



OHIO AUDITOR OF STATE
KEITH FABER



CITY OF CLEVELAND
CUYAHOGA COUNTY
DECEMBER 31, 2022

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE				
<i>Direct Programs:</i>				
Cooperative Forestry Assistance:				
GLRI Mitigation Emerald Ash Borer	10.664	N/A	-	3,585
Total Cooperative Forestry Assistance			-	3,585
<i>Passed through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
Summer Food Service Program for Children (SFSPC)	10.559	N/A	-	43,331
Total Child Nutrition Cluster			-	43,331
Total Department of Agriculture			-	46,916
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Direct Programs:</i>				
Healthy Start Initiative:				
Healthy Start Initiative - 21	93.926	N/A	259,572	472,035
Healthy Start Initiative - 22	93.926	N/A	247,561	548,884
Total Healthy Start Initiative			507,133	1,020,919
Substance Abuse and Mental Health Services	93.243	N/A	-	328,097
Immunization Cooperative Agreements:				
COVID-19 Vaccine Equity Supplement	93.268	18-200-12-VE-121	-	231,564
COVID-19 vaccination	93.268	18-200-12-CN-122	-	19,652
Total Immunization Cooperative Grants			-	251,216
<i>Pass through Cuyahoga County District Board of Health</i>				
Public Health Emergency Preparedness:				
Public Health Emergency Preparedness - 2020-2021	93.069	18-100-12-PH-1221	-	2,211
Public Health Emergency Preparedness - 2021-2022	93.069	18-100-12-PH-1322	-	166,941
Public Health Emergency Preparedness - 2022-2023	93.069	18-100-12-PH-1423	-	38,077
Total Public Health Emergency Preparedness			-	207,229
Injury Prevention and Control Research and State Community Based Grants	93.136	5NU17CE925005-03-00	-	26,207
<i>Passed through the Ohio Department of Public Health:</i>				
Public Health Preparedness				
City Readiness Initiative - 2021	93.069	18-200-12-PH-1221	-	31
City Readiness Initiative - 2022	93.069	18-200-12-PH-1322	-	105,116
City Readiness Initiative- 2023	93.069	18-200-12-PH-1423	-	88,748
Total Public Health Preparedness			-	193,895
Family Planning Services:				
Family Planning Services Title X FY 2022	93.217	18-200-11-RH-0822	48,138	301,864
Family Planning Services Title X FY 2023	93.217	18-200-11-RH-0923	64,979	315,663
Total Family Planning Services			113,117	617,527
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC):				
COVID-19 Enhanced Operations	93.323	18-200-12-EO-0121	-	1,109,825
COVID-19 Enhanced Operations	93.323	18-200-12-EO-0222	-	110,319
Total Epidemiology and Laboratory Capacity for Infectious Diseases			-	1,220,144
Public Health Emergency Response: Cooperative Agreement for Emergency Response:				
Public Health Crisis Response:				
Coronavirus Response	93.354	18-200-12-CO-0120	-	52
Public Health Workforce	93.354	18-200-12-WF-0122	-	27,866
Total Public Health Emergency Response			-	27,918
Maternal and Child Health Services Block Grants to the States:				
Maternal and Child Health Services Title X FY 22	93.994	18-200-11-RH-0822	5,533	34,697
Maternal and Child Health Services Title X FY 23	93.994	18-200-11-RH-0923	7,220	35,073
Total Maternal and Child Health Services			12,753	69,770
<i>Passed through the Western Reserve Area Agency on Aging (WRAAA)</i>				
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers:				
WRAAA OAA/ADRN/Supporting Services Project 2019	93.044	N/A	-	84,654
WRAAA ADRN 2020	93.044	N/A	-	25,533
WRAAA ADRN 2021	93.044	N/A	-	89,409
WRAAA ADRN 2022	93.044	N/A	-	320,163
Total Special Programs for Aging			-	519,759
Total Aging Cluster			-	519,759
Medicare Enrollment Assistance Program:				
WRAAA MIPPA 2021	93.071	20-01OHMIAA-00 & 20-01OHMIDR-00	-	12,796
WRAAA MIPPA 2022	93.071	20-01OHMIAA-00 & 20-01OHMIDR-00	-	19,756
Total Medicare Enrollment Assistance Program			-	32,552

(continued)

CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
Low Income Home Energy Assistance Program:				
WRAAA HEAP Outreach Program FY 2019	93.568	19-HA-156	-	6,697
WRAAA HEAP Outreach Program FY 2021	93.568	21-HA-156	-	4,938
WRAAA HEAP Outreach Program FY 2022	93.568	21-HA-156	-	16,105
Total Low Income Energy Assistance Program			-	27,740
Passed Through Cuyahoga County				
Temporary Assistance to Needy Families (TANF)	93.558	AG140013	-	44,674
Total Department of Health and Human Services			633,003	4,587,647
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
<i>Direct Programs:</i>				
<i>CDBG Entitlement Grant Cluster:</i>				
Community Development Block Grants/Entitlements:				
CDBG YR 40	14.218	N/A	21,981	124,947
CDBG YR 41	14.218	N/A	11,451	428,606
CDBG YR 42	14.218	N/A	5,377	484,112
CDBG YR 43	14.218	N/A	163,330	419,312
CDBG YR 44	14.218	N/A	316,053	876,710
CDBG YR 45	14.218	N/A	447,661	894,351
CDBG YR 46	14.218	N/A	1,543,740	2,469,890
CDBG YR 47	14.218	N/A	7,176,837	13,714,358
CDBG YR 48	14.218	N/A	1,476,125	4,272,096
COVID-19 Cares Act CDBG 2020	14.218	N/A	1,417,034	1,423,208
Total CDBG Entitlement Grant Cluster			12,579,589	25,107,590
HOME Investment Partnerships Programs:				
HOME Investment Partnership Program 2015	14.239	N/A	4,270	4,270
HOME Investment Partnership Program 2016	14.239	N/A	-	54,625
HOME Investment Partnership Program 2017	14.239	N/A	100,000	164,101
HOME Investment Partnership Program 2018	14.239	N/A	651,052	822,165
HOME Investment Partnership Program 2019	14.239	N/A	1,419,750	1,419,750
HOME Investment Partnership Program 2020	14.239	N/A	2,215,766	2,215,766
HOME Investment Partnership Program 2021	14.239	N/A	-	366,011
HOME Investment Partnership Program 2022	14.239	N/A	-	6,097
Total HOME Investment Partnership Program			4,390,838	5,052,785
Emergency Solutions Grant Program:				
Emergency Shelter Grants Program 2020	14.231	N/A	1,124,595	1,124,595
Emergency Shelter Grants Program 2021	14.231	N/A	967,123	1,026,001
COVID-19 CARES Act Emergency Shelter Program 2020	14.231	N/A	1,553,032	1,553,032
Emergency Shelter Grants Program 2022	14.231	N/A	-	4,849
Total Emergency Solutions Grant Program			3,644,750	3,708,477
Housing Opportunities for Persons with AIDS:				
Housing Opportunities for Persons with AIDS 2021	14.241	N/A	1,441,956	1,462,178
COVID-19 CARES Act Housing Opportunities for Person with AIDS	14.241	N/A	808	8,796
Housing Opportunities for Persons with AIDS 2022	14.241	N/A	304,073	738,764
Total Housing Opportunities for Persons with AIDS			1,746,837	2,209,738
Community Development Block Grants Section 108 Loan Guarantees				
Fairmount Properties HUD 108 Loan	14.248	N/A	-	7,800,000
Lead- Based Paint Hazard Control in Privately-Owned Housing:				
Lead-Based Paint Hazard Control in Privately-Owned Housing 2020	14.900	N/A	396,642	758,314
Lead Hazard Reduction Demonstration Grant Program:				
Lead-Based Paint Hazard Control in Privately-Owned Housing 2019	14.905	N/A	164,594	216,971
Total Department of Housing & Urban Development			22,923,250	44,853,875

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE				
<i>Direct Programs:</i>				
Coronavirus Emergency Supplemental Funding Program				
COVID-19 BJA FY 20 Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	153,759
Drug Court Discretionary Grant Program				
Recovery Project IV	16.585	N/A	-	60,633
Grants to Encourage Arrest Policies and Enforcement Protection Orders Program:				
Cleveland Improving Criminal Justice Response Project 2019	16.590	N/A	79,821	80,261
Public Safety Partnership and Community Policing Grants:				
COPS Hiring Program (CHP) 2020	16.710	N/A	-	2,209,500
Byrne Criminal Justice Innovation Program:				
2018-Edward Byrne Crime Justice Innovations	16.817	N/A	391,812	391,812
Criminal and Juvenile Justice and Mental Health Collaboration Program:				
2020 Justice and Mental Health Collaboration Program	16.745	N/A	245,424	245,424
National Sexual Assault Kit Initiative:				
FY 2017 Sexual Assault Kit	16.833	N/A	426,674	433,784
Edward Byrne Memorial Justice Assistance Grant Program				
2018 - Edward Byrne Memorial - JAG	16.738	N/A	-	8,448
2019 - Edward Byrne Memorial - JAG	16.738	N/A	10,002	244,273
2020 - Edward Byrne Memorial JAG-NOLETF	16.738	2020-DJ-BX-0336	-	97,109
2020 - Operation Legend - JAG	16.738	N/A	-	56,550
Total Edward Byrne Memorial Justice Assistance Grant Program			10,002	406,380
<i>Passed through the Ohio Department of Public Safety:</i>				
Edward Byrne Memorial Justice Assistance Grant Program				
2021 - Edward Byrne Memorial JAG - CGNL	16.738	2021-JG-A01-6444	-	47,183
Equitable Sharing Program:				
Equitable Sharing Program - DOJ Asset Forfeiture Program	16.922	N/A	-	49,090
<i>Passed through Cuyahoga County:</i>				
Violence Against Woman Formula Grants:				
VAWA Team Approach 2019 Law	16.588	2019-VP-VA2-V041	-	590
FY 21 VAWA Prosecution	16.588	2021-VP-VA2-V041	-	103,568
FY21 VAWA Law Enforcement	16.588	2021-VP-VA2-V042	-	66,937
FY 2020 VAWA Sexual Assault	16.588	2020-VP-VA2-V045	41,831	41,831
Total Violence Against Woman Formula Grants			41,831	212,926
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program:				
Cleveland Improving Criminal Justice Response Project 2020	16.590	2020- WE-AX-0017	-	66,946
TOTAL U.S. DEPARTMENT OF JUSTICE			1,195,564	4,357,698
U.S DEPARTMENT OF COMMERCE:				
<i>Direct Programs:</i>				
<i>Economic Development Program Cluster:</i>				
Economic Adjustment Assistance:				
COVID-19 CARES Act Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Awards				
Total Economic Development Program Cluster	11.307		-	1,209,517
TOTAL U.S. DEPARTMENT OF COMMERCE			-	1,209,517

