

At December 31, 2016, the Division had total bonded debt outstanding of $210,958,000. All bonds are backed by the revenues generated by the Division.

The Division issued revenue bonds in the public capital markets in the late 1980's and early 1990's to finance a substantial expansion to its service territory. The Division also issued bonds in April 2008 for system expansion. In 2006, 2010, 2012 and 2016, the Division issued bonds to refinance a portion of its long-term debt. In 2014, the Division issued refunding bonds for the purpose of leveling the Division's debt service payments over the life of the debt. This outstanding debt is being retired in accordance with repayment schedules through 2038.

Accreted interest payable will increase every year until 2025, due to interest accruing on the Division's 2008B Capital Appreciation Bonds (CABs). Payments of the accreted amount will begin in 2025.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2016, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

	Balance January 1, 2016	Debt Issued	Debt Retired	Balance December 31, 2016
	(Amounts in Thousands)			
Revenue Bonds:				
Revenue Bonds 2006 A-1	$ 45,285	$	$ (45,285)	$ -
Revenue Bonds 2006 A-2	4,435		(4,435)	-
Revenue Bonds 2008 A	19,040			19,040
Revenue Bonds 2008 B-1	39,735			39,735
Revenue Bonds 2008 B-2	27,903			27,903
Revenue Bonds 2010	8,990		(3,620)	5,370
Revenue Bonds 2014	76,885			76,885
Revenue Bonds 2016		42,025		42,025
Total	$ 222,273	$ 42,025	$ (53,340)	$ 210,958

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's
A3	A-

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2016 and 2015 was 149% and 150%, respectively. Additional information on the Division's long-term debt can be found in Note B to the basic financial statements on pages 28 - 32.

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $197,764,000 and $197,277,000 at December 31, 2016 and 2015, respectively.

Of the Division's net position at December 31, 2016, $167,356,000 reflects the Division's investment in capital assets (e.g., land, buildings, utility plant, furniture, fixtures, vehicles and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, $484,000 denotes funds restricted for use in capital projects and $3,038,000 represents resources subject to debt service restrictions.

The remaining $26,886,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Division had a net gain of $487,000 in 2016. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2016 and 2015:

	2016	2015
	(Amounts in Thousands)	
Operating revenues	$ 192,967	$ 192,861
Operating expenses	184,910	184,661
Operating income (loss)	8,057	8,200
Non-operating revenue (expense):		
Investment income	246	73
Interest expense	(10,004)	(10,462)
Amortization of bond premiums and discounts	324	478
Gain (loss) on disposal of assets	(1,260)	(2,551)
Other	3,124	3,155
Total non-operating revenue (expense), net	(7,570)	(9,307)
Change in net position	$ 487	$ (1,107)

- ***Operating revenues***: In 2016, operating revenues increased by $106,000, mostly from increased power costs passed on to customers through the Energy Adjustment Charge (EAC). There was a 0.2% decrease in KWH sold.

- ***Operating expenses:*** In 2016, operating expenses increased by $249,000, primarily due to the $1,110,000 rise in the cost of purchased power caused by fluctuations in the energy market. Expenses associated with operations grew $341,000. Total employee and fringe benefit costs increased by $497,000 or 2.1%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

As a municipally-owned utility, the Division's mission is to improve the quality of life in the City by providing reliable, affordable energy and energy services to the residents and businesses of the City. The following sections describe major projects likely to impact the Division over the next several years.

Capacity Expansion Program

The Division's Capacity Expansion Program, which includes three major components, was designed to support and improve the Division's electric system reliability and, through increasing system capacity by 80 MW, provide for future load growth opportunities. This program includes the addition of a fourth 138 kV interconnection with the FirstEnergy transmission system (Fourth Interconnect), which was energized in 2011; the extension of the southern 138 kV transmission system (Southern Project); and the expansion of the Lake Road 11.5 kV Substation and the 11.5 kV system downtown (Lake Road Project). In 2008, the Division issued the Series 2008B-1 Bonds to fund the Capacity Expansion Program.

The Lake Road Project includes the construction of a duct line and feeder cables to the 11th Street Substation. The re-feeding of the 11th Street Substation will increase capacity in this area of the downtown and along the corridor between the Lake Road Substation and the 11th Street Substation. In addition, a new step-up substation known as the South Marginal Substation is complete. It provides capacity from the 11.5kV distribution system located downtown to a portion of the 13.8 kV distribution system situated east and southeast of downtown.

Construction is underway on the Southern Project. The Southern Project includes the recently completed modification of the Ridge Road Substation to create a ring bus to support the new 138 kV transmission loop which will run from the Ridge Road Substation to the Pofok Substation. The Division has successfully partnered with the City, Cuyahoga County, and the Ohio Department of Transportation to combine the construction of an underground segment of the transmission line with a roadway project. The overhead portion of the 138 kV transmission line will complete the loop and was recently bid out for construction.

Power Supply

The Division participates in a diverse mix of resources including coal-fired, natural gas-fueled, hydroelectric, bioenergy, solar, and wind generation. Participation in many of these resources is through the Division's membership in American Municipal Power (AMP) including: the Prairie State Energy Campus coal-fired generation project, AMP Hydro Phase 1 units (Cannelton/Smithland/Willow Island) and Phase 2 units (Meldahl/Greenup), AMP Fremont Energy Center (AFEC) combined cycle facility, and the Blue Creek Wind Project. Four of the five AMP hydroelectric projects are in commercial operation. Additionally, the Division has allocations of power from two New York Power Authority hydroelectric projects and several behind-the-meter resources including the Collinwood bioenergy generator, CV Kinsman solar, Division-owned diesel generators, and the West 41st Street/Collinwood Combustion Turbines (CTs). For 2016, about 15% of the Division's energy is being supplied from renewable sources including hydroelectric, wind and bioenergy, and the Division has voluntarily pursued renewable goals which are consistent with the Ohio state-mandated Renewable Portfolio Standard (RPS) targets applicable to investor-owned utilities (IOUs).

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

The Division's power supply portfolio is also made up of a variety of market energy purchases of various sizes, terms, and delivery locations. These market purchases, often referred to as "block power" purchases because of their standard market types, are often procured as part of the Division's current market purchases, including block power purchased around-the-clock (7x24), weekday peak periods (5x16), weekend peak periods (2x16) and off-peak periods at night (7x8). These blocks can be procured by AMP on the Division's behalf with the cost plus a service charge directly passed through to the Division. Alternatively, the Division has the option to contract directly with third parties.

Generation Projects

The Division has chosen to participate in generation projects in order to (i) diversify its power supply portfolio and increase use of renewable energy, (ii) secure long-term stable sources of power, (iii) explore local generation opportunities where transmission congestion costs are mostly avoided, and (iv) mitigate the costs of meeting its resource adequacy obligations.

The generation projects through AMP in which the Division participates are Blue Creek Wind, AMP Fremont Energy Center, AMP Hydro Phase 1/Phase 2, and Prairie State. The following sections describe these projects.

Blue Creek Wind Project
In June 2012, the Division entered into an agreement with AMP to purchase 10 MW of energy, capacity and Renewable Energy Credits (REC's) from the Blue Creek Wind Project. The 304 MW Blue Creek Wind Project was developed, and is owned, by Iberdrola Renewables, LLC and is located in northwestern Ohio in Van Wert and Paulding counties. The project began commercial operation in June 2012. AMP purchases up to 54 MW from the project on behalf of its members through a Renewable Wind Energy Power Purchase Agreement with Blue Creek Wind Farm, LLC.

AMP Fremont Energy Center
AMP and two of its member agencies in Michigan and Virginia own the AMP Fremont Energy Center (AFEC), a 707 MW natural gas-fired combined cycle generating plant in Fremont, Ohio. Of the 707 MW, 544 MW is available as an intermediate power source during on-peak hours, and an additional 163 MW of duct-firing is available for use during peak demand times. AMP purchased the facility in 2011 from FirstEnergy Generation Corporation and completed construction and commissioning. The plant went into commercial operation in January 2012. The Division, through a membership participation agreement with AMP, has entitlement to approximately 79 MW of intermediate and peaking power output from AFEC.

AMP Hydro Projects
In December 2007, the Division entered into an agreement with AMP to purchase 35 MW of hydroelectric power from three planned AMP run-of-the-river hydroelectric projects (AMP Hydro Phase 1) to be constructed on the Ohio River. These include both the Cannelton and Smithland projects in Kentucky, as well as the Willow Island project in West Virginia.

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

The Cannelton project is located on the Kentucky south shore of the Ohio River at the existing U.S. Army Corps of Engineers Cannelton Locks and Dam. The Cannelton project includes three 29.3 MW bulb-type generators with a combined capacity of 88 MW. In addition to the powerhouse and other equipment, the project includes a 1,000-foot transmission line to the point of interconnection. The first unit of the Cannelton Project entered commercial operation in January 2016, the second unit entered commercial operation in March 2016 and the third entered commercial operation in June 2016.

The Smithland project is located at the existing U.S. Army Corps of Engineers Smithland Navigation Locks and Dam. The plant's configuration and equipment is similar to Cannelton's, but includes three 25.3 MW bulb-type generators with a total capacity of 76 MW and a two mile transmission line to the point of interconnection. The Smithland Project is expected to enter commercial operation in 2017.

The Willow Island project in West Virginia is located at the existing U.S. Army Corps of Engineers Willow Island Lock and Dam. The plant design and technology is similar to the other two projects but includes two 22 MW generators with a total capacity of 44 MW. The project includes a 1.6 mile transmission line to the point of interconnection. Willow Island Project entered commercial operation in 2016.

Together these projects are expected to produce 191 MW, of which 35 MW is allocated to the Division. In March 2010, the Division executed agreements with AMP to participate in two additional AMP run-of-the-river hydroelectric projects (AMP Hydro Phase 2) on the Ohio River. The first is the Meldahl Project, a 105 MW three-unit hydroelectric generation facility located on the Kentucky side of the Ohio River. The Meldahl Project entered commercial operation in April 2016. The second project is the Greenup Project, an existing 70 MW plant owned by the City of Hamilton, Ohio. The Division has contracted to receive 15 MW from the Meldahl-Greenup Projects, for a total of 50 MW (when combined with AMP Hydro Phase 1) from the five AMP hydroelectric projects.