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF LABOR				
PASSED THROUGH CUYAHOGA COUNTY				
Unemployment Insurance:				
Reemployment Services and Eligibility Assessment (RESEA)	17.225	G-2223-15-0050	-	47,683
WIOA Cluster:				
WIOA Adult Program:				
WIOA Adult Admin	17.258	G-2223-15-0050	-	151,775
WIOA Adult Program	17.258	G-2223-15-0050	-	234,732
Total WIOA Adult Program			-	386,507
WIOA Youth Activities:				
WIOA Youth Admin	17.259	G-2223-15-0050	-	124,821
WIOA Youth Program	17.259	G-2223-15-0050	-	193,044
Total WIOA Youth Program			-	317,865
WIOA Dislocated Workers Formula Grants:				
WIOA Dislocated Worker Admin	17.278	G-2223-15-0050		37,275
WIOA Dislocated Worker Program	17.278	G-2223-15-0050		57,648
Total WIOA Dislocated Workers Formula Grants			-	94,923
Total WIOA Cluster			-	799,295
WIOA National Dislocated Worker Grants/WIA National Emergency Grants				
WIOA National Dislocated Worker Grants	17.277	G-2223-15-0050	-	4,270
Employment Service Cluster				
Employment Service/Wagner Peysner Funded Activities	17.207	G-2223-15-0050	-	73,062
Total Employment Service Cluster			-	73,062
Trade Adjustment Assistance	17.245	G-2223-15-0050	-	32,585
TOTAL U.S. DEPARTMENT OF LABOR			-	956,895
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
Airport Improvement Programs and COVID Airport Programs:				
Airport Improvement Program	20.106	N/A	-	2,397,021
COVID-19 Airport Coronavirus Response Grant Program - CLE	20.106	N/A	-	16,427,406
Total Airport Improvement Programs			-	18,824,427
Passed through the Ohio Department of Transportation & Northeast Ohio Area Coordinating				
Agency:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction:				
Federal NOACA Vision-Buckeye Road	20.205	PID109651	-	4,349
Federal NOACA Vision-Euclid Avenue	20.205	PID109651	-	1,440
Total Highway Planning and Construction Cluster			-	5,789
Passed through the Ohio Department of Public Safety:				
Highway Safety Cluster:				
State and Community Highway Safety				
Selective Traffic Enforcement Program 2022	20.600	STEP-2022-Cleveland Police Departme-00084	-	4,346
Total Highway Safety Cluster			-	4,346

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (continued)				
Passed Through the Ohio Department of Public Safety (continued)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated: Impaired Driving Enforcement Program 2022	20.608	IDEP-2022-Cleveland Police Departme-00084	-	3,780
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	18,838,342
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				
Passed through the Ohio Environmental Agency:				
Air Pollution Control Program Support:				
Air Pollution Control Program Support 2022	66.001	EPAFFG22	-	605,280
Total Air Pollution Control Program Support			-	605,280
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act:				
Air Pollution Control Program Support 2021	66.034	EPAFFM20	-	95,224
Air Pollution Control Program Support 2022	66.034	EPAFFM22	-	166,147
Total Survey, Studies, Research, Investigation Demonstrations and Special Activities			-	261,371
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			-	866,651
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
Port Security Grant Program:				
FY 18 Port Security Grant	97.056	N/A	-	182,625
FY 19 Port Security Grant	97.056	N/A	-	720,000
Total Port Security Grant Program			-	902,625
Assistance to Firefighters Grant:				
Assistance to Firefighters 2019	97.044	N/A	-	8,087
Assistance to Firefighters 2020	97.044	N/A	-	8,690
Total Assistance to Firefighters			-	16,777
Homeland Security BioWatch Program:				
Bio-Watch Program 2021	97.091	N/A	-	163,645
Bio-Watch Program 2022	97.091	N/A	-	153,273
Total BioWatch Program			-	316,918
Passed through the Ohio Department of Natural Resources:				
Boating Safety Financial Assistance	97.012	N/A	-	5,993
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	1,242,313
U.S. DEPARTMENT OF TREASURY				
Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds:				
COVID-19 American Rescue Plan Act 2021	21.027	N/A	-	226,380,904
Emergency Rental Assistance Program:				
COVID-19 CARES Act Emergency Rental Program	21.023	N/A	4,668,371	4,668,371
Passed Through Cuyahoga County				
Coronavirus Relief Fund:				
COVID-19 Coronavirus Response Supplemental	21.019	18-200-12-CO-0121	-	27,788
COVID-19 Contact Testing	21.019	18-200-12-CT-0120	-	39,598
Total Coronavirus Relief Fund			-	67,386
TOTAL U.S. DEPARTMENT OF TREASURY			4,668,371	231,116,661
TOTAL EXPENDITURES OF FEDERAL AWARDS			29,420,188	308,076,515

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**CITY OF CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Cleveland (the City) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The City passes certain federal awards received from various federal agencies to other governments or not-for-profit agencies (subrecipients). As Note B describes, the city reports expenditures of Federal awards to subrecipients when paid in cash.

As a pass-through entity, 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.

NOTE E - CHILD NUTRITION CLUSTER

The City commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the City assumes it expends federal monies first.

**CITY OF CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE F – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan programs listed below are administered directly by the City, and balances and transactions relating to these programs are included in the City’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at December 31, 2022 consist of:

AL Number	Program/Cluster Name	Outstanding Balance at December 31, 2022
14.248	Community Development Block Grants Section 108 Loan Guarantees	\$4,609,645

NOTE G - 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 expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee:

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 (*Government Auditing Standards*), 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, Cuyahoga County, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2023.

Report on 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) as a basis for designing 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 City'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Cleveland's, Cuyahoga County, (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Cleveland's major federal programs for the year ended December 31, 2022. The City of Cleveland's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the City of Cleveland complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 this 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 of Cleveland, Cuyahoga County, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our unmodified report thereon dated June 28, 2023. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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**CITY OF CLEVELAND
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL# 14.248 - Community Development Block Grants Section 108 Loan Guarantees AL# 93.323 – COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases AL# 21.027 - COVID-19 American Rescue Plan Act Grant AL# 21.023 - COVID-19 Cares Act Emergency Rental Assistance Program AL# 20.106 - COVID-19 Airport Coronavirus Response Grant Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 3,000,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

**CITY OF CLEVELAND
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF CLEVELAND, OHIO



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2022

CITY OF CLEVELAND



Annual Comprehensive Financial Report

For the year ended December 31, 2022

Issued by the
Department of Finance

Ahmed Abonamah
Director of Finance/Chief Finance Officer

James E. Gentile, CPA
City Controller

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CITY OF CLEVELAND, OHIO

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INTRODUCTORY SECTION

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June 28, 2023

Honorable Mayor Justin M. Bibb
City of Cleveland Council and
Citizens of the City of Cleveland, Ohio

Introduction

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Cleveland (the City) for the year ended December 31, 2022. 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 2022 activities. Our intention is to provide a clear, comprehensive, and materially accurate overview of the City's financial position as of December 31, 2022. 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 the Ohio Auditor of State. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2022, 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. The Ohio Auditor of State 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, 2022, are fairly presented in conformity with GAAP. The Independent Auditor's 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 Auditor's Report.

Structure of this Annual Comprehensive Financial Report

This ACFR is designed to assist the reader in understanding the City's finances. This ACFR 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 Auditor's Report, MD&A, Basic Financial Statements, Required Supplementary Information and various other statements and schedules pertaining to the City's funds and activities.
- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 2013 through 2022.

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

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 34th largest of 384 Metropolitan Areas in the United States and the 2nd largest MSA in the State of Ohio.

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

City Government

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

The City's chief executive and administrative officer is the Mayor, elected by the voters for a four-year term. Justin M. Bibb was elected as Mayor of the City in November 2021. Prior to assuming office as Mayor, Mr. Bibb has worked in government, business and the nonprofit sector as an executive and nonprofit leader. 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, 2025. 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. Blaine A. Griffin, was elected as President of Council in November 2021. 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/Chiefs of the City's 12 departments.

The Director of Finance/Chief Finance Officer 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.

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

Internal Control

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

As a recipient of federal, state and county financial assistance, the City is also responsible for maintaining a rigorous internal control structure that ensures full compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management, external auditors and the internal audit staff of the City. The City is required to undergo an annual audit in conformity with the provisions of the U.S. Office of Management and Budget's Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). The information related to the Uniform Guidance, including the schedule of expenditures of federal awards, 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, Capital/Urban Renewal Bond Construction Fund, General Government Fund, Public Health Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. The City's proprietary funds are its Enterprise Funds that provide services to the general public, including utilities and airport service and Internal Service Funds that provide services to City departments, divisions and other governments. The City also maintains Fiduciary Funds to account for assets held by the City in an agent capacity for individuals, private organizations and other governments.

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

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

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

Budgeting Procedures

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

In June of 2017, GASB Statement No. 87, *Leases*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As required, the City has implemented GASB Statement No. 87 as of December 31, 2022.

In May of 2019, GASB Statement No. 91, *Conduit Debt*, was issued. This Statement is effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The City has determined that GASB Statement No. 91 has no impact on its financial statements as of December 31, 2022.

In January of 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. As required, the City has implemented GASB Statement No. 92 as of December 31, 2022.

In June of 2020, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined contribution pension plans; (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The City has determined that GASB Statement No. 97 has no impact on its financial statements as of December 31, 2022.

The City maintains budgetary control on a non-GAAP basis at the character level (personnel and related expenditures and other expenditures) within each division. Lower levels within each character are accounted for and reported internally. Lower levels are referred to as the program level. Estimated expenditure amounts must be pre-encumbered and subsequently encumbered prior to the release of purchase orders to vendors or finalization of other contracts. Pre-encumbrances and encumbrances that would exceed the available character level appropriation are not approved or

recorded until the Council authorizes additional appropriations or transfers. Unencumbered appropriations lapse at the end of each calendar year. As an additional control over expenditures, the City Charter requires that all contracts in excess of \$50,000 shall first be authorized and directed by ordinance of Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 65 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 144.

Factors Affecting Financial Condition

Local Economy

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

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

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 by 8.0% in 2022 as a result of a lower unemployment rate than in 2021 and re-opening of businesses after the COVID-19 pandemic.

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 2022, the U.S. Bureau of Labor Statistics (BLS) indicates that the Cleveland area employment base continues to become more diversified. The following table summarizes the percentage of nonfarm employment in the Cleveland area by major industry.

Industry	Percent of Workforce
Education and health services	18.81 %
Trade, transportation and utilities	17.88
Professional and business services	14.43
Government	12.43
Manufacturing	11.44
Leisure and hospitality	9.57
Financial activities	6.48
Mining, logging and construction	3.74
Information	1.32
Other Services	3.90
	100.00 %

Current Projects and 2022 Accomplishments

The 2022 budget focused on continuing the City’s commitment to improve the quality of life of its citizens by strengthening its neighborhoods, fostering a favorable business climate and providing superior services.

The City achieved the following 2022 programmatic goals and projects:

Department of Community Development

- The Department continued following its Ten-Year Housing and Investment Plan by funding numerous programs according to the plan’s high-level strategic priorities:
 - Housing Equity Plan: The goal of the Ten-Year Housing and Investment Plan is to foster a robust housing market that will ensure everyone has access to a decent home, provide a full range of housing choices for existing residents, and attract new residents to Cleveland's neighborhoods.
 - Economic Opportunities: Cleveland's objectives for expanding economic opportunities involve both the creation of more jobs for low-income residents and helping those residents with the least skills to improve their employability. The Department of Community Development and the Department of Economic Development work together towards these objectives through a variety of program strategies.
 - Ending Poverty and Racial Disparities: Failure to end systemic causes that allow poverty and racism to persist will continue the disparate outcomes that we see in Cleveland. Under this priority, the City will invest in numerous initiatives to alleviate/eradicate these systemic causes.
 - Neighborhood Improvements: Cleveland neighborhoods have seen a persistent cycle of disinvestment that has resulted in most of the City designated as being affected by slum and blight. In order to address slum, blight, and the needs of the residents of Cleveland's neighborhoods investment in public facilities, public infrastructure, and reutilization of vacant land for interim or permanent uses is key to reposition for the needs of residents.
- The U.S. Department of Housing and Urban Development (HUD) approved its priorities to focus our resources to help address Affordable Housing, Homelessness, Non-Homeless Persons with Special Needs, Stabilizing Neighborhood Housing Markets, Non-Housing Community Development, and Public Housing.
- All housing projects that receive City financial assistance, including tax abatement, are required to meet the City's Green Building Standards (GBS). The GBS incorporates national standards such as Leadership in Energy & Environmental Design (LEED) and Enterprise Community Partners' Green Community Standards.

- 113 affordable multi-family and 30 scatter-site projects were completed in 2022. Included in these projects were Emerald Alliance XI, a 71 unit affordable housing community and Prospect Yards, a 42 unit affordable housing community. In addition, the development of La Villa Hispana was completed which consists of 30 single-family scattered site homes in the Metro-West neighborhood.
- The commercial revitalization team completed 34 Storefront Renovation Program projects in 2022, which included 13 comprehensive building rehabilitations, 16 neighborhood business signs, and five downtown projects.
- The Department addressed lead hazards in 170 units through the Lead Hazard Reduction Grant.
- Under the Community Engagement Healthy Homes Initiative (HHI) Program, specialists assess neighborhood housing issues and help residents and property owners understand and remove environmental hazards and bring homes to housing code compliance. In addition, the program supports the Department's Exterior Paint Program by helping residents and property owners apply for and complete the paint program.

Department of Building and Housing

- Issued construction permits valued at \$1,274,106,147.
- Filed a total of 1,273 prosecutions.
- Issued 4,563 violation notices.
- Registered 62,127 rental properties.
- Issued Lead Safe Certificates for 13,743 units.
- Demolished 180 parcels and are working with the Cuyahoga Land Bank to demolish 300 units under the Ohio Department of Development grant program, for savings of over \$5 million to the City.
- Boarded and secured 1,146 vacant structures.
- Received and followed up on 5,984 complaints.

Department of Economic Development

- Brownfield Remediation & Land Re-utilization - the Department of Economic Development collaborated with local developers to bring back abandoned/under-utilized land into productive use. The following projects received approval through City incentives that helped write down the cost of environmental remediation & cleanup. Projects include the following in 2022:
 - Rase Properties LLC (operating as Sixth City Glazing) acquired an abandoned 1.9 acre site at 3119 Train Avenue in the Clark-Fulton neighborhood. The City assisted with a \$50,000 recoverable grant under the Municipal Small Business Initiative Program to remove an underground storage tank at the site. Total project costs were \$1,545,000. A growing 5-year old commercial manufacturer of glass products will relocate/create nine new jobs in the City.
 - The City utilized the non-school Tax Increment Financing tool to partially offset environmental, geotechnical, and demolition costs associated with constructing a \$35.5 million, 102-unit residential and mixed-use development project in the Tremont neighborhood. The project will repurpose land that had been predominantly vacant since the 1980s.
 - Peninsula MFH Owner LLC/NRP Group was formed for the sole purpose of redeveloping the former vacant industrial property adjacent to the Thunderbird mixed-use neighborhood at 1951-1961 Carter Road, in the industrial Flats. The City utilized the non-school Tax Increment Financing tool to partially offset environmental, geotechnical, and demolition costs associated with constructing a 316-unit

residential multi-unit apartment complex along the Cuyahoga River. Total project costs were \$99.2 million. The project will be built in conjunction with the Great Lakes Brewery project. The land has been vacant and abandoned since the 1970s.

Department of Public Health (CDPH)

- The Division of Environment completed 4,456 inspections, responded to 239 food complaints, 5,035 public health nuisance complaints and completed 322 other inspections including pools, laundromats and barbershops. The Division also addressed 239 lead poisoning referrals from the Ohio Department of Health.
- The Division of Air Quality performed 144 inspections, investigated 298 complaints, completed 172 air quality permits and participated in 86 community events and presentations.
- The Bureau of Vital Statistics issued approximately 43,000 birth certificates and 69,000 death certificates.
- The Division of Health administered 6,629 COVID-19 vaccine doses, 295 childhood immunizations and administered and processed 1,185 HIV tests.
- The MomsFirst program performed 3,361 face-to-face visits, and their infant mortality reduction program enrolled 308 new participants who were mothers and 16 new participants who were fathers.
- The HOPWA (Housing Opportunities for Persons with AIDS) program helped 507 clients receive rental or mortgage assistance and 1,344 clients receive nutrition, transportation or other assistance.

Department of Aging

- Provided core services to 6,108 unduplicated residents including both older adults and adults with disabilities.
- Secured approximately \$720,000 in grants to support programs for seniors and adults with disabilities.
- 145 home repair jobs for residents were approved by December 31, 2022 in the 4th year of the Age Friendly Home Investment Program. This program allows older adults and adults with disabilities to age in place. The most common jobs are roof replacement, porch repairs and bathroom modifications.
- Utilized the City's Code Red Communication system to provide 38 different informational robocalls to Cleveland seniors to leverage a range of city services. 260,885 telephone connections were made by live answer or voicemail and provided education and information to older adult residents.
- 1,295 residents received assistance with their outdoor home maintenance including grass cutting, leaf raking and snow shoveling services.
- 243 residents received a daily wellness call through the Cleveland Care Calls Program. This is a collaborative effort with Public Safety.
- 10 Neighborhood Senior Walks were held throughout the City to provide opportunities for older adults to get active and to get access to health information including information about COVID-19.
- 3,042 residents received services from one or more of the core services of the Aging and Disability Resource Center. Services include long term care options, counseling, economic security, information and benefits assistance.
- 133 households received assistance from the cross departmental team on the Mayor's Senior Initiative. The initiative is a cooperative effort between Building and Housing, Health, Community Development, Law and Aging to help address and resolve some of the most complex home repair and health issues for older adults and adults with disabilities.

The Office of Equal Opportunity (OEO)

- OEO is the contractor certification and contract compliance department of the City of Cleveland. OEO was established in 1977, and has been a fundamental component of putting equity in action in the City's contracting process for 45 years.
- OEO maintains a registry of certified Minority-Owned Business Enterprises (MBEs), Female-owned Business Enterprises (FBEs) and Cleveland-Area Small Businesses (CSBs). There are approximately 600 contractors certified by OEO, and certifications are renewed annually. The certification team provides in-depth consultation to applicants, assisting them with certification and educating contractors on doing business with the City. OEO also provides business development and outreach to certified contractors through one-on-one meetings and information sharing on local programming.
- OEO establishes subcontracting goals on City contracts greater than \$50,000, and requires that bidders and proposers demonstrate a good faith effort to engage with certified MBE, FBE and CSB firms to meet those goals.
- OEO evaluates contract bids and proposals for compliance with the goals, and advises the contracting departments on contract awards. OEO then monitors the use of subcontractors, holding bidders and proposers accountable to their subcontracting commitments.
- OEO is responsible for enforcing the Fannie M. Lewis Cleveland Resident Employment Law, requiring 20% resident worker hour participation and 4% low income worker hour participation on applicable contracts. OEO is also the designated Prevailing Wage Coordinator for the City of Cleveland, and standardizes the prevailing wage compliance process for the City.
- OEO continues to utilize two integrated compliance software systems, B2GNow and LCPtracker. All certification application and contract compliance reporting is submitted electronically through these systems. B2GNow and LCPtracker allow OEO to efficiently serve the contractor community while collecting large amounts of reliable data on city contracting.