Prairie State Energy Campus

AMP has a 23% ownership interest in the Prairie State Energy Campus in Illinois, a pulverized coal plant consisting of two generating units with a total rating of 1,582 MW. AMP is entitled to 368 MW as an owner of the facility in partnership with public power agencies and cooperatives in Illinois, Indiana, Kentucky, and Missouri. The project is a "mouth-of-the mine" project that includes entitlement to 200 million tons of coal reserves in an adjacent coal mine. The project was developed by Peabody Energy and went into commercial operation in 2012. The Division purchases 25 MW from the Prairie State project through a participation agreement with AMP.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF NET POSITION
For the Year Ended December 31, 2016
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 5,568
Land improvements	293
Utility plant	525,136
Buildings, structures and improvements	22,158
Furniture, fixtures, equipment and vehicles	83,994
	637,149
Less: Accumulated depreciation	(375,830)
	261,319
Construction in progress	92,250
CAPITAL ASSETS, NET	353,569
RESTRICTED ASSETS	
Cash and cash equivalents	18,037
Accrued interest receivable	5
TOTAL RESTRICTED ASSETS	18,042
CURRENT ASSETS	
Cash and cash equivalents	49,634
Restricted cash and cash equivalents	590
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $5,834,000 in 2016	10,956
Recoverable costs of purchased power	3,989
Unbilled revenue	2,616
Due from other City of Cleveland departments, divisions or funds	2,509
Materials and supplies - at average cost	8,849
Prepaid expenses	233
TOTAL CURRENT ASSETS	79,376
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on debt refunding	14,122
Pension	9,080
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,202

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF NET POSITION
For the Year Ended December 31, 2016
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	167,356
Restricted for capital projects		484
Restricted for debt service		3,038
Unrestricted		26,886
TOTAL NET POSITION		197,764
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Accrued wages and benefits		413
Accreted interest payable		16,080
Revenue bonds		206,399
Net pension liability		23,597
Other		2,432
TOTAL LONG-TERM OBLIGATIONS		248,921
CURRENT LIABILITIES		
Accounts payable		11,798
Other accrued expenses		585
Customer deposits and other liabilities		1,092
Current portion of accrued wages and benefits		2,384
Due to other City of Cleveland departments, divisions or funds		709
Accrued interest payable		998
Current payable from restricted assets		590
Current portion of long-term debt, due within one year		8,785
TOTAL CURRENT LIABILITIES		26,941
TOTAL LIABILITIES		275,862
DEFERRED INFLOWS OF RESOURCES		
Pension		563
TOTAL DEFERRED INFLOWS OF RESOURCES		563

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 192,967
TOTAL OPERATING REVENUES	192,967
OPERATING EXPENSES	
Purchased power	124,909
Operations	24,979
Maintenance	16,703
Depreciation	18,319
TOTAL OPERATING EXPENSES	184,910
OPERATING INCOME (LOSS)	8,057
NON-OPERATING REVENUE (EXPENSE)	
Investment income	246
Interest expense	(10,004)
Amortization of bond premiums and discounts	324
Gain (loss) on disposal of assets	(1,260)
Other	3,124
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(7,570)
INCREASE (DECREASE) IN NET POSITION	487
NET POSITION AT BEGINNING OF YEAR	197,277
NET POSITION END OF YEAR	$ 197,764

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 191,466
Cash payments to suppliers for goods or services	(18,690)
Cash payments to employees for services	(23,000)
Cash payments for purchased power	(125,755)
Electric excise tax payments to agency fund and other	(5,365)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	18,656
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Electric Deregulation tax receipts	2,999
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	2,999
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of revenue bonds	46,238
Acquisition and construction of capital assets	(17,265)
Principal paid on long-term debt	(8,055)
Interest paid on long-term debt	(9,859)
Cash paid to escrow agent for refunding	(45,650)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(34,591)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	261
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	261
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,675)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	80,936
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 68,261

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	$ 8,057
Adjustments:	
Depreciation	18,319
(Increase) decrease in assets:	
Accounts receivable, net	(1,765)
Recoverable costs of purchased power	(2,291)
Unbilled revenue	(89)
Due from other City of Cleveland departments, divisions or funds	341
Materials and supplies, net	(441)
Prepaid expenses	(66)
Deferred outflows of resources related to pensions	(6,068)
Increase (decrease) in liabilities:	
Accounts payable	1,784
Other accrued expenses	(2,807)
Customer deposits and other liabilities	52
Accrued wages and benefits	(50)
Due to other City of Cleveland departments, divisions or funds	(390)
Other long-term liabilities	(714)
Net pension liability	7,200
Deferred inflows of resources from excess purchased power costs	(2,679)
Deferred inflows of resources related to pensions	263
TOTAL ADJUSTMENTS	10,599
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 18,656

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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 February of 2015, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required, the Division has implemented GASB Statement No. 72 as of December 31, 2016.

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No.* 68, and *Amendments to Certain Provisions of GASB Statements No. 67 and 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2015 — except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The Division has determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment —the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the Division has implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The Division has determined that GASB Statement No. 77 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Division has determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was issued. This Statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23 – 26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the Division has implemented GASB Statement No. 79 as of December 31, 2016.

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.

The Division transfers electric excise tax revenue from billed customers on a monthly basis to an agency fund in the City. Additional electric excise tax revenue from large customers is invoiced separately and deposited directly into the City's Agency fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased.

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

The Division has invested funds in the STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

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

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies GASB guidance pertaining to capitalization of interest cost for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2016, total interest costs incurred amounted to $13,472,000, of which $3,447,000 was capitalized, net of interest income of $21,000.

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resources and is amortized over the shorter of the defeased bond or the newly issued bond.

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

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

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid out within one year is reported as a long-term liability.

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

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2016 is as follows:

	Interest Rate	Original Issuance	2016
		(Amounts in Thousands)	
Revenue Bonds:			
Series 2008 A, due through 2024	4.00%-4.50%	$ 21,105	$ 19,040
Series 2008 B-1, due through 2038	4.00%-5.00%	44,705	39,735
Series 2008 B-2, due through 2038	5.13%-5.40%	27,903	27,903
Series 2010, due through 2017	5.00%	23,915	5,370
Series 2014, due through 2038	5.50%	76,885	76,885
Series 2016, due through 2024	2.50-5.00%	42,025	42,025
		$ 236,538	$ 210,958
Less:			
Unamortized premium (discount)-current interest bonds (net)			4,226
Current portion			(8,785)
Total Long-Term Debt			$ 206,399

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

Summary: Changes in long-term obligations for the year ended December 31, 2016, are as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
	(Amounts in Thousands)				
Revenue Bonds:					
Series 2006 A-1, due through 2024	$ 45,285	$	$ (45,285)	$ -	$
Series 2006 A-2, due through 2016	4,435		(4,435)	-	
Series 2008 A, due through 2024	19,040			19,040	2,065
Series 2008 B-1, due through 2038	39,735			39,735	1,020
Series 2008 B-2, due through 2038	27,903			27,903	
Series 2010, due through 2017	8,990		(3,620)	5,370	5,370
Series 2014, due through 2038	76,885			76,885	
Series 2016, due through 2024		42,025		42,025	330
Total revenue bonds	222,273	42,025	(53,340)	210,958	8,785
Accrued wages and benefits	2,847	2,360	(2,410)	2,797	2,384
Net pension liability	16,397	7,200		23,597	
Total	$241,517	$51,585	$(55,750)	$ 237,352	$11,169

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

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(Amounts in thousands)		
2017	$ 8,785	$ 9,117	$ 17,902
2018	7,705	8,885	16,590
2019	8,060	8,532	16,592
2020	8,430	8,164	16,594
2021	10,135	7,778	17,913
2022-2026	49,771	39,790	89,561
2027-2031	43,950	45,601	89,551
2032-2036	50,967	38,589	89,556
2037-2038	23,155	12,665	35,820
	$ 210,958	$ 179,121	$ 390,079

The City has pledged future power system revenues, net of specified operating expenses, to repay $210,958,000 in various Public Power System Revenue Bonds issued in various years since 2008. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 68% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is $390,079,000. Principal and interest paid for the current year and total net revenues were $17,914,000 and $26,603,000, respectively.

On December 14, 2016, the City issued $42,025,000 Public Power System Revenue Refunding Bonds, Series 2016. These bonds were issued to refund $45,285,000 of outstanding Series 2006A-1 Public Power System Bonds. Net proceeds of the bonds in the amount of $45,649,796 were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds on January 13, 2017. The refunded 2006A-1 Bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $3,965,000 and an economic gain (the difference between the present values of the old and new debt service) of $3,647,000 or 8.05%.

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

The Division has, at various times, defeased certain revenue bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements.

The aggregate amount of defeased debt outstanding at December 31, 2016 is as follows:

Bond Issue	2016 (Amounts in Thousands)
Series 2006 A-1, A-2	$ 45,285
Series 2008 B-1	75
Total	$ 45,360

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, 2016, the Division was in compliance with the terms and requirements of the bond indenture. The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds.

Debt Service Fund: Monthly deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund: Deposits will be made to this fund if the required amount in the debt service reserve fund at any time is less than the debt service reserve requirement. However, the Division has elected, pursuant to provisions of the indenture governing the Division's bonds, to satisfy the bond reserve requirement with a surety bond in an aggregate amount at least equal to the bond reserve requirement. The Series 2014 Bonds are not secured by the debt service reserve fund.

Renewal and Replacement Fund: The balance in this fund is maintained at a minimum of $1,000,000 and is to be applied against the cost of repair or replacement of capital assets in order to maintain the system.

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

Construction Fund: The proceeds from Series 1991, Series 1994 and Series 2008 Bonds of $12,050,000, $79,386,000, and $72,608,000, respectively, were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. As of December 31, 2016, the Division had $13,516,000 of outstanding commitments for future construction costs that will be funded by available bond proceeds. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding bonds to the extent that amounts in all other funds are insufficient. No payment needs to be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, the amounts are classified as restricted assets in the financial statements.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: At December 31, 2016, the Division's carrying amount of deposits totaled $13,691,000 and the Division's bank balances totaled $13,523,000. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $13,523,000 of the bank balances at December 31, 2016, was insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio 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.

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Division (excluding STAR Ohio and money market mutual funds) as of December 31, 2016.