Department of Public Works

- The Division of Recreation served 52,890 nutritious meals.
- The Cleveland Cavaliers, in partnership with the Department, renovated Kovacic Recreation Center gym floors and developed a meditation stress relief room at Earle B. Turner and Cudell Recreation Centers.
- The Division of Motor Vehicle Maintenance (MVM) performed 10 in-house technical training classes. They also trained 10 drivers who passed the Commercial Driver's License (CDL) test. Each driver had an average of 30 hours of training. In addition to technical training, MVM performed 10 Public Employee Risk Prevention Program (PERPP)/Health and Safety classes.
- The Division of Streets resurfaced a total of 282,444 sq/yds of street paving.
- The Division of Waste Collection processed 235,527 tons of solid waste.
- The Division of Park Maintenance, Cemetery section performed 1,249 internments, completed 1,603 service requests and set 933 headstones.
- The Division of Park Maintenance, Greenhouse Section, grew, planted and maintained 20,000 annual flowers in Greenhouse and downtown beds.
- The Division of Park Maintenance provided assistance for over 650 permitted special events, including Mayor's Night Out and "Councilmatic" events Citywide. Enhancement Team completed repairs and dragged and lined ballfields Citywide.

- The Division of Park Maintenance, Vacant Properties section serviced 32,142 unique parcels, completed 55,680 work orders and assisted with 192 illegal dumping cleanup.
- 218 vacant lot trees were serviced by Urban Forestry crews.
- 979 tree emergencies services were provided.
- 12,708 Right-of-Way (ROW) tree assessments.
- 2,391 ROW trees were pruned.
- 1,408 ROW trees were removed.

Department of Public Safety

- The Division of Police continued two initiatives to increase positive interactions between police officers and citizens: officers are utilizing warning citations for some moving traffic violations as opposed to issuing a traffic citation; and officers are passing out service comment cards with a QR code to members of the community. These cards allow members of the community to respond about their interaction with the police whether positive or negative. The cards have had an overwhelmingly positive response rate.
- The Division of Police continued data collection in the areas of Community Engagement, Crisis Intervention Teams, Stops, and Community Problem-Oriented Policing.
- The Division of Police launched FUSUS, a video sharing platform, which allows for sharing of public and private cameras in the furtherance of making Cleveland a safer place to live and work. This system also provides a unified platform of mission critical safety systems.
- Violent Crime Reduction Teams have been deployed in all Five Neighborhood Police Districts, with the assistance of specialized units and our local, state, and federal partners. In addition, the Division has implemented coordinated City-wide warrant sweeps that remove violent and dangerous felons from our community.
- The Cleveland Police Training Academy continues to bring new and progressive training to our officers. Some of the training included working collaboratively with the Alcohol, Drug Addiction and Mental Health Services (ADAMHS) Board through the Mental Health Response Advisory Committee to develop and facilitate comprehensive crisis intervention training for all Cleveland Division of Police (CDP) members. In addition, the Police Academy developed exercises utilizing a progressive approach, incorporating integrated reality-based training through scenario learning, relating to the use of force; search and seizure; and bias-free policing strategies. Through our training, we exceeded Ohio Peace Officer Training Commission's requirements for continuing education hours.
- Multiagency training with the Cleveland Division of Fire (CFD) and the Division of Emergency Medical Service (EMS) has been implemented for response to active shooter and threat incidents. Moreover, the Ohio Peace Officer Training Academy (OPOTA) designated the Cleveland Police Training Academy as a Star Training Academy. The designation was for exceeding state mandated basic academy requirements, including training hours, recruit evaluations and assessments, and achieving high academic and physical fitness standards.
- CFD continued implementing the Lexipol policy management platform. Lexipol provides fully developed, state-specific policies researched and written by subject matter experts and vetted by attorneys. The policies are based on nationwide standards and best practices while also incorporating state and federal laws and regulations where appropriate.
- Firefighter Wellness has become a central theme in the fire service nationwide. Whether it is the higher prevalence of cancer among firefighters or the debilitating impact of stress and mental health emergencies among First Responders, the fire service has made a pivot to directly address and improve the health and fitness of firefighters. We have fully embraced this mindset. In 2022, through a partnership with the firefighters union, IAFF Local 93, we were able to certify 26 of our employees as peer support trainers through the International Association of

Firefighters training program. These employees are now providing guidance and support daily to their fellow employees on the division.

- CFD continues to meet the challenge after the pandemic through enhanced personal protective equipment and protocols implemented to protect members and citizens while still providing excellent service to the community. Cleveland Fire Paramedics have been administering COVID-19 vaccines and boosters and will continue to assist in those efforts moving forward as needed.
- As an integral part of managing the coronavirus and mitigating the community impact, EMS continues to work with the Cleveland Department of Health providing the coronavirus vaccine to the community.
- The Division continues to partner with the Department of Aging in multiple programs including the File of Life, which is an emergency preparedness magnetic file that promotes safety and peace of mind by having important information about medical history, emergency contacts and medications all in one place in the event of an emergency and is designed to hang on the outside of a refrigerator and is available to responders when seconds matter. In addition, the Division of EMS participates in the Department of Aging Senior Power initiative presentations and provides information in regard to how to avoid and overcome hazards that can lead to falls.
- EMS continues to conduct the first Emergency Medical Technician (EMT) training academy and it continues to be a successful program training EMS and Fire EMT's.
- In 2022, EMS began participation in the CARES Registry (Cardiac Arrest Registry to Enhance Survival) and NCDR (National Cardiovascular Data Registry) and our Division ranks among the best in the region.
- EMS will continue to enhance the training that is received by all employees of the Division with an increased focus on collaborative training within the Department of Public Safety to ensure that all first responders are prepared for the daily emergency calls as well as preparedness for any challenges that may occur within the City.
- EMS continues to partner with our local hospital systems to identify opportunities to establish programs to meet the increasing medical needs of the community. The collaborative efforts include the agreement of the four hospital systems to have the emergency departments remain open to EMS traffic at all times. This ensures that patients are able to remain within their hospital network unless a specific medical or traumatic emergency dictates otherwise.
- The Department of Public Safety continued its partnership with the MetroHealth system to provide Public Safety Medical Director services, which include Medical Director oversight for the EMS, CFD and CPD.
- The City continued its agreement with the Cuyahoga County Sheriff assuming all jail duties for the City.
- The Division of Animal Care and Control (ACC) has been working diligently this past year to reunite lost dogs with owners, educate the community on the importance of pet identification, provide support and guidance with resources to help pet owners in need, ensure ordinances are being followed, and adopt dogs into successful homes.
- ACC's efforts overall have been successful. In fact, we have had a 37% increase in adoptions from the previous year. Additionally, the length of stay of animals at our facility is well under the state and national averages.
- ACC continued its partnership with the Cleveland Municipal Court for individuals who have committed animal-related offenses. The program has been named "AROC" (Animal Related Offenses Class) and the goal is to help educate and create more responsible pet owners.
- ACC became a member of NACA (National Animal Control Association) allowing our staff to take part in animal control related webinars and trainings.

Department of Public Utilities

- The Division of Water services not only the City, but also 69 direct service communities, seven master meter communities and three emergency standby communities. They provide water to approximately 433,000 city and

suburban accounts in the Cleveland metropolitan area. Of these 433,000 accounts, approximately 117,000 accounts were located within the City, accounting for 23.64% of the Division's metered sales revenue.

- The Division of Cleveland Public Power (CPP) provided more than 73,000 residential, business and governmental customers in the City with reliable and affordable power in 2022. CPP sold approximately 1.568 billion Kilowatt hours (kWh) of electricity.
- Division of Water Pollution Control maintains the local sanitary and storm water collection system within the City. The system is comprised of 1,436 miles of sewer lines, more than 43,000 catch basins and 11 pumps/lift stations. In 2022, the Division's sewers transported 1,517,635 cubic feet (Mcf) of water.

Department of Port Control

- Cleveland Hopkins International Airport (CLE) enplaned 4,348,607 passengers and had aircraft landed weight of 5,222,496,000 pounds.
- Concessions developer Fraport USA fully remodeled three concession locations in CLE. This included Dunkin' Donuts, Auntie Anne's and Cinnabon. In addition, a new concessionaire Jamba Juice opened. One of our tenants, InMotion, an electronics store, received their company's New Store of the Year award.
- In-terminal concession sales increased to \$52,281,551 compared to \$39,792,224 in 2021. Also, the average spend per enplanement for 2022 was \$12.02 compared to \$10.92 for 2021.
- CLE completed several projects including North Airfield Improvements Phase IV, Primary Road Fire and Domestic Waterline Public Improvements, and the Airfield Sanitary Sewer Improvement Project.
- CLE started the Smart Parking Garage Project. This project is for structural repairs of the garage and is expected to be completed in 2023.

Department of Law

- Drafted approximately 740 contracts and other instruments.
- Reviewed approximately 898 contracts for legal form and correctness.
- Prepared and processed 428 requests for legislation for introduction to City Council.
- Obtained 152 search warrants for Housing Court enforcement actions.
- Assisted Department of Building & Housing to obtain legal authorization for 648 demolitions of unsafe structures in the City.
- Prosecuted 1,264 criminal complaints in Housing Court for failing to comply with Building & Housing administrative orders at sites with code violations found at properties.
- Processed 507 claims for property damage and other losses.
- Represented the City in 23 liquor permit hearings and processed 116 liquor permit requests.
- The City's web-based records-request-system (GOVQA) processed 31,283 requests.
- Responded to 181 subpoenas for City records.
- Represented the City in 414 civil cases pending in various state and federal courts.
- Processed 929 citizen complaints in the Prosecutors' office.

- Prosecuted 8,046 misdemeanor charges, of which 824 were domestic-violence misdemeanor charges.
- Reviewed 13,844 felony offenses for determination of referral to Cuyahoga County Prosecutor’s Office. From this number, 3,608 felony charges were issued, of which 404 were domestic-violence felony charges.
- Addressed 802 operating vehicle impaired (OVI) charges.
- Addressed 18,359 traffic offense charges.
- Represented the City in 164 various labor and employment matters.

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

- Partnered with approximately 36 providers to offer over 40 programs beyond traditional sports and recreational activities that are aimed at providing youth and the community access to center-based resources, programs and activities that address the root causes of violence; promote healing, wellness, resiliency and self-efficacy; and support our residents in developing the skills and knowledge required to thrive and live quality lives. Programming centers around six areas: Youth and Adult Education; Job and Career Readiness; Health and Wellness; Youth Leadership Development, Mentorship and Community Service; The Arts; and Sports and Recreation.
- Continued phase 2 of the Toxic Stress/Trauma Management project, designed to transform the City’s 22 recreation centers into trauma-informed neighborhood resource and recreation centers. Two Social Support Service Supervisors were identified to oversee and direct the work of eight Social Support Service Specialists assigned to connect patrons of the centers to community-based resources and support services. Through this initiative, over 800 individuals and/or families received support and/or connections to resources/services.
- Provided summer employment opportunities, job and career readiness training and life skills training in collaboration with Youth Opportunities Unlimited to approximately 218 youth; 50 youth with a stipend-based community service project and year-round employment opportunities to 15 youth.
- Continued to support the court-involved youth reentry and diversion programs designed to connect high-risk and formerly incarcerated youth with appropriate resources/support services and job opportunities to help reduce recidivism.
- In partnership with Cleveland State University, developed and implemented a bi-monthly leadership professional development program for recreation leadership staff.
- Continued the partnership with Case Western Reserve University to develop standards and clear performance indicators for our neighborhood resource and recreation centers as a part of our effort to improve the quality of each center and ensure consistency relative to quality across all centers. Implemented Tier One of the Progress Monitoring Tool.
- Awarded \$2 million under the funding opportunity entitled 2022 Bureau of Justice Assistance (BJA) FY 22 Office of Justice Programs Community Based Violence Intervention and Prevention Initiative. The three year grant will expand and enhance the City’s community violence intervention and prevention strategy.

Office of Capital Projects

- In 2022, the Division of Engineering & Construction (E&C) resurfaced 125 asphalt streets and installed 354 Americans with Disabilities Act (ADA) ramps as part of the Residential Resurfacing Program. The following concrete streets were completed as part of the program:
 - Spring Road
 - Hamilton (East 13th to East 14th)
 - Lorain (West 20th to West 25th)

- Train Avenue (Clark Avenue to Kinsman)
- The Division also reconstructed over 7.4 centerline miles of roadway, added 6.36 miles of bicycle lanes, 27 enhanced crosswalks, 264 ADA ramps, and over 186,768 square feet of sidewalks while completing the following major streets (secondaries and mains) as part of the City's Complete & Green Street Program in 2022:
 - Buckeye Road (Shaker Blvd to South Moreland Blvd)
 - East 18th (East 14th to Lakeside)
 - East 105th (Greenlawn to North Corp. Line) Phase 2
 - Union (Broadway to Kinsman)
- The Design Section performed 69 required inspections of bridges and completed the North Coast Pedestrian Lift Bridge which opened to the public in 2022.
- The Sidewalk & Permits Section issued over 2,775 permits allowing for work in the ROW and subsequent inspection to ensure quality control. They also coordinated the installation and repair of over 75,730 square feet of sidewalks and 45 trees in 2022 as part of the 50/50 Sidewalk & Tree Damaged Sidewalk Programs. They completed horizontal sidewalk cutting at 1,400 locations as part of the Tree Damaged Sidewalk Program, and coordinated review of 100 schematic and conceptual designs as part of the new Planning, Engineering, Transportation, and Bureau of Traffic Control (PETBot) Committee, which help developers understand the City's permit requirements.
- The Survey Section completed 170 survey reviews, 12 street vacations requests, 5 street dedications, 10 encroachments, 25 ROW monuments reset and 15 in-house field surveys.
- The Division of Architecture and Site Development (DASD) furthered the City's neighborhood revitalization efforts through the implementation, construction and/or rehabilitation of City facilities and infrastructure. The division completed the following projects in 2022:
 - Kovacic Recreation Center renovation and park and playground renovation
 - Meyer Pool Site improvements
 - Park renovations at Mercedes Cotner, Orr, and Ambler Holton parks
 - Playground replacements at Estabrook and Drakefield Parks
 - Park repairs including 2 ball diamonds, 6 tennis courts, 2 basketball courts, 23 park signs, 2 gazebos and playground and safety surface repairs at 12 locations
 - Mechanical system improvements at Estabrook, Fairfax, Hamilton, Glenville, and Earle B. Turner Recreation Centers
 - Earle B. Turner Recreation Center digital learning center in collaboration with Verizon and JumpStart
 - Canal Basin Park parking lot
 - Arthur Johnston Park gazebo
- Public Safety Facilities - DASD conducts capital repairs and improvements to Police, Fire, and EMS facilities throughout the City. Capital needs are developed in collaboration with Public Safety and based on periodic assessments.
- In addition to the projects listed below, DASD is beginning construction this year on a new Fire Station 26 and is managing the design and construction process for the new Police Headquarters:
 - Fire Station 23 Storm and Sanitary Sewer Repairs
 - First Police District Parking Lot
 - Safety Town at Frederick Douglass Recreation Center
 - Fire Station 33 Roof Replacement
 - Fire Stations 4, 7, 13, 17, 24, 30, & 33, renovations for mixed-gender accommodations
- Public Works Facilities - DASD is engaged in numerous improvement efforts for workplaces throughout City facilities, including major planning efforts such as a comprehensive workspace assessment of City Hall, Public Auditorium, 205 St. Clair, masonry restoration at 205 St. Clair, site improvements at the Ridge Road Transfer Station and leased office space at Erieview.

- We are currently working through critical improvements at the West Side Market identified in a recent facility assessment and preparing for a comprehensive long-term capital campaign. We are also starting a facility master plan for the Rockefeller Greenhouse campus and roof and facade improvements for Public Auditorium. Other projects also include:
 - West Side Market electrical service upgrades
 - West Side Market arcade door replacement
 - West Side Market vendor booth upgrades
 - City Hall Vital Statistics Offices renovation
 - City Hall Council Offices renovation
 - Music Hall roof replacement Phase 2
 - Music Hall air handling units replacement

- The Division of Real Estate managed the following transactions and real estate functions for various departments of the City:
 - Obtained tax exemption for City-owned and payment of real estate taxes for non- exempt City properties totaling \$1,235,555.
 - Continued oversight of ROW and real estate matters for roads and bridge reconstruction projects.
 - Handled real estate transactions needed for various public works and private development projects.
 - Negotiated and completed leases or lease renewals with various entities.
 - Oversaw and coordinated real estate matters for:
 - Cleveland Metropolitan School District's master facilities plan.
 - NEORS Project Clean Lake infrastructure projects.
 - NEORS storm water management projects.
 - Various projects with the Cleveland Metroparks and City's departments of Public Safety and Public Utilities.

Office of Sustainability

- Earned an A- scorecard rating from the Carbon Disclosure Project, which acknowledges the City's continued and transparent reporting on mitigation and adaptation actions that tackle climate change.
- Featured in the American Council for an Energy-Efficient Economy (ACEEE)'s 2021 City Clean Energy Scorecard, ranking #38 out of 100 major U.S. Cities.
- Managed and reported on utility and energy data for all City facilities, the City's energy consumption is down 2% on a weather normalized basis and City buildings are using 11% less energy per square foot, saving approximately \$4 million per year in utility costs.
- Continued to support community choice municipal electricity aggregation, resulting in cost savings, rate stability, and 100% renewable energy for residents and small businesses and recognized by the U.S. Environmental Protection Agency (EPA) as a Green Power Community (GPC) for meeting or exceeding EPA's GPC usage requirements.
- Completed installation of Level 2 electric vehicle charging station at the Frederick Douglass Recreation Center.
- Co-lead the Circular Cleveland initiative in collaboration with Neighborhood Progress; including small business grants, ambassador neighborhood program and programs that aim to divert waste from landfills.
- Continued implementation of the Cleveland Tree Plan, including a focus on policy, governance of the Cleveland Tree Coalition, and making progress on community-wide tree goals.
- Continued sustainability outreach through social media channels (19,774 followers, posts reaching 101,415), e-newsletters (70.60% open rate), monthly meetings (30 attendees on average), and targeted campaigns (61,483 webpage visits).

- Conducted the Sustainability Youth Employment Program, employing 18 youth who replanted 12 community rain gardens and assembled and distributed 300 rain barrels to residents.
- Managed and facilitated the Youth Sustainability and Climate Justice Program, a contextualized leadership program which introduces students to sustainability through youth intervention.
- Completed the creation of Analysis & Recommendations for Park Investment Community Engagement Strategies (ARPICES) report to facilitate better community engagement in parks design process.
- Lead City-wide communications and strategic messaging of the City’s relaunched curbside recycling program including an opt-in campaign, recycling booklet to an estimated 30,000 households, community engagements, and the design and development of a City-wide waste guide to be mailed to 150,000 households.
- Established partnership with a local Community Supported Agriculture provider to provide fresh produce to Cleveland residents through a stand on Public Square.
- Secured and managed the following grants from the:
 - Ohio Department of Natural Resources to plant trees on residential tree lawns.
 - Lowenstein Foundation to fund the Low-to-Moderate Income Solar Program and eight solar panel installations for low to moderate income Cleveland households.
 - NEORSD to fund the Sustainability Youth Employment Program.
 - Ohio EPA to install Level 2 electric vehicle charging stations at the Cleveland Hopkins International Airport and Ward 1 Frederick Douglass Recreation Center.
 - National Parks & Recreation Association to develop a community engagement plant for the 10-minute walk to parks initiative.
 - Ohio EPA to design and develop a City-wide waste guide for all households that outlines proper waste disposal in Cleveland.