Type of Investment	Fair Value	Fair Value Measurements Using Level 2
	(Amounts in Thousands)	
Commercial Paper	$ 342	$ 342
Total Investments	$ 342	$ 342

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

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

Credit Risk: The Division's investments as of December 31, 2016, include STAR Ohio, commercial paper and money market mutual funds. Investments in STAR Ohio and the First American Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Division's investment in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-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, 2016, 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	2016 Value	2016 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 36,683	$ 36,683	$ 36,683
Commercial Paper	342	342	342
Money Market Mutual Funds	17,545	17,545	17,545
Total Investments	54,570	54,570	54,570
Total Deposits	13,691	13,691	13,691
Total Deposits and Investments	$ 68,261	$ 68,261	$ 68,261

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2016, the investments in commercial paper, STAR Ohio and money market mutual funds are approximately 67%, 1% and 32%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
		(Amounts in Thousands)		
Capital assets, not being depreciated:				
Land	$ 5,568	$	$	$ 5,568
Construction in progress	82,694	14,436	(4,880)	92,250
Total capital assets, not being depreciated	88,262	14,436	(4,880)	97,818
Capital assets, being depreciated:				
Land improvements	305		(12)	293
Utility plant	518,471	8,914	(2,249)	525,136
Buildings, structures and improvements	22,110	48		22,158
Furniture, fixtures, equipment and vehicles	83,420	906	(332)	83,994
Total capital assets, being depreciated	624,306	9,868	(2,593)	631,581
Less: Accumulated depreciation	(358,844)	(18,319)	1,333	(375,830)
Total capital assets being depreciated, net	265,462	(8,451)	(1,260)	255,751
Capital assets, net	$ 353,724	$ 5,985	$ (6,140)	$ 353,569

Commitments: The Division has outstanding commitments of approximately $30,644,000 for future capital expenditures at December 31, 2016. It is anticipated that these commitments will be financed from the Division’s cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E - DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $1,985,000 for 2016. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)
Proportionate Share of the Net Pension Liability	$ 23,597
Proportion of the Net Pension Liability	0.139410%
Pension Expense	$ 3,757

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2016, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	7,095
Division's contributions subsequent to the measurement date		1,985
Total Deferred Outflows of Resources	$	9,080
Deferred Inflows of Resources		
Differences between expected and actual experience	$	482
Change in Division's proportionate share		81
Total Deferred Inflows of Resources	$	563

The $1,985,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS (Amounts in Thousands)	
Year Ending December 31:		
2017	$	1,516
2018		1,627
2019		1,797
2020		1,607
2021		(3)
Thereafter		(12)
Total	$	6,532

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

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retires: 3%, simple through 2018, then 2.8%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

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

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

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

In 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care portfolios. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4% for 2015.

NOTE E - DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 37,557	$ 23,597	$ 11,824

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

***Funding Policy - Ohio Public Employees Retirement System*:** The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS *(*Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Division's actual contributions to OPERS to fund postemployment benefits were $338,000 in 2016, $362,000 in 2015 and $350,000 in 2014. The required payments due in 2016, 2015 and 2014 have been made.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: The Division is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Division's project share was 80,000 kilowatts (kW) of a total 771,281 kW, giving the City a 10.37% project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel Corporation (Bechtel). As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The Division's estimated share of the impaired costs at March 31, 2014, was $13,813,694. The Division received a credit of $6,447,719 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $3,617,994 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired costs balance of $3,747,981. Because payment is now probable and reasonably estimable, the Division is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Division's net impaired cost balance either positively or negatively. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a settlement in the Bechtel litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

Since March 31, 2014, the Division has made payments of $910,264 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Division's allocation of additional costs incurred by the project is $139,411 and interest expense incurred on AMP's line-of-credit of $98,600. As part of the Bechtel Settlement, the Division received a credit of $394,149 against its stranded cost liability, resulting in a net impaired cost estimate at December 31, 2016, of $2,681,579. The Division does have a potential PHFU Liability of $3,721,386 resulting in a net total potential liability of $6,402,965, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) has no value and also assuming the Division's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items like revenue from leases or sale of all or a portion of the Meigs County site property.

The Division intends to recover these costs and repay AMP over the next 13 years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Statement No. 65. The Division intends to recover 50% of these costs from the customers through the Energy Adjustment Charge passed along to customer's monthly bills.

In addition, various claims are pending against the City involving the Division for personal injuries, property damage and other matters. 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. There were no significant decreases in any insurance coverage in 2016.

The City provided the choice of three separate health insurance plans to its employees until March 31, 2016. As of April 1, 2016, the City provided the choice of two separate health self-insurance plans to its employees. The Division is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio's 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 reported as part of accounts payable on the statement of net position and is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides services to the City, including its various departments and divisions. The usual and customary rates are charged to all City departments and divisions.

Operating Expenses: The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the year ended December 31, 2016, are as follows:

		(Amounts in Thousands)
City Administration	$	1,776
Telephone Exchange		2,111
Utilities Administration and Fiscal Control		2,050
Division of Water		435
Motor Vehicle Maintenance		353

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 $1,038,000 for the year ended December 31, 2016.

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 $5,263,000 for this tax in 2016, of which $6,920 was remitted to the State. Ordinance No. 1350-14, passed December 2014, directed 50% of the proceeds of the tax to the General Fund in 2016.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Three Measurement Years (1), (2)

	2015	2014	2013
		(Amounts in Thousands)	
Division's Proportion of the Net Pension Liability	0.139410%	0.136385%	0.136385%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 23,597	$ 16,397	$ 16,054
Division's Covered-Employee Payroll	$ 17,775	$ 17,067	$ 15,462
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	132.75%	96.07%	103.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
Required Supplementary Information
Schedule of Contributions
Ohio Public Employees Retirement System
Last Four Years (1)

	2016	2015	2014	2013
	(Amounts in Thousands)			
Contractually Required Contributions	$ 1,985	$ 2,133	$ 2,048	$ 2,010
Contributions in Relation to the Contractually Required Contributions	(1,985)	(2,133)	(2,048)	(2,010)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Division's Covered-Employee Payroll	$ 16,542	$ 17,775	$ 17,067	$ 15,462
Contributions as a Percentage of Covered- Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2016

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Water, Department of Public Utilities, City of Cleveland, Ohio (the Division) as of and for the year ended December 31, 2016 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Water, Department of Public Utilities, City of Cleveland, Ohio, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2016, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2016. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 16.

The Division services not only the City, but also sixty-nine direct service communities, eight master meter communities and three emergency standby communities. They provide water to approximately 422,309 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 2016, the Division provided services to approximately 124,278 accounts located within Cleveland and approximately 298,031 accounts located in direct service communities. Water provided to each master meter community is metered at each community's boundary. Consumers within the City of Cleveland accounted for 24% of the Division's metered sales revenue, while the direct service and master meter communities accounted for 67% and 9% 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 $1,443,181,000 and $1,397,471,000 at December 31, 2016, and 2015, respectively. Of these amounts, $370,105,000 and $325,271,000 are unrestricted net position at December 31, 2016, and 2015, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's overall net position increased by $45,710,000 in 2016. The increase is primarily attributed to operating income of $69,908,000, offset by a non-operating loss of $24,210,000.

FINANCIAL HIGHLIGHTS (Continued)

- The total long-term revenue bonds and loans payable of the Division decreased by $49,532,000 due to scheduled principal payments on the bonds and loans.

- The unrestricted cash and cash equivalents balance increased by $54,006,000, mainly due to continued strong results from operating activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Water.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 16 – 21 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 23 - 50 of this report. Required supplementary information can be found on pages 51 - 52.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2016 and 2015:

	2016	2015
	(Amounts in Thousands)	
Assets:		
Capital assets, net	$ 1,701,684	$ 1,731,854
Restricted assets	94,761	113,655
Current assets	450,138	403,468
Total assets	2,246,583	2,248,977
Deferred outflows of resources	64,724	52,873
Net position:		
Net investment in capital assets	986,294	979,643
Restricted for capital projects	46	51
Restricted for debt service	86,736	92,506
Unrestricted	370,105	325,271
Total net positon	1,443,181	1,397,471
Liabilities:		
Long-term obligations	766,152	802,256
Current liabilities	85,786	83,291
Total liabilities	851,938	885,547
Deferred inflows of resources	16,188	18,832

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Current Assets: The Division had an increase in current assets of $46,670,000, due primarily to an increase in unrestricted cash and cash equivalents of $54,006,000, offset by a decrease in investments of $10,008,000.

Restricted assets: The Division's restricted assets decreased by $18,894,000, primarily due to construction payments from revenue bond proceeds.

Deferred outflows of resources: The Division's deferred outflows of resources increased by $11,851,000, primarily due to a $17,653,000 increase in pension outflows. This increase was partially offset by a $3,389,000 decrease in the fair value of the Division's interest rate swaps.

Capital Assets: The Division's investment in capital assets, as of December 31, 2016, amounted to $1,701,684,000 (net of accumulated depreciation). The total decrease in the Division's investment in net capital assets was approximately $30,170,000 or 1.7%. A summary of the activity in the Division's capital assets during December 31, 2016, is as follows:

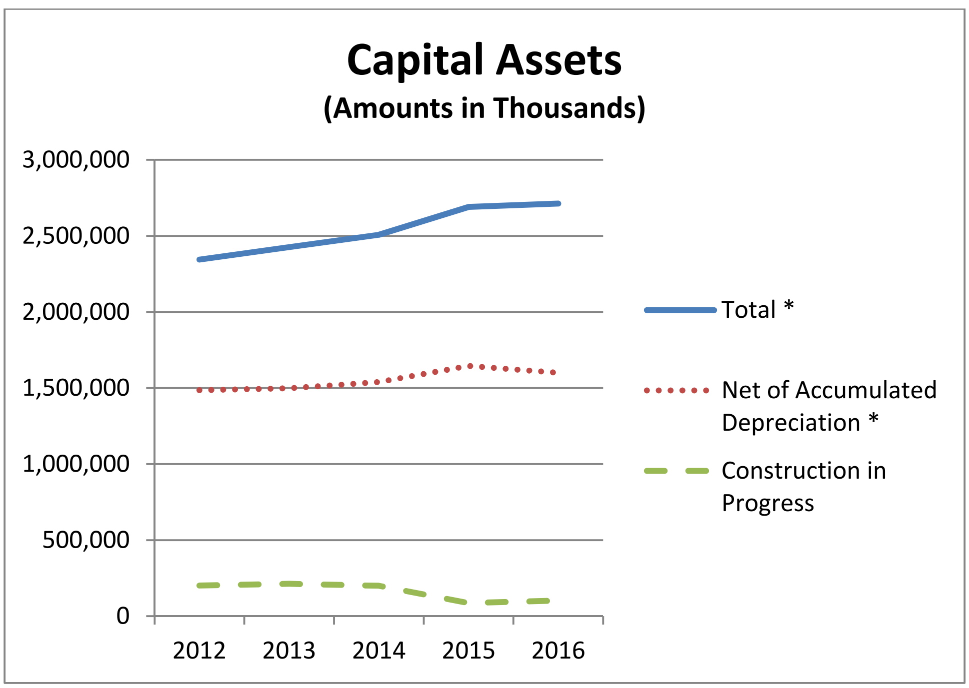
	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
	(Amounts in Thousands)			
Land	$ 5,463	$	$	$ 5,463
Land improvements	17,427			17,427
Utility plant	1,798,784	17,317	(7,123)	1,808,978
Buildings, structures and improvements	264,109	2,408		266,517
Furniture, fixtures, equipment and vehicles	604,903	13,813	(4,659)	614,057
Construction in progress	86,647	39,338	(24,320)	101,665
Total	2,777,333	72,876	(36,102)	2,814,107
Less: Accumulated depreciation	(1,045,479)	(77,581)	10,637	(1,112,423)
Capital assets, net	$ 1,731,854	$ (4,705)	$ (25,465)	$ 1,701,684

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Furniture, fixtures, equipment and vehicles increased by $9,154,000, primarily due to the completion of software installations. Additionally, construction in progress had additions and deletions of $39,338,000 and $24,320,000, respectively, resulting in a net increase of $15,018,000 (See Note D).