2023 Budget

The City submitted a structurally balanced budget for fiscal year 2023 to Council on February 1, 2023. During 2022, the City was able to utilize \$215,000,000 of American Rescue Plan Act (ARPA) dollars for recovery of lost revenue in order to setup a sub fund for Strategic Priorities of the administration. The receipt of the ARPA dollars has enabled the City to have an ending balance in the General Fund of \$48,314,991.

The City has exceeded pre-pandemic levels of income tax collection as compared to 2019. During 2022, the City collected \$463 million as compared to \$442 million in 2019. The City is slightly below 2019 collections for Admissions, Parking and Hotel Tax; during 2019, the City received \$41.2 million while 2022 collections were \$37.5 million. The City received 8% more in income tax collections during 2022 as compared to 2021. For 2023, the City expects a moderate increase of income tax collections of approximately 1.5% greater than actual collections from 2022. The City continues to monitor the collection of income tax receipts, and will make adjustments if required.

For fiscal year 2023, the City has developed a structurally balanced General Fund budget, which reflects revenue estimates of \$710,976,488 and anticipated expenditures of \$710,751,206.

The estimate of receipts and expenditures for all General Fund departments and divisions, per the 2023 budget are as follows:

- Total revenues and other financing sources are projected to be \$710.9 million. The City’s income tax is the largest source of revenue. It is generated by a 2.5% rate on wages for Cleveland residents and non-residents; the City is anticipating to collect \$470.4 million in the General Fund in income tax for 2023.
- Total expenditures and other financing uses are estimated to be \$710.7 million.

Long-Term financial planning:

Despite the impact of COVID-19 during 2020 and 2021, the City will continue to make investments that create increased service to the citizens of Cleveland. The City was able to transfer dollars to the Rainy Day Fund in the amount of \$20 million and establish and fund the Payroll Reserve Fund by \$90 million. These transfers were able to be made due to ARPA dollars received in 2021 and 2022. The establishment of the Payroll Reserve Fund will help the City fund payroll related obligations in future years, notably a 27th pay period in 2024. On July 18, 2022, Moody's Investors Service upgraded its rating on the City's General Obligation and Subordinate Lien Income Tax Bonds from A1 to Aa3. The rating on the City's Non-tax Revenue Bonds were also upgraded from A2 to A1. It has been more than 12 years since the City has received a bond rating upgrade.

Business Incentives and creating Economic Development

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

Department of Economic Development

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

TIFs authorized from 2011-2021 have leveraged nearly \$3 billion in total investment in the City of Cleveland. Because of these projects, over 6,000 jobs have been retained and created within the City, generating millions of dollars in income taxes to the City. All TIFs authorized in this period have been non-school TIF, which means the Cleveland Metropolitan School District has benefitted from the new property tax revenue generated during this period. TIF projects have generated over 1,000 hotel rooms, supporting the City's tourist and convention industries. Despite the challenges caused by the COVID-19 pandemic in 2020, construction continued in the City and TIFs played a key role in supporting three new construction mixed-use projects and three building renovation projects. In addition, TIF was deployed as part of the City's assistance to the Sherwin Williams Company, which announced the construction of a new Headquarters in Downtown Cleveland in March 2020. The Project will result in over \$300,000,000 in investment in downtown, retaining over 3,100 employees and an anticipated growth of Sherwin Williams' workforce by 10%.

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 and 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 Metropolitan School District (CMSD). 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 remodeled 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 of Cleveland, helping to make it a City of choice.

Monitoring Incentives:

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

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

Tax Abatement is available to both homeowners and developers. Work must be completed under a permit issued by the City's Department of Building and Housing on property located in the City only. During Tax Year 2017, the length or term of abatement for existing abatements would vary from 10 to 15 years depending on the type of project. For tax abatements processed after May 25, 2022, pursuant to Ordinance # 482-2022, passed May 25, 2022 and effective May 25, 2022, the term for all projects eligible for CRA tax abatement is 15 years, except for the 10-year extension available for certain conversions of historic apartment buildings into condominiums. Pursuant to Ordinance #482-2022 passed May 26, 2022, the percentage of CRA tax abatements will be 100%, 90%, or 85% depending on a number of factors including if the abated property is located in a designated Opportunity Neighborhood, Middle Market Neighborhood or Market Rate Neighborhood as designated by ordinance for tax abatements processed beginning January 1, 2024.

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 (GBS).

The GBS is designed to save homeowners money on utilities and support local green jobs, while also improving the health of the community and reducing our collective contribution to climate change. The 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 28,615 units of housing dating back to 1994. Since 2010 (the first year of the GBS) 6,873 GBS units were completed. In 2021, 2,144 units met the GBS.

- Single family – 145 new constructions, 114 rehabs
- Multi-family – 925 new constructions, 960 rehabs

Major Initiatives

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

- *Mayor Bibb's Rescue & Transformation Plan* - In 2021, the City of Cleveland received the eighth largest allocation of ARPA funds, totaling \$512 million over two years. The City received half of these dollars in June 2021 and received the remainder in Summer 2022. Mayor Bibb's Rescue & Transformation Plan outlines a priorities and process for maximizing the use of federal funds including ARPA, the Infrastructure Innovation and Jobs Act (IIJA) and other legislation still under development that is expected over the next few years. A key part of Mayor Bibb's plan is the launch of the Center for Economic Recovery, a strategic policy team that will engage with Cleveland City Council to shape and evaluate ideas for ARPA-funded projects that address the most urgent challenges. The Center for Economic Recovery will equitably and strategically assess applications for ARPA-

funding using the same evaluation criteria to make strategic decisions to achieve the long-term vision. Mayor Bibb's Rescue & Transformation Plan identifies ten priorities for federal funding that will make an impact on the everyday lives of Clevelanders. Those priorities include Stabilizing the Budget, Inclusive Economic Recovery, Housing For All, Violence Prevention & Public Safety, Closing the Digital Divide, a Modern & Transparent City Hall, Education for Everyone, Lead-safe Cleveland, Arts & Neighborhood Amenities and Civic Participation Fund.

- *Police Reform* - Cleveland is the only city in America that has entered into two Consent Decrees for policing and has long served as a case study for the nation on the need for police reform. In 2021, Cleveland voters mobilized to pass a ballot initiative to improve police accountability and deliver the strongest citizen oversight commission in the United States. Known as Issue 24, the new police accountability measures give citizens the power to make decisions about police recruitment, training and discipline. Mayor Bibb's police reform agenda is focused on improving police accountability and public safety.
- *West Side Market* - The West Side Market is a historic institution that must be preserved and protected for future generations. Mayor Bibb's administration is focused on making immediate investments to upgrade facilities and support vendors to drive growth at the West Side Market.
- *City of Cleveland Black Women and Girls Commission* - Cleveland recently ranked the worst city in America for black women, who are the backbone of our communities. Mayor Bibb is proud to launch the City of Cleveland Black Women and Girls Commission to create opportunities and improve quality of life for black women and girls. The newly formed Commission will advocate, initiate and champion programs and legislation to improve outcomes for black women and girls, and their families and communities.
- *Violence Prevention Strategy* - Everyone deserves to feel safe in our neighborhoods, at school or at the grocery store. The Bibb administration is committed to taking a comprehensive approach to improve public safety to address gun violence and prevent violent crime.

Awards and Acknowledgements

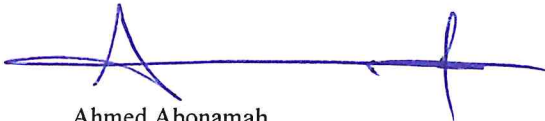
The Independent Audit: The City Charter requires an annual audit of the financial statements of all accounts of the City by an Independent Certified Public Accountant. Accordingly, this year's audit was completed by the Ohio Auditor of State. The year ended December 31, 2022, represents the 42nd consecutive year the City has prepared an Annual Comprehensive Financial Report. In addition to the independent auditors, the City maintains its own Division of Internal Audit. Along with the duty of assisting the independent auditors, the Division of Internal Audit is responsible for strengthening and reviewing the City's internal controls. The Division of Internal Audit 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 ACFR for the fiscal year ended December 31, 2021. 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 ACFR, the contents of which conform to program standards. Such ACFR 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 38 years (years ended 1984 – 2021). 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 the Ohio Auditor of State for their efforts and professional conduct throughout the audit engagement.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Ahmed Abonamah', written over a horizontal line.

Ahmed Abonamah,
Director of Finance/Chief Finance Officer

A handwritten signature in blue ink, appearing to read 'James E. Gentile, CPA'.

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

City Officials
Justin M. Bibb, Mayor

EXECUTIVE STAFF

Bradford J. Davy Chief of Staff
Mark D. Griffin Chief Legal Officer/Director, Department of Law
Sarah N. Johnson Chief Communications Officer
Eduardo Romero Interim Chief Human Resources Officer/Director, Department of Human Resources
Ryan M. Puente Deputy Chief of Staff, Chief Government Affairs Officer
Ahmed Abonamah Chief Finance Officer/Director, Department of Finance
Bonnie Teeuwen Chief Operating Officer
Holly Trifiro Chief of Education
Jeff Epstein Chief Integrated Development Officer
Froilan Roy Fernando Chief Innovation and Technology Officer
Karrie D. Howard Chief Public Safety Officer
Dornat A. Drummond Chief of Police
Anthony P. Luke Chief of Fire
Sonya Pryor-Jones Chief of Youth & Family Success
Delanté Spencer Thomas Esq. Chief Ethics Officer

ADMINISTRATION

Mary McNamara Director, Department of Aging
Sally Martin O’Toole Director, Department of Building and Housing
Joyce Pan Huang Director, City Planning Commission
Mary L. Bradley Executive Director, Civil Service Commission
Alyssa Hernandez Director, Department of Community Development
Angela Shute-Woodson Director, Community Relations Board
Tessa Jackson Director, Department of Economic Development
James DeRosa Director, Mayor’s Office of Capital Projects
Tyson Mitchell Director, Office of Equal Opportunity
Elizabeth Crowe, Ph.D. Director, Urban Analytics & Innovation
Bryant L. Francis Director, Department of Port Control
Dr. David Margolius Director, Department of Public Health
Martin J. Keane Director, Department of Public Utilities
Frank Williams Director, Department of Public Works