Major projects still under construction chiefly consist of engineering services related to renewals of various water mains and the Boosted Third High Pump Station, which is an elevated storage tank regulating water capacity and fire flow fluctuations.

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D to the basic financial statements.



* Construction in Progress not included

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-term Obligations**:** In 2016, the factors contributing to the Division's net decrease in long-term obligations of $36,104,000 is primarily due to a decrease in the non-current portion of revenue bonds and OWDA loans amounting to $48,854,000 and $7,661,000, respectively, offset by an increase in the net pension liability of $20,470,000.

Current Liabilities: In 2016, total current liabilities increased by $2,495,000. The significant components of the change were increases of $2,849,000 or 5.8% in the current portion of long-term debt and $2,311,000 or 42.2% in accounts payable. The increases were partially offset by a reduction of $1,778,000 or 48.2% in current payable from restricted assets.

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

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

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

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-term Debt: At the end of 2016, the Division had total long-term debt outstanding of $720,290,000. All bonds are backed by the revenues generated by the Division. The Ohio Water Development Authority (OWDA) loans do not have a lien on revenues of the Division.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2016, is summarized below (excluding unamortized discounts and premiums):

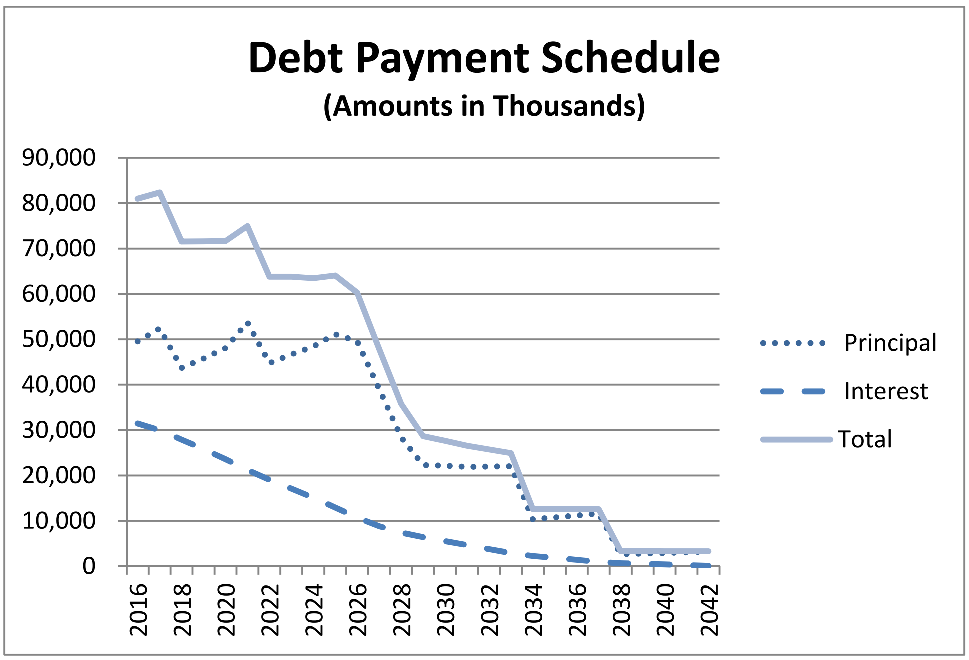
	Balance January 1, 2016	Debt Issued	Debt Retired	Balance December 31, 2016
		(Amounts in Thousands)		
Long-Term Debt				
Water Revenue Bonds:				
Series G 1993	$ 65,875	$	$ (9,575)	$ 56,300
Series N 2005	4,805		(4,805)	-
Series O 2007	6,630		(3,235)	3,395
Series P 2007	94,235		(5,515)	88,720
Series T 2009	48,685		(595)	48,090
Series U 2010	54,935			54,935
Series V 2010	26,495			26,495
Series W 2011	25,640		(17,560)	8,080
Series X 2012	44,410			44,410
Series Y 2015	116,205			116,205
Series Z 2015	15,930		(825)	15,105
Series AA 2015	90,800			90,800
Second Lien Series A 2012	76,710			76,710
Ohio Water Development Authority Loans	98,467		(7,422)	91,045
Total	$ 769,822	$ -	$ (49,532)	$ 720,290

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds as of December 31, 2016, are as follows:

	Moody's Investors Service	Standard & Poor's
Waterworks Improvement Revenue Bonds	Aa1	AA
Second Lien Water Revenue Bonds	Aa2	AA-

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers, investors and creditors. The Division's revenue bond coverage for 2016 and 2015 was 250% and 215%, respectively.



Debt service on the Division's bonded debt will begin declining in 2018 and is expected to minimally impact its operations.

Additional information on the Division's long-term debt can be found in Note B on pages 28 - 37.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1,443,181,000 and $1,397,471,000 at December 31, 2016 and 2015, respectively.

Of the Division's net position, $986,294,000 at December 31, 2016, 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, $86,782,000 at December 31, 2016, 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, $370,105,000, at December 31, 2016, 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 2016 by $45,710,000. The following table identifies the key elements of the Division's results of operations for the years ended December 31, 2016, and 2015:

	2016	2015
	(Amounts in Thousands)	
Operating revenues	$ 310,107	$ 301,276
Operating expenses	240,199	236,340
Operating income (loss)	69,908	64,936
Non-operating revenue (expense):		
Investment income	1,775	439
Interest expense	(29,056)	(23,616)
Amortization of bond premiums and discounts	4,134	5,060
Gain (loss) on disposal of capital assets	(1,146)	(19)
Other	83	73
Total non-operating revenue (expense), net	(24,210)	(18,063)
Income (loss) before capital and other contributions	45,698	46,873
Capital and other contributions	12	19,999
Change in net position	$ 45,710	$ 66,872

Operating revenue: In 2016, total operating revenues of the Division increased $8,831,000 or 2.9%. The rise is primarily attributed to a 1.7% increase in net consumption and associated charges.

Operating expenses: In 2016, the overall increase in operating expenses of $3,859,000 was primarily due to a $7,222,000 increase in depreciation expense. The upsurge resulted from the Division incurring a full-year of depreciation on $190,257,000 of capital assets brought online in mid-2015.

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

Non-operating revenue (expense): Net non-operating revenue (expense) decreased by $6,147,000 in 2016. The primary source of the reduction was an increase of $5,440,000 in interest expense, largely attributed to lower capitalization of interest expense compared to 2015.

Capital and other contributions: In 2016, capital and other contributions decreased by $19,987,000 as compared to 2015. This was primarily due to the Division not acquiring any distribution mains from other municipalities in 2016.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF NET POSITION
December 31, 2016
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 5,463
Land improvements	17,427
Utility plant	1,808,978
Buildings, structures and improvements	266,517
Furniture, fixtures, equipment and vehicles	614,057
	2,712,442
Less: Accumulated depreciation	(1,112,423)
	1,600,019
Construction in progress	101,665
CAPITAL ASSETS, NET	1,701,684
RESTRICTED ASSETS	
Cash and cash equivalents	84,242
Investments	10,491
Accrued interest receivable	28
TOTAL RESTRICTED ASSETS	94,761
CURRENT ASSETS	
Cash and cash equivalents	340,292
Restricted cash and cash equivalents	1,908
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $13,190,000	58,963
Unbilled revenue	35,826
Due from other City of Cleveland departments, divisions or funds	3,803
Accrued interest receivable	12
Materials and supplies - net of allowance for obsolescence of $79,000	8,799
Prepaid expenses	535
TOTAL CURRENT ASSETS	450,138
DEFERRED OUTFLOWS OF RESOURCES	
Derivative instruments-interest rate swaps	14,537
Unamortized loss on bond refunding	23,819
Pension	26,368
TOTAL DEFERRED OUTFLOWS OF RESOURCES	64,724

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF NET POSITION
December 31, 2016
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	986,294
Restricted for capital projects		46
Restricted for debt service		86,736
Unrestricted		370,105
TOTAL NET POSITION		1,443,181
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Accrued wages and benefits		1,344
OWDA loans		83,384
Revenue bonds		611,522
Net pension liability		69,902
TOTAL LONG-TERM OBLIGATIONS		766,152
CURRENT LIABILITIES		
Accounts payable		7,782
Customer deposits and other liabilities		3,649
Current portion of accrued wages and benefits		6,940
Due to other City of Cleveland departments, divisions or funds		1,864
Accrued interest payable		11,262
Current payable from restricted assets		1,908
Current portion of long-term debt, due within one year		52,381
TOTAL CURRENT LIABILITIES		85,786
TOTAL LIABILITIES		851,938
DEFERRED INFLOWS OF RESOURCES		
Derivative instruments-interest rate swaps		14,537
Pension		1,651
TOTAL DEFERRED INFLOWS OF RESOURCES		16,188

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016
(Amounts in Thousands)

OPERATING REVENUES		
Charges for services	$	310,107
TOTAL OPERATING REVENUES		310,107
OPERATING EXPENSES		
Operations		99,902
Maintenance		62,716
Depreciation		77,581
TOTAL OPERATING EXPENSES		240,199
OPERATING INCOME (LOSS)		69,908
NON-OPERATING REVENUE (EXPENSE)		
Investment income		1,775
Interest expense		(29,056)
Amortization of bond premiums and discounts		4,134
Gain (loss) on disposal of capital assets		(1,146)
Other		83
TOTAL NON-OPERATING REVENUE (EXPENSE), NET		(24,210)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS		45,698
Capital and other contributions		12
INCREASE (DECREASE) IN NET POSITION		45,710
NET POSITION, BEGINNING OF YEAR		1,397,471
NET POSITION, END OF YEAR	$	1,443,181

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	303,560
Cash payments to suppliers for goods or services		(82,803)
Cash payments to employees for services		(72,171)
Other		311
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		148,897
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants		12
NET CASH PROVIDED BY(USED FOR) NONCAPITAL FINANCING ACTIVITIES		12
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(47,533)
Principal paid on long-term debt		(49,532)
Interest paid on long-term debt		(30,310)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(127,375)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities		(10,491)
Proceeds from sale and maturity of investment securities		9,995
Interest received on investments		1,786
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		1,290
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		22,824
CASH AND CASH EQUIVALENTS, beginning of year		403,618
CASH AND CASH EQUIVALENTS, end of year	$	426,442

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	$	69,908
Adjustments:		
Depreciation		77,581
(Increase) decrease in assets:		
Accounts receivable, net		(5,273)
Unbilled revenue		(690)
Due from other City of Cleveland departments, divisions or funds		651
Materials and supplies, net		677
Prepaid expenses		196
(Increase) decrease in deferred outflows of resources - pension		(17,653)
Increase (decrease) in liabilities:		
Accounts payable		2,311
Customer deposits and other liabilities		1,942
Accrued wages and benefits		(662)
Due to other City of Cleveland departments, divisions or funds		(1,306)
Net pension liability		20,470
Increase (decrease) in deferred inflows of resources - pension		745
TOTAL ADJUSTMENTS		78,989
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	148,897

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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 February of 2015, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required, the Division has implemented GASB Statement No. 72 as of December 31, 2016.

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68* was issued. This Statement is effective for fiscal periods beginning after June 15, 2015 —except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The Division has determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and* Local *Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the Division has implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The Division has determined that GASB Statement No. 77 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Division has determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* was issued. This Statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the Division has implemented GASB Statement No. 79 as of December 31, 2016.

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

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of water to residential, commercial and industrial customers based upon actual water consumption and from a fixed charge based upon meter size. Water rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investment activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

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

The Division has invested funds in the STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies GASB guidance pertaining to capitalization of interest costs for its revenue bonds. This statement requires capitalization of interest cost of eligible borrowings, less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2016, total interest costs incurred amounted to $31,802,000, of which $2,718,000 was capitalized, net of interest income of $28,000.

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resources and is amortized over the shorter of the defeased bond or the newly issued bond.

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

Interfund Transactions: During the course of normal operations the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2016, is as follows:

	Interest Rate	Original Issuance	2016
	(Amounts in Thousands)		
Water Revenue Bonds:			
Series G 1993 due through 2021	5.50%	$ 228,170	$ 56,300
Series O 2007 due through 2017	5.00%	143,570	3,395
Series P 2007 due through 2028	4.50%-5.00%	135,410	88,720
Series T 2009 due through 2021	4.00%-5.00%	84,625	48,090
Series U 2010 due through 2033	Variable	54,935	54,935
Series V 2010 due through 2033	Variable	26,495	26,495
Series W 2011 due through 2026	2.00%-5.00%	82,090	8,080
Series X 2012 due through 2042	3.63%-5.00%	44,410	44,410
Series Y 2015 due through 2037	4.00%-5.00%	116,205	116,205
Series Z 2015 due through 2019	2.00%-5.00%	15,930	15,105
Series AA 2015 due through 2033	Variable	90,800	90,800
Second Lien Series A 2012 due 2027	4.00%-5.00%	76,710	76,710
Ohio Water Development Authority Loans payable annually through 2032	0.00%-3.00%	152,767	91,045
		$ 1,252,117	720,290
Adjustments:			
Unamortized discount and premium			26,997
Current portion			(52,381)
Total Long-Term Debt			$ 694,906

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

Summary: Changes in long-term obligations for the year ended December 31, 2016, are as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
			(Amounts in Thousands)		
Water Revenue Bonds:					
Series G 1993 due through 2021	$ 65,875	$	$ (9,575)	$ 56,300	$ 10,100
Series N 2005 due through 2016	4,805		(4,805)	-	
Series O 2007 due through 2017	6,630		(3,235)	3,395	3,395
Series P 2007 due through 2028	94,235		(5,515)	88,720	12,370
Series T 2009 due through 2021	48,685		(595)	48,090	610
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	25,640		(17,560)	8,080	6,550
Series X 2012 due through 2042	44,410			44,410	
Series Y 2015 due through 2037	116,205			116,205	
Series Z 2015 due through 2019	15,930		(825)	15,105	11,695
Series AA 2015 due through 2033	90,800			90,800	
Second Lien Series A 2012 due through 2027	76,710			76,710	
Ohio Water Development Authority Loans payable annually through 2032	98,467		(7,422)	91,045	7,661
Total revenue bonds/loans	769,822		(49,532)	720,290	52,381
Accrued wages and benefits	8,946	6,881	(7,543)	8,284	6,940
Net pension liability	49,432	20,470		69,902	
Total	$ 828,200	$ 27,351	$ (57,075)	$ 798,476	$ 59,321

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

Minimum principal and interest payments on long-term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
	(Amounts in Thousands)		
2017	$ 52,381	$ 29,983	$ 82,364
2018	43,669	27,871	71,540
2019	45,781	25,809	71,590
2020	48,061	23,596	71,657
2021	53,720	21,225	74,945
2022-2026	240,514	74,909	315,423
2027-2031	133,700	32,815	166,515
2032-2036	76,289	12,131	88,420
2037-2041	22,965	2,769	25,734
2042	3,210	80	3,290
Total	$ 720,290	$ 251,188	$ 971,478

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 2016, the Division did not take out any new loans. OWDA completed an interest rate buy-down which resulted in interest rate savings on current loans. Market rate loans with interest rates higher than 4.0% saw a reduction in rates to 4.0% while rates over 3.0% on OWDA loans were reduced to 3.0%. The buy-down commenced retroactively to the January 1, 2016 payment.

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

At December 31, 2016, the amount financed on these eleven loan projects, less principal payments made, totaled $91,045,000 and is reflected in the debt service payment schedule.

The Division has, from time to time, defeased certain Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements.

The Division had the following amounts of defeased debt outstanding at December 31, 2016:

Series O, 2007	$87,950,000

In 1996, the City authorized the adoption of the eighth supplemental indenture to amend and restate the existing indenture, subject to the receipt of consent of the requisite number of bondholders. With the issuance of the Series J bonds, the City reached the 66.7% consent required to enact the Amended and Restated Indenture. Effective October 5, 2001, all outstanding bonds were and any future bonds are secured by the Amended and Restated Indenture. Under the new indenture, the bonds are no longer secured by a mortgage lien. All bonds are secured by the Division's net revenues and by the pledged funds.

The Division's indentures have certain restrictive covenants and principally require that bond reserve funds may be maintained for certain series of bonds and charges for fees to customers must be sufficient in amount, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal and maintenance of properties in good condition.

The indenture requires that at all times the Division will charge rates and fees for the products and services of the waterworks system, so that revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the waterworks system and the greater of (1) an amount equal to 1.25 times the payments of principal, premium, if any, and interest on the revenue bonds then outstanding due in that year or (2) an amount sufficient to maintain the required balances in all funds and accounts created under the indenture. As of December 31, 2016, the Division was in compliance with the terms and requirements of the bond indenture.

The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds. An amount equal to one-sixth of the operating expenses, before depreciation, for the preceding fiscal year must be maintained in this fund.

Debt Service Fund: Deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund: Deposits will be made to this fund if the amount in the debt service fund at any time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the revenue bonds secured by the reserve fund and represent the maximum annual debt service requirement of these bonds. Not all series of bonds are covered by the reserve fund.

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

Contingency Fund: The balance in this fund must be maintained at $3,500,000.

Construction Fund: Proceeds from the various series of revenue bonds were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the waterworks system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding revenue bonds to the extent that amounts in all other funds are insufficient. No payments need be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in any fund may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and accordingly, the funds are classified as restricted assets in the accompanying financial statements.

Upon the mandatory tender by the direct purchasers of the Water Revenue Bonds, Series U, 2010 and the Water Revenue Bonds, Series V, 2010, the Division entered into new direct purchase agreements on both series of bonds. Effective December 1, 2016, the $54,935,000 Water Series U Bonds and the $26,495,000 Water Series V Bonds were directly purchased by PNC Bank, National Association. The Division will be paying an interest rate equal to 65.001% of one month LIBOR plus a spread for the next three years.

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

The City has pledged future water system revenues, net of specified operating expenses, to repay $629,245,000 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 46% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is $866,096,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were $67,734,000 and $149,264,000, respectively.

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

Interest Rate Swap Transactions:

Upon the refunding of the Series M Bonds in 2009, the Division's swap became associated with the Series Q, Series R and Series S Bonds. When the Series R and Series S Bonds were refunded in 2010, the swap associated with these bonds was transferred to a portion of the new Series U and Series V Bonds. The portion of the swap associated with Series Q remained unchanged. The Series Q Bonds were then refunded in 2015 and the swap associated with these bonds was transferred to the new Series AA Bonds.

Terms: Simultaneously with the issuance of the City's $175,000,000 Water Revenue Bonds, Series M on August 10, 2004, the City entered into floating to fixed rate swap agreements with notional amounts equal to the total declining balance of the Series M Bonds. Bear Stearns Financial Products Inc. (Bear Stearns) (which has since been acquired by JPMorgan Chase Bank, N.A. (JPM)) was the counterparty on a two-thirds pro-rata share of the transaction and Morgan Stanley Capital Services Inc. (Morgan Stanley) was the counterparty on a one-third pro-rata share of the transaction.

Under the original swap agreements for the Series M Bonds, the Water System was the fixed rate payor, paying a fixed rate of 3.533%. Each counterparty was a floating rate payor, with each paying the Water System 61.25% of one month LIBOR plus a spread. Net payments were exchanged semiannually on January 1 and July 1. The obligation of the Water System to make periodic payments (but not any termination payment) was secured by a pledge of and lien on the net revenues of the Water System on a parity with the pledge and lien securing the payment of debt service on the bonds. Both the bond debt service payments on the Series M bonds and the periodic swap payments were insured by Financial Security Assurance (FSA).

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

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

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

Basis Risk: By entering into swaps based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between Securities Industry and Financial Markets Association (SIFMA) (tax-exempt) and LIBOR (taxable) interest rates has been 67% over time, this relationship may not always apply. If the payments received from the counterparties are less than the amount paid on the variable rate bonds, the Water System must make up the difference in addition to paying the fixed rate resulting from the swap. As a result of the turmoil in the financial markets beginning in 2008, the SIFMA/LIBOR ratio has been both significantly higher and lower than 67% 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 was assumed by JPM. Over the long-term it is possible that the credit strength of JPM and/or Morgan Stanley could change and this event could trigger a termination payment on the part of the City.

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

Fair Value: The fair value of the swaps (including accrued amounts) at December 31, 2016, as reported by JPM and Morgan Stanley totaled $14,537,000, which would be payable by the City.

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

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

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

	Changes in Fair Value		Fair Value at December 31, 2016		
	Classification	Amount	Classification	Amount	Notional
			(Amounts in Thousands)		
Hedging Derivatives:					
Floating to fixed interest rate swaps					
2015 AA Water Swap	Deferred inflow	$ 1,320	Debt	$ (3,099)	$ 51,340
2010 U Water Swap	Deferred inflow	1,390	Debt	(7,636)	54,735
2010 V Water Swap	Deferred inflow	679	Debt	(3,802)	26,295

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

The following table presents the objective and significant terms of the Division's derivative instruments at December 31, 2016, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 33,495,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/AA-
Water Series AA	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series AA Water System Bonds	$ 17,845,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa3/A+/AA-
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A3/BBB+/A

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

The following table presents the aggregate debt service requirements on the Division's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2016. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2016, 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.