CITY OF CLEVELAND, OHIO

City Council

Blaine A. Griffin.....	President of Council / Ward 6
Kerry McCormack.....	Majority Leader / Ward 3
Jasmin Santana	Majority Whip / Ward 14
Patricia J. Britt.....	City Clerk, Clerk of Council
Joseph T. Jones.....	Ward 1
Kevin L. Bishop.....	Ward 2
Deborah A. Gray.....	Ward 4
Richard A. Starr.....	Ward 5
Stephanie D. Howse	Ward 7
Michael D. Polensek.....	Ward 8
Kevin Conwell.....	Ward 9
Anthony T. Hairston.....	Ward 10
Danny Kelly.....	Ward 11
Rebecca Maurer.....	Ward 12
Kris Harsh.....	Ward 13
Jenny Spencer	Ward 15
Brian Kazy	Ward 16
Charles J. Slife.....	Ward 17



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cleveland
Ohio**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

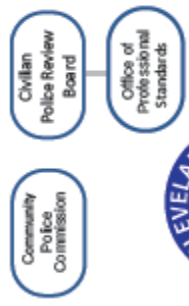
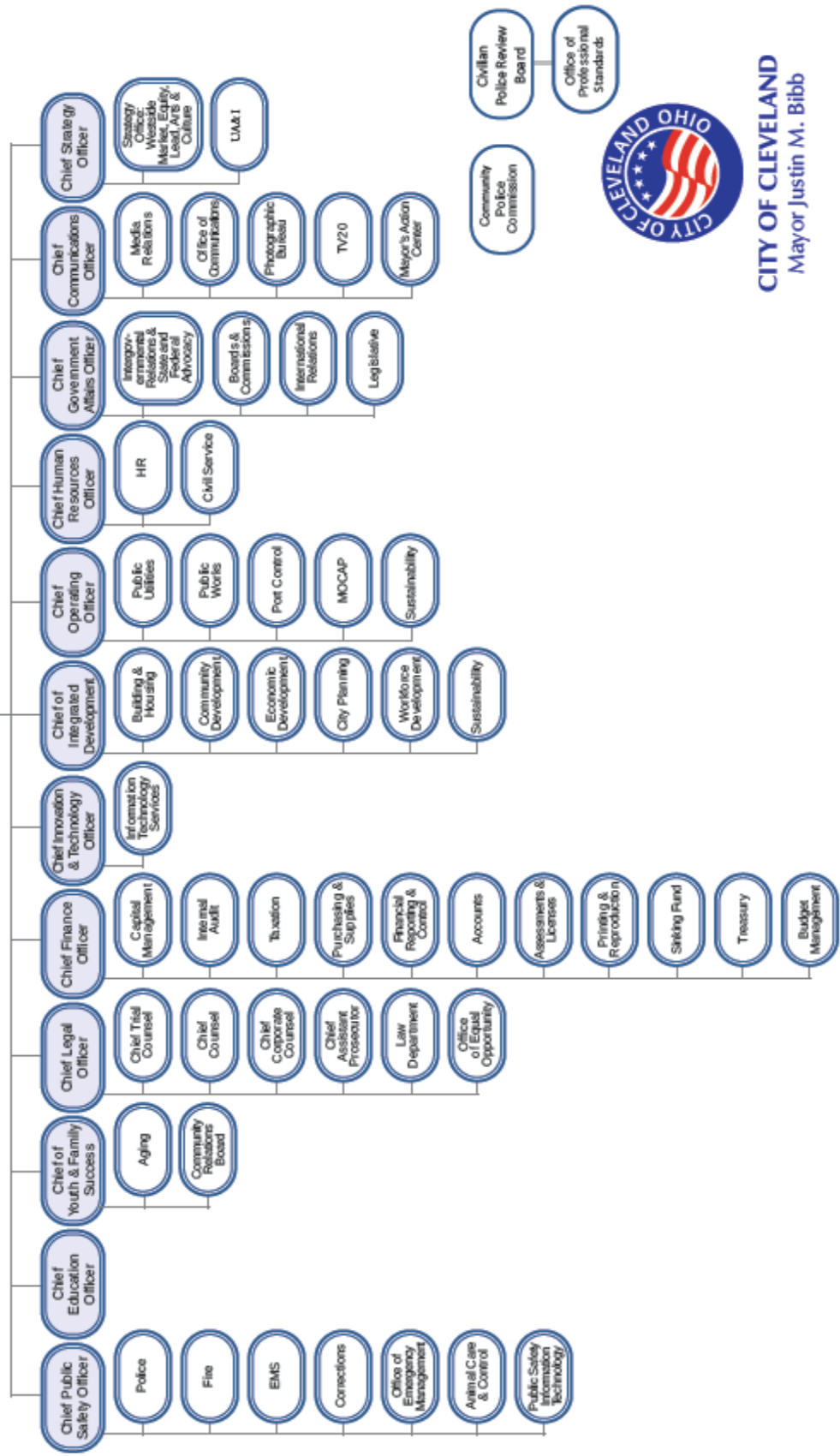
CITIZENS OF
CITY OF CLEVELAND

Chief
Administrative
Officer

MAYOR

Public
Health

MAYOR'S OFFICE/SCHEDULING ADMINISTRATION

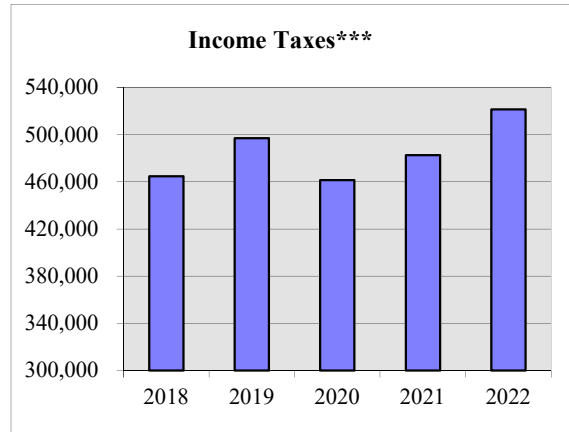
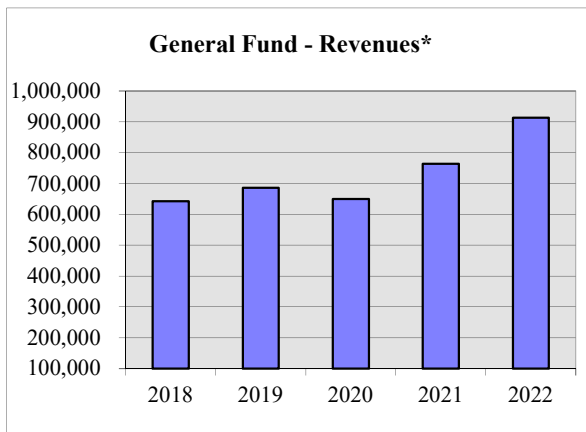
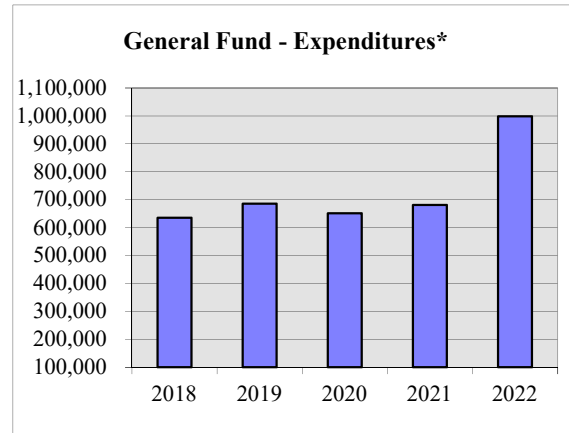
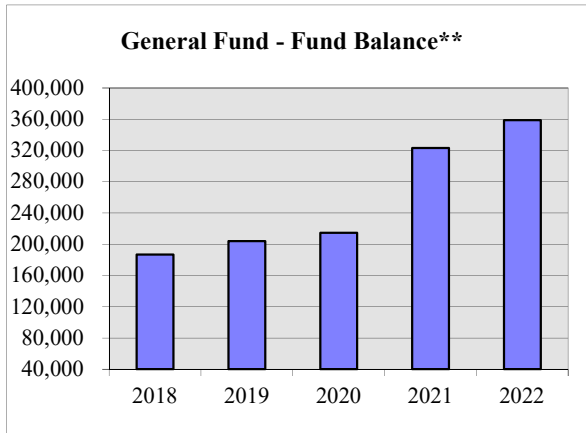


CITY OF CLEVELAND
Mayor Justin M. Bibb

CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS

(Amounts in Thousands)



For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
2018	186,909	642,595	634,937	464,803
2019	203,892	685,652	685,734	496,973
2020	214,554	650,167	651,252	461,362
2021	323,162	763,621	680,812	482,723
2022	358,729	912,704	998,270	521,343

* *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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OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee:

Report on the Audit of the Financial Statements

Opinions

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 of Cleveland, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, Cuyahoga County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Efficient • Effective • Transparent

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 fund financial statements and schedules and the schedules of capital assets used in the operation of governmental funds are presented for purposes of additional analysis and are 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 basic financial statements. The 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 combining and individual fund financial statements and schedules and the schedules of capital assets used in the operation of governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated June 28, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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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, 2022. 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, 2022 by approximately \$3.470 billion (net position).
- Of the approximately \$3.470 billion of net position, governmental activities accounted for approximately \$878.1 million of net position, while business-type activities net position accounted for approximately \$2.592 billion.
- The City's net position increased by \$489.6 million as compared to 2021. The governmental activities net position increased by \$380.8 million and the business-type activities net position increased by \$108.8 million.
- At the end of the current year, unassigned fund balance for the General Fund was \$166.6 million, which represents the amount available for spending at the City's discretion. The unassigned fund balance equals 26.1% of the total General Fund expenditures and other financing uses.
- In 2022, the City's total long-term debt and other long-term debt-related obligations, excluding premiums, accreted interest and discounts decreased by \$115.2 million. The decrease is due to payments made on debt of \$161.7 million offset by new debt issues for General Obligation bonds of \$45.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City presents 28 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, the Capital/Urban Renewal Bond Construction Fund, the General Government Fund, and the Public Health Fund. Data from the other 24 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