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(Amounts in Thousands)		
2017	$	$ 1,289	$ 3,706	$ 4,995
2018		1,289	3,417	4,706
2019		1,289	3,050	4,339
2020		1,292	2,665	3,957
2021	2,170	1,274	2,265	5,709
2022-2026	82,300	4,611	5,029	91,940
2027-2031	63,685	1,823	428	65,936
2032-2033	24,075	104	19	24,198
Total	$ 172,230	$ 12,971	$ 20,579	$ 205,780

Ohio Water Development Authority (OWDA) Loans: These loans are payable from net revenues derived from the Waterworks System. These obligations do not have a lien on revenues of the Division. The current loans are being paid directly to the contractor by the State of Ohio, but accounted for as if the Division received and disbursed those monies.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2016, totaled $13,841,000 and the Division's bank balances were $6,872,000 respectively. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $6,872,000 of the bank balances at December 31, 2016, was insured or collateralized with securities held by the City or by its agent in the City's name.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

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

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers and are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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

The Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Division (excluding Star Ohio and money market mutual funds) as of December 31, 2016:

Type of Investment	Fair Value	Fair Value Measurement Using Level 1	Level 2
	(Amounts in Thousands)		
U.S. Agency Securities	$ 4,996	$	$ 4,996
U.S. Treasury Bills	5,495	5,495	
Commercial Paper	21,525		21,525
Total Investments	$ 32,016	$ 5,495	$ 26,521

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

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

Credit Risk: The Division's investments as of December 31, 2016, include U.S. Treasury Bills, U.S. Agency Securities, STAR Ohio, commercial paper and money market mutual funds. Investments in the U.S. Treasury Bills and U.S. Agency Securities carry a Moody's rating of Aaa, which is the highest rating given by Moody's. Investments in STAR Ohio, the PNC Treasury Money Market Fund, Federated Government Obligations Fund and the First American Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Division's investment in U.S. Bank N.A. Open Commercial Paper carries a Standard & Poor's rating of A-1+.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2016, 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	2016 Value	2016 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
U.S. Agency Securities	$ 4,996	$ 4,996	$ 4,996
U.S. Treasury Bills	5,495	5,495	5,495
STAR Ohio	284,054	284,054	284,054
Commercial Paper	21,525	21,525	21,525
Money Market Mutual Funds	107,022	107,022	107,022
Total Investments	423,092	423,092	423,092
Total Deposits	13,841	13,841	13,841
Total Deposits and Investments	$ 436,933	$ 436,933	$ 436,933

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2016, the investments in U.S. Agency Securities, U.S. Treasury Bills, STAR Ohio, commercial paper, and money market mutual funds are approximately 1%, 1%, 67%, 5% and 26%, respectively, of the Division's total investments.

NOTE D – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 5,463	$	$	$ 5,463
Construction in progress	86,647	39,338	(24,320)	101,665
Total capital assets, not being depreciated	92,110	39,338	(24,320)	107,128
Capital assets, being depreciated:				
Land improvements	17,427			17,427
Utility plant	1,798,784	17,317	(7,123)	1,808,978
Buildings, structures and improvements	264,109	2,408		266,517
Furniture, fixtures, equipment and vehicles	604,903	13,813	(4,659)	614,057
Total capital assets, being depreciated	2,685,223	33,538	(11,782)	2,706,979
Less: Accumulated depreciation	(1,045,479)	(77,581)	10,637	(1,112,423)
Total capital assets being depreciated, net	1,639,744	(44,043)	(1,145)	1,594,556
Capital assets, net	$ 1,731,854	$ (4,705)	$ (25,465)	$ 1,701,684

Commitments: The Division has outstanding commitments at December 31, 2016, of approximately $117,414,000 for future capital expenditures. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $6,047,000 for 2016. All required payments have been made.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)
Proportionate Share of the Net Pension Liability	$ 69,902
Proportion of the Net Pension Liability	0.396321%
Pension Expense	$ 10,753

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2016, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	20,321
Division's contributions subsequent to the measurement date		6,047
Total Deferred Outflows of Resources	$	26,368
Deferred Inflows of Resources		
Differences between expected and actual experience	$	1,422
Change in Division's proportionate share		229
Total Deferred Inflows of Resources	$	1,651

The $6,047,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS (Amounts in Thousands)	
Year Ending December 31:		
2017	$	4,324
2018		4,658
2019		5,147
2020		4,569
2021		(9)
Thereafter		(19)
Total	$	18,670

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retires: 3%, simple
	through 2018, then 2.8%, simple
Investment Rate of Return	8%
Actuarial Cost Method	Individual Entry Age

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

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

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

In 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care portfolios. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4% for 2015.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 111,972	$ 69,902	$ 34,424

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

***Funding Policy - Ohio Public Employees Retirement System*:** The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Division's actual contributions to OPERS to fund postemployment benefits were $1,028,000 in 2016, $1,032,000 in 2015 and $1,055,000 in 2014. The required payments due in 2016, 2015 and 2014 have been made.

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2016.

The City provided the choice of three separate health insurance plans to its employees until March 31, 2016. As of April 1, 2016, the City provided the choice of two separate health self-insurance plans to its employees. The Division is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

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, collection and various services for the Division of Water Pollution Control for a fee. This fee is based on the number of billings made on behalf of that division during the year at the same rates as charged to other users of the billing system. Revenue from the Division of Water Pollution Control for such services was approximately $2,368,000 in 2016. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $804,000 in 2016.

Operating Expenses: The Division utilizes various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the year ended December 31, 2016 was as follows:

	(Amounts in Thousands)
Electricity purchases	$ 14,706
City administration	4,021
Motor Vehicle Maintenance	2,637
Telephone Exchange	1,473
Utilities Administration and Utilities Fiscal Control	8,201
Radio Communication	282

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 $5,569,000 for December 31, 2016.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
Required Supplementary Information
Schedule of the Division's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Three Measurement Years (1), (2)

	2015	2014	2013
	(Amounts in Thousands)		
Division's Proportion of the Net Pension Liability	0.396321%	0.411161%	0.411161%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 69,902	$ 49,432	$ 48,397
Division's Covered-Employee Payroll	$ 50,533	$ 51,458	$ 46,600
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	138.33%	96.06%	103.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
Required Supplementary Information (Continued)
Schedule of Contributions
Ohio Public Employees Retirement System
Last Four Years (1)

	2016	2015	2014	2013
	(Amounts in Thousands)			
Contractually Required Contributions	$ 6,047	$ 6,064	$ 6,175	$ 6,058
Contributions in Relation to the Contractually Required Contributions	(6,047)	(6,064)	(6,175)	(6,058)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Division's Covered-Employee Payroll	$ 50,392	$ 50,533	$ 51,458	$ 46,600
Contributions as a Percentage of Covered - Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2016

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio (the "Division") as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2016, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2017

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water Pollution Control (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2016. 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 12 pump/lift stations. The Division is also responsible for the cleaning of 44,000 catch basins and for maintaining two storm detention basins.

The Division currently has 122,814 customer accounts in the City, of which 94.4% are residential and 5.6% commercial. Also, in 2016, the Division's sewers transported 1,788,294 Mcf's (thousand cubic feet) of water.

The Division acts as a custodian of billings and receipts for 17 other agencies including the NEORSD, other municipalities and Dominion East Ohio's residential service line protection plan. Accounts are billed quarterly and payments collected each month are remitted to the appropriate agency by the 15th of the subsequent month.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $99,409,000 and $95,321,000 at December 31, 2016 and 2015, respectively. Of these amounts, $26,011,000 and $21,803,000 are unrestricted net position at December 31, 2016 and 2015, respectively, and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net position increased by $4,088,000 in 2016. The rise is primarily attributed to an increase in operating revenues of $1,930,000.

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total debt increased in 2016 by $31,908,000 due to the issuance of the Division's first series of revenue bonds.

- The Division benefited from having a full year of revenue related to its fixed rate charge in 2016, which varied between $12.00 and $550.00 per quarter based on meter size. This revenue amounted to $6,371,000 in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Division is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

The basic financial statements of the Division can be found on pages 14 - 19 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 - 43 of this report. Required supplementary information can be found on pages 44 - 45 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, 2016 and December 31, 2015:

	2016	2015
	(Amounts in Thousands)	
Assets:		
Capital assets, net	$ 78,498	$ 74,271
Restricted assets	31,895	617
Current assets	160,050	137,933
Total Assets	270,443	212,821
Deferred outflows of resources	3,244	1,080
Net position:		
Net investment in capital assets	70,873	73,518
Restricted for debt services	2,525	
Unrestricted	26,011	21,803
Total net position	99,409	95,321
Liabilities:		
Long-term obligations	46,246	6,917
Current liabilities	127,823	111,544
Total liabilities	174,069	118,461
Deferred inflows of resources	209	119

Current Assets: During 2016, the Division's current assets increased by $22,117,000. Unrestricted cash and cash equivalents increased by $11,889,000, while net accounts receivable rose by $8,419,000. The increase in both is primarily attributed to escalating sewer rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital Assets: At December 31, 2016, net capital assets amounted to $78,498,000. This is an increase of $4,227,000 from the prior year, mainly attributed to an increase of $4,903,000 in construction in progress and $3,430,000 in utility plant, offset by a net increase in accumulated depreciation of $4,940,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2016, is as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
	(Amounts in Thousands)			
Land	$ 297	$	$	$ 297
Utility plant	144,630	4,227	(797)	148,060
Buildings, structures and improvements	9,019			9,019
Furniture, fixture, equipment and vehicles	15,412	1,146	(312)	16,246
Construction in progress	17,045	9,787	(4,884)	21,948
Total	186,403	15,160	(5,993)	195,570
Less: Accumulated depreciation	(112,132)	(5,925)	985	(117,072)
Capital assets, net	$ 74,271	$ 9,235	$ (5,008)	$ 78,498

In 2016, the largest capital additions were the Ontario Street Project, Lee Road Betterment, and a Work Order Management System.

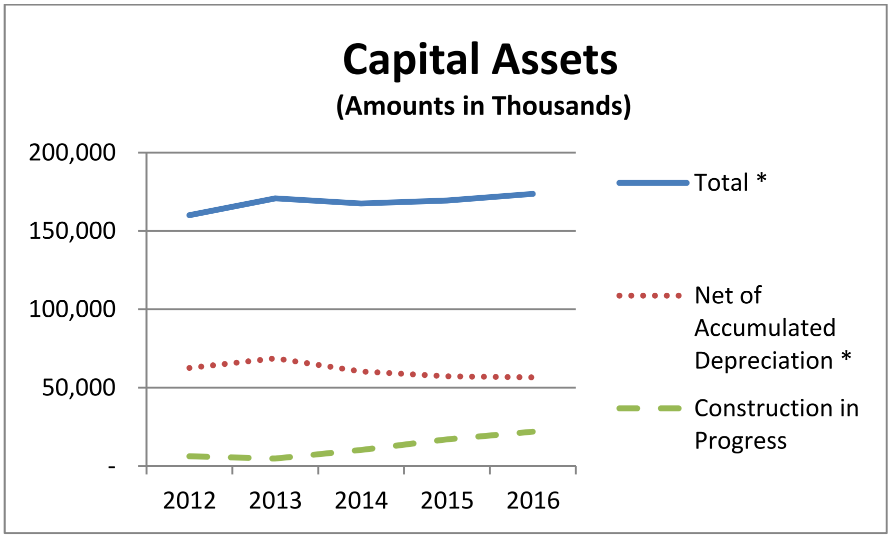
The major capital projects/expenses for the year included:

- Bryant Avenue
- Rehabilitating and Relining Sewers
- Manholes & Catch Basins
- Rockwell Avenue Sewer

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)



* Construction in Progress not included

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D.

Current Liabilities: Current liabilities increased by $16,279,000 in 2016, mainly due to an increase in amounts due for billings on behalf of others of $15,575,000, partially offset by a decrease in due to other City of Cleveland departments, divisions or funds of $380,000. The rise in amounts due for billings on behalf of others is primarily attributed to an increase in cash and cash equivalents and net accounts receivable.

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

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

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

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

As a result of implementing GASB Statement No. 68, the Division is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Debt: At the end of 2016, the Division had total debt outstanding of $32,661,000 associated with its new issuance of revenue bonds, with one OWDA construction loan and two OPWC construction loans. The revenue bonds are backed by the net revenues of the Division. The loans are payable from revenues generated by the Division but do not have a lien on the revenues.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2016 is summarized below:

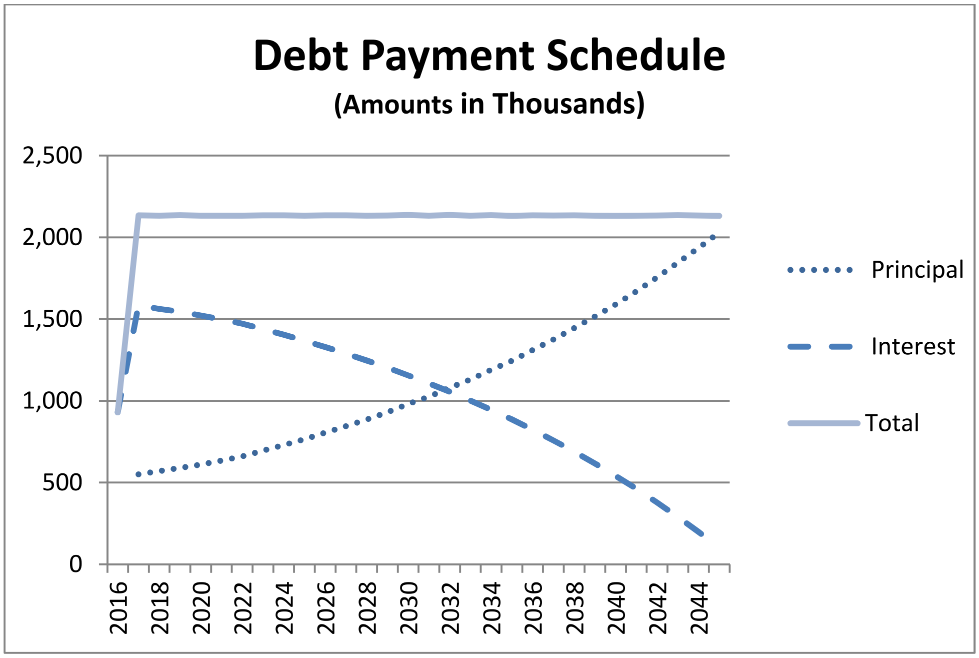
	Balance January 1, 2016	Debt Issued	Debt Retired	Balance December 31, 2016
	(Amounts in thousands)			
Water Pollution Control Revenue Bonds, Series 2016	$	$ 32,390	$	$ 32,390
Ohio Water Development Authority Loans (OWDA)	610		(458)	152
Ohio Public Works Commission Loans (OPWC)	143		(24)	119
Total	$ 753	$ 32,390	$ (482)	$ 32,661

The bonds ratings for the Division's outstanding revenue bonds as of December 31, 2016, as of follows:

	Moody's Investors Service	Standard & Poor's
Water Pollution Control Revenue Bonds	Aa3	A+

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers, and creditors and investors. The Division's revenue bond coverage for 2016 was 1,061% because no bond principal was due in 2016 and the Division made only one interest payment.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)



Additional information on the Division's long-term debt can be found in Note B on pages 26 - 30.

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 $99,409,000 and $95,321,000 at December 31, 2016 and 2015, respectively.

The largest portion of the Division's net position, $70,873,000 at December 31, 2016, reflects its investment in capital assets (e.g., land, buildings, utility plant, machinery and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Division's net position, $2,525,000 at December 31, 2016, represents resources that are subject to external restrictions. These funds are set aside for the payment of revenue bonds.

The remaining balance of net position, $26,011,000 at December 31, 2016, is unrestricted and may be used to meet the Division's ongoing obligations to customers and creditors.

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

During 2016, the Division's operations increased its net position by $4,088,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2016 and 2015:

	2016	2015
	(Amounts in Thousands)	
Operating revenues	$ 28,730	$ 26,800
Operating expenses	24,935	23,142
Operating income (loss)	3,795	3,658
Non-operating revenue (expense):		
Investment income	197	52
Interest expense	(15)	(35)
Amorization of bond premiums and discounts	200	
Gain (loss) on the disposal of assets	(123)	(4)
Other	34	9
Total non-operating revenue (expense), net	293	22
Increase (decrease) in net position	$ 4,088	$ 3,680

Operating revenues: Operating revenues amounted to $28,730,000 in 2016, which was an increase of $1,930,000 from the previous year. The increase is primarily the result of having a full year of revenue related to the April 1, 2015, introduction of the fixed rate charge.

Operating expenses: During 2016, total operating expenses increased by $1,793,000. Charges related to professional services increased by $792,000, primarily due the issuance of the Series 2016 Revenue Bonds.

Non-operating revenues and expenses: In 2016, non-operating revenue (expense) increased by $271,000. The increase was primarily attributed to amortization of bond premiums and discounts of $200,000, as well as an increase in investment income of $145,000, offset by a $123,000 loss on disposal of assets.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2016
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Land	$ 297
Utility plant	148,060
Buildings, structures and improvements	9,019
Furniture, fixtures, equipment and vehicles	16,246
	173,622
Less: Accumulated depreciation	(117,072)
	56,550
Construction in progress	21,948
CAPITAL ASSETS, NET	78,498
RESTRICTED ASSETS	
Cash and cash equivalents	31,885
Accrued interest receivable	10
TOTAL RESTRICTED ASSETS	31,895
CURRENT ASSETS	
Cash and cash equivalents	62,082
Restricted cash and cash equivalents	1,603
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $2,534,000 in 2016	91,849
Unbilled revenue	3,783
Accrued interest receivable	6
Due from other City of Cleveland departments, divisions or funds	357
Materials and supplies	370
TOTAL CURRENT ASSETS	160,050
DEFERRED OUTFLOWS OF RESOURCES	
Pension	3,244

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2016
(Amounts in Thousands)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net investment in capital assets	$	70,873
Restricted for debt service		2,525
Unrestricted		26,011
TOTAL NET POSITION		99,409
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OPWC loans		94
Accrued wages and benefits		148
Revenue Bonds		37,025
Net pension liability		8,979
TOTAL LONG-TERM OBLIGATIONS		46,246
CURRENT LIABILITIES		
Accounts payable		319
Customer deposits and other liabilities		194
Payable from restricted assets		1,603
Accrued wages and benefits		1,076
Due to other City of Cleveland departments, divisions or funds		4,019
Amounts due for billing on behalf of others		119,687
Accrued interest payable		198
Current portion of long-term debt, due within one year		727
TOTAL CURRENT LIABILITIES		127,823
TOTAL LIABILITIES		174,069
DEFERRED INFLOWS OF RESOURCES		
Pension		209

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2016
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 28,730
TOTAL OPERATING REVENUES	28,730
OPERATING EXPENSES	
Operations	10,756
Maintenance	8,254
Depreciation	5,925
TOTAL OPERATING EXPENSES	24,935
OPERATING INCOME (LOSS)	3,795
NON-OPERATING REVENUE (EXPENSE)	
Investment income	197
Interest expense	(15)
Amortization of bond premiums and discounts	200
Gain (loss) on disposal of assets	(123)
Other	34
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	293
INCREASE (DECREASE) IN NET POSITION	4,088
NET POSITION, BEGINNING OF YEAR	95,321
NET POSITION, END OF YEAR	$ 99,409

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 26,334
Cash payments to suppliers for goods or services	(8,972)
Cash payments to employees for services	(9,080)
Agency activity on behalf of other sewer authorities	8,396
Other	(35)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	16,643
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of revenue bonds, loans and notes	37,775
Acquisition and construction of capital assets	(8,480)
Principal paid on long-term debt	(482)
Interest paid on long-term debt	(943)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	27,870
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	247
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	247
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,760
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,810
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 95,570

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	$	3,795
Adjustments		
Depreciation		5,925
(Increase) decrease in assets:		
Accounts receivable, net		(8,419)
Unbilled revenue		(40)
Due from other City of Cleveland departments, divisions or funds		(214)
Materials and supplies, net		48
Prepaid expenses		5
(Increase) decrease in deferred outflows of resources - pension		(2,164)
Increase (decrease) in liabilities:		
Accounts payable		143
Customer deposits and other liabilities		(22)
Accrued wages and benefits		(167)
Due to other City of Cleveland departments, divisions or funds		(380)
Amounts due for billings on behalf of others		15,575
Net pension liability		2,468
Increase (decrease) in deferred inflows of resources - pension		90
TOTAL ADJUSTMENTS		12,848
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	16,643

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Contributions and accounts payable related to capital assets	$	1,603

See notes to financial statements.

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying sewer services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

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

In February of 2015, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As required, the Division has implemented GASB Statement No. 72 as of December 31, 2016.

In June of 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* were issued. This Statement is effective for fiscal periods beginning after June 15, 2015 — except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans,* and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The Division has determined that GASB Statement No. 73 has no impact on its financial statements as of December 31, 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June of 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and no authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. As required, the Division has implemented GASB Statement No. 76 as of December 31, 2016.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements such as: brief descriptive information, gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The Division has determined that GASB Statement No. 77 has no impact on its financial statements as of December 31, 2016.

In December of 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued. This Statement is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Division has determined that GASB Statement No. 78 has no impact on its financial statements as of December 31, 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December of 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was issued. This Statement is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. As required, the Division has implemented GASB Statement No. 79 as of December 31, 2016.

The Division's net position is accounted for in the accompanying statements of net position and is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of sewer services to residential, commercial and industrial customers based upon actual water consumption. Sewer rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Accounts Receivables: The Division's share of the accounts receivable balance is $13,217,000, net of allowance for doubtful accounts of $2,534,000. The remaining accounts receivable balance of $78,632,000 belongs to the Northeast Ohio Regional Sewer District and other municipalities in the Greater Cleveland Region and is offset by corresponding amounts in due for billings on behalf of others.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investment activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased.

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

The Division has invested funds in STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at 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

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies GASB guidance pertaining to capitalization of interest costs for its revenue bonds. This statement requires capitalization of interest cost of eligible borrowings, less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2016, total interest costs incurred amounted to $1,142,000, of which $1,061,000 was capitalized, net of interest income of $66,000.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resources and is amortized over the shorter of the defeased bond or the newly issued bond.

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

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

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

NOTE B - LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2016 as follows:

	Interest Rate	Original Issuance	2016
	(Amounts in Thousands)		
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	3.00% - 5.00%	$ 32,390	$ 32,390
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	0.00% - 3.00%	6,485	152
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	0.00%	481	119
		$ 39,356	32,661
Less:			
Unamortized discount and premium			5,185
Current portion			(727)
Total Long-Term Debt			$ 37,119

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2016, are as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
	(Amounts in Thousands)				
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	$	$ 32,390	$	$ 32,390	$ 550
Ohio Water Development Authority (OWDA) Loans payable annually through 2017	610		(458)	152	152
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	143		(24)	119	25
Total bonds and loans	753	32,390	(482)	32,661	727
Accrued wages and benefits	1,391	1,089	(1,256)	1,224	1,076
Net pension liability	6,511	2,468		8,979	
Total	$ 8,655	$ 35,947	$ (1,738)	$ 42,864	$ 1,803

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(Amounts in Thousands)		
2017	$ 727	$ 1,586	$ 2,313
2018	594	1,562	2,156
2019	614	1,545	2,159
2020	634	1,522	2,156
2021	646	1,497	2,143
2022-2026	3,666	7,011	10,677
2027-2031	4,665	6,001	10,666
2032-2036	5,955	4,712	10,667
2037-2041	7,595	3,068	10,663
2042-2045	7,565	969	8,534
Total	$ 32,661	$ 29,473	$ 62,134

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

The Ohio Water Development Authority and Ohio Public Works Commission Loans are being paid from the revenues derived from operations of the Division.

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

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

NOTE B - LONG-TERM OBLIGATIONS (Continued)

The indenture requires that the City will at all times prescribe, charge and collect such rates, rental and other charges for the use of the services of the system, and will restrict the operating expenses of the system in such a way that the net revenues available for debt service in each fiscal year shall be not less than the greater of i) 120% of debt service on all bonds then outstanding and payable during the fiscal year or ii) 100% of the sum of (a) debt service on all bonds then outstanding payable during that fiscal year, (b) all required deposits to the debt service reserve fund during that fiscal year, (c) all required deposits to the subordinated debt service fund and to any reserve fund securing subordinated indebtedness during the fiscal year, (d) all required deposits to the contingency fund during the fiscal year and (e) debt service payable on any other obligations payable from the balance subfund and deposits to any reserve funds securing such other obligations. As of December 31, 2016, the Division was in compliance with the terms and requirements of the indenture.

The indenture establishes the following fund accounts for the application of revenues:

***Revenue Fund*:** All revenues of the system are required to be deposited first into the revenue fund. Every month, amounts in the fund are first applied to the payment of operating expenses. A reasonable amount is also maintained in this fund as a working capital reserve.

***Debt Service Fund*:** Deposits are made from the revenue fund on a monthly basis to cover succeeding principal and interest payments as they become due on the revenue bonds.

***Debt Service Reserve Fund*:** Deposits will be made to this fund if the amount in the fund at any given time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the revenue bonds secured by the reserve fund and represent the maximum annual debt service requirement of these bonds. The City may elect not to secure any series of bonds with the reserve fund.

***Contingency Fund*:** The balance in this fund must be maintained at a minimum of $1,000,000. Amounts in this fund may be used for the payment of capital costs or for redeeming bonds.

***Balance Subfund*:** Amounts in this fund may be used for any lawful purpose of the water pollution control system.

***Construction Fund*:** Proceeds of the various series of revenue bonds are deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs and issuance costs.

Amounts held in any fund may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and accordingly, the funds are classified as restricted assets in the accompanying financial statements.

The City has pledged future water pollution control revenues to repay $32,390,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds will be used to pay capital costs relating to the acquisition, construction and improvement of the system. The bonds are payable from water pollution control net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 22% of net revenues.

NOTE B - LONG-TERM OBLIGATIONS (Continued)

The total principal and interest remaining to be paid on the various Water Pollution Control Revenue Bonds is $61,861,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $929,000 and $9,851,000 respectively.

Water Pollution Control Loans: Under Title VI of the Clean Water Act, Congress created the State Revolving Fund (SRF). The SRF program provides federal capitalization grants to states, in addition to the 20% state matching funds, in order to capitalize state level revolving loan funds. Besides the traditional types of municipal wastewater treatment projects, Congress expanded the potential use of SRF funds to include correction of combined sewer overflows, major sewer rehabilitation and new collector sewers.

In Ohio, this SRF program is known as the Water Pollution Control Loan Fund and is jointly administered by the Ohio EPA and the Ohio Water Development Authority. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project. The repayment period for each loan commences no later than the 1st of January or July following the expected completion dates of the project to which it relates utilizing an estimate of total eligible project costs as the preliminary loan amount. Construction loans and design loans are to be repaid in semi-annual payments of principal and interest over a period of twenty years and five years, respectively. The Division had one SRF loan award related to projects remaining as of December 31, 2016. Three loans were paid off during 2016.

In addition, the Division had two OPWC loan awards as of December 31, 2016. The loan related projects are for sewer repair and replacement at the Hamlet and Adolpha Streets intersection and a storm water detention basin project at Kerruish Park. Both loans are interest-free and principal repayment will be made from the Division's operating revenues.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at December 31, 2016, totaled $6,862,000 and the Division's bank balances were approximately $7,061,000. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3,* $7,061,000 of the bank balances at December 31, 2016, was insured or collateralized with securities held by the City or by its agent in the City's name.

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

NOTE C – DEPOSIT AND INVESTMENTS (Continued)

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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

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

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

NOTE C – DEPOSIT AND INVESTMENTS (Continued)

Credit Risk**:** The Division's investments as of December 31, 2016 include STAR Ohio and money market mutual funds. The Division maintains the highest ratings for their investments. Investments in STAR Ohio and the PNC Treasury Money Market Fund carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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, 2016, 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	2016 Value	2016 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 28,254	$ 28,254	$ 28,254
Money Market Mutual Funds	60,454	60,454	60,454
Total Investments	88,708	88,708	88,708
Total Deposits	6,862	6,862	6,862
Total Deposits and Investments	$ 95,570	$ 95,570	$ 95,570

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2016, the investments in STAR Ohio and money market mutual funds are 32% and 68%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	17,045	9,787	(4,884)	21,948
Total capital assets, not being depreciated	17,342	9,787	(4,884)	22,245
Capital assets, being depreciated:				
Utility plant	144,630	4,227	(797)	148,060
Buildings, structures and improvements	9,019			9,019
Furniture, fixtures, equipment and vehicles	15,412	1,146	(312)	16,246
Total capital assets, being depreciated	169,061	5,373	(1,109)	173,325
Less: Accumulated depreciation	(112,132)	(5,925)	985	(117,072)
Total capital assets being depreciated, net	56,929	(552)	(124)	56,253
Capital assets, net	$ 74,271	$ 9,235	$ (5,008)	$ 78,498

Commitments: The Division had outstanding commitments of approximately $25,864,000 for future capital expenses at December 31, 2016. It is anticipated that these commitments will be financed from the Division's cash balances. However, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls. The Division's contractually required contribution was $764,000 for 2016. All required payments have been made.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)
Proportionate Share of the Net Pension Liability	$ 8,979
Proportion of the Net Pension Liability	0.047798%
Pension Expense	$ 1,303

At December 31, 2016, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 2,480
Division's contributions subsequent to the measurement date	764
Total Deferred Outflows of Resources	$ 3,244
Deferred Inflows of Resources	
Differences between expected and actual experience	181
Change in Division's proportionate share	28
Total Deferred Inflows of Resources	$ 209

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The $764,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS (Amounts in Thousands)	
Year Ending December 31:		
2017	$	524
2018		568
2019		628
2020		551
Total	$	2,271

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retires: 3%, simple
	through 2018, then 2.8%, simple
Investment rate of return	8%
Actuarial Cost Method	Individual Entry Age

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

In 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolios and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care portfolios. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4% for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 14,518	$ 8,979	$ 4,310

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Plan Description - Ohio Public Employees Retirement System*:** All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

Funding Policy - Ohio Public Employees Retirement System**:** The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Division's actual contributions to OPERS to fund postemployment benefits were $130,000 in 2016, $126,000 in 2015 and $138,000 in 2014. The required payments due in 2016, 2015 and 2014 have been made.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2016.

The City provided the choice of three separate health insurance plans to its employees until March 31, 2016. As of April 1, 2016, the City provided the choice of two separate health self-insurance plans to its employees. The Division is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

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, collection and various other services for the Division are performed by the Division of Water for a fee. This fee is primarily based on the number of billings made on behalf of the Division during the year at the same rates as charged to other users of the billing system. These fees were approximately $2,368,000 in 2016.

Operating Expenses*:* The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the year ended December 31, 2016, was as follows:

		(Amounts in Thousands)
Electricity purchases	$	201
Street construction and maintenance		41
City Administration		918
Motor Vehicle Maintenance		243
Utilities Administration and Utilities Fiscal Control		1,139

NOTE I - CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $22,000 for the year ended December 31, 2016.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
Required Supplementary Information
Schedule of the Division's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Three Measurement Years (1), (2)

	2015	2014	2013
	(Amounts in Thousands)		
Division's Proportion of the Net Pension Liability	0.047798%	0.054153%	0.054153%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 8,979	$ 6,511	$ 6,375
Division's Covered-Employee Payroll	$ 6,092	$ 6,783	$ 6,138
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	147.39%	95.99%	103.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information presented based on measurement periods ended December 31.
(2) Information prior to 2013 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
Required Supplementary Information (Continued)
Schedule of Contributions
Ohio Public Employees Retirement System
Last Four Years (1)

	2016	2015	2014	2013
	(Amounts in Thousands)			
Contractually Required Contributions	$ 764	$ 731	$ 814	$ 798
Contributions in Relation to the Contractually Required Contributions	(764)	(731)	(814)	(798)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Division's Covered-Employee Payroll	$ 6,367	$ 6,092	$ 6,783	$ 6,138
Contributions as a Percentage of Covered - Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 22, 2017