The basic fiduciary fund financial statement can be found on page 71-72 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 73-132 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, 2022 and 2021						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	(Amounts in Thousands)		2022	2021
			2022	2021 (As restated)		2021 (As restated)
Assets:						
Current and other assets	\$ 1,757,925	\$ 1,436,908	\$ 1,303,698	\$ 1,262,929	\$ 3,061,623	\$ 2,699,837
Capital assets	1,295,650	1,275,745	2,897,896	2,975,059	4,193,546	4,250,804
Net pension asset	4,320		2,930		7,250	-
Net OPEB asset	36,055	20,509	24,463	14,608	60,518	35,117
Right to use asset (net of accumulated amortization)	4,269		1,542		5,811	-
Total assets	<u>3,098,219</u>	<u>2,733,162</u>	<u>4,230,529</u>	<u>4,252,596</u>	<u>7,328,748</u>	<u>6,985,758</u>
Deferred outflows of resources	229,957	173,989	81,025	86,318	310,982	260,307
Liabilities:						
Net pension liability	544,363	669,174	68,990	117,639	613,353	786,813
Net OPEB liability	77,665	77,160			77,665	77,160
Long-term obligations	1,028,315	1,042,163	1,242,288	1,353,500	2,270,603	2,395,663
Other liabilities	363,402	312,460	285,787	278,327	649,189	590,787
Total liabilities	<u>2,013,745</u>	<u>2,100,957</u>	<u>1,597,065</u>	<u>1,749,466</u>	<u>3,610,810</u>	<u>3,850,423</u>
Deferred inflows of resources	436,378	308,963	122,462	106,248	558,840	415,211
Net position:						
Net investment in capital assets	751,679	725,546	1,776,111	1,735,824	2,527,790	2,461,370
Restricted	230,517	218,181	192,072	196,842	422,589	415,023
Unrestricted	(104,143)	(446,496)	623,844	550,534	519,701	104,038
Total net position	<u>\$ 878,053</u>	<u>\$ 497,231</u>	<u>\$ 2,592,027</u>	<u>\$ 2,483,200</u>	<u>\$ 3,470,080</u>	<u>\$ 2,980,431</u>

The net pension liability/(asset) is reported by the City at December 31, 2022 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In 2018, the City adopted GASB Statement No. 75, which significantly revises accounting for costs and liabilities related to OPEB. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset, net OPEB asset and deferred outflows of resources related to pension and OPEB.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by

law, which may or may not be sufficient to fully fund each plan's net pension liability/(asset) or net OPEB liability/(asset). GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State Statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

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

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$3.470 billion at the close of the most recent fiscal year. This represents an increase of 16.4% in 2022. Of the net position from governmental activities, \$751.7 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, \$230.5 million, represents resources that are subject to external restrictions on how they may be used.

In 2022, the total assets and deferred outflows of resources from governmental activities increased by \$421.0 million. This increase is primarily attributed to an increase in cash and cash equivalents of \$298.1 million, an increase in current receivables

of \$21.7 million, an increase in net OPEB asset of \$15.5 million and an increase of \$56.0 million in deferred outflow of resources. The increase in cash and cash equivalents relates to an increase in the General Government Fund of approximately \$215.0 million in revenue recovery from the American Rescue Plan Act (ARPA) funds. The increase in deferred outflow of resources is mainly due to changes in assumptions regarding future economic and geographic factors for pension and OPEB.

Also in 2022, the total liabilities and deferred inflows of resources from governmental activities increased by \$40.2 million. This increase is primarily due to an increase of \$150.2 million in deferred inflows of pensions offset by a decrease of \$25.7 million in deferred inflows of OPEB, a decrease in net pension liability of \$124.8 million and an increase in unearned revenue in the General Government Fund of \$31.2 million.

Of the business-type net position, \$1.776 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 \$192.1 million of net position is subject to external restrictions on their use. The remaining balance of \$623.8 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

In 2022, business-type total assets and deferred outflows of resources decreased by \$27.4 million. This decrease is primarily attributed to a decrease in capital assets of \$77.2 million offset by an increase in investments of \$29.0 million and an increase in deferred outflows of pensions of \$9.2 million.

Business-type total liabilities and deferred inflows of resources decreased by \$136.2 million mainly due to a decrease in long-term obligations due in more than one year of \$108.7 million resulting from the decrease in revenue bonds payable. Net pension liability also decreased by \$48.6 million, offset by a \$34.5 million increase in deferred inflows of pensions.

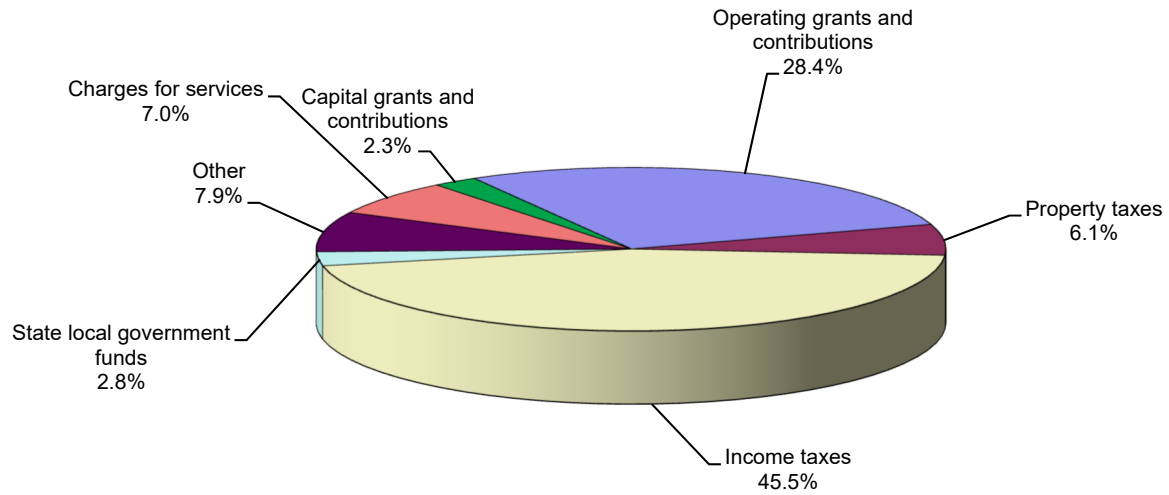
Information regarding government-wide changes in net position is provided below:

Changes in Net Position						
For the Years Ended December 31, 2022 and 2021						
	Governmental		Business-Type		Total	
	Activities		Activities		Total	
	(Amounts in Thousands)					
	2022	2021	2022	2021	2022	2021
			(As restated)		(As restated)	
Revenues:						
Program revenues:						
Charges for services	\$ 79,743	\$ 78,182	\$ 687,170	\$ 678,704	\$ 766,913	\$ 756,886
Operating grants and contributions	324,662	228,264	149	570	324,811	228,834
Capital grants and contributions	26,284	20,515	41,005	59,496	67,289	80,011
General revenues:						
Income taxes	518,824	495,297			518,824	495,297
Property taxes	69,754	57,327			69,754	57,327
Other taxes	40,115	30,505			40,115	30,505
Unrestricted shared revenues	22,428	23,499			22,428	23,499
State local government funds	31,546	30,806			31,546	30,806
Unrestricted investment earnings	20,555	590	9,443	479	29,998	1,069
Other	7,315	25,279		610	7,315	25,889
Total revenues	1,141,226	990,264	737,767	739,859	1,878,993	1,730,123
Expenses:						
General Government	151,424	105,239			151,424	105,239
Public Works	136,627	118,315			136,627	118,315
Public Safety	347,142	351,515			347,142	351,515
Community Development	42,259	55,675			42,259	55,675
Building and Housing	9,063	7,194			9,063	7,194
Public Health	15,765	15,843			15,765	15,843
Economic Development	22,757	38,358			22,757	38,358
Interest on debt	25,134	25,054			25,134	25,054
Water			250,686	219,063	250,686	219,063
Sewer			25,703	21,917	25,703	21,917
Electricity			196,200	190,647	196,200	190,647
Airport facilities			149,774	137,587	149,774	137,587
Nonmajor activities			16,810	12,757	16,810	12,757
Total expenses	750,171	717,193	639,173	581,971	1,389,344	1,299,164
Changes in net position before transfers	391,055	273,071	98,594	157,888	489,649	430,959
Transfers	(10,233)	(5,846)	10,233	5,846	-	-
Changes in net position	380,822	267,225	108,827	163,734	489,649	430,959
Beginning net position, as restated	497,231	230,006	2,483,200	2,319,466	2,980,431	2,549,472
Ending net position	\$ 878,053	\$ 497,231	\$ 2,592,027	\$ 2,483,200	\$ 3,470,080	\$ 2,980,431

Governmental activities increased the City's net position by \$380.8 million as compared to a \$267.2 million increase in 2021. The increase is primarily attributed to an increase in revenues for operating grants and contributions of \$96.4 million. This increase in revenue for operating grants and contributions is related to the ARPA funds received from the federal government. Also, there was an increase of \$23.5 million in income taxes due to the lifting of pandemic restrictions as people returned to work.

Business-type activities increased the City's net position by \$108.8 million in 2022 compared to an increase of \$163.7 million in 2021. The change is mainly attributed to an increase of \$31.6 million in expenses for the Division of Water and \$12.2 million for the Division of Port Control. The increase in expenses for the Division of Water and the Division of Port Control are primarily due to OPEB expense increases related to changes in the health care terms as well as changes in assumptions. Offsetting this increase in expense was a \$8.5 million increase in charges for services. This increase was mainly attributed to a \$6.8 million increase in charges for services for the Division of Port Control due to an increase in passengers and flights.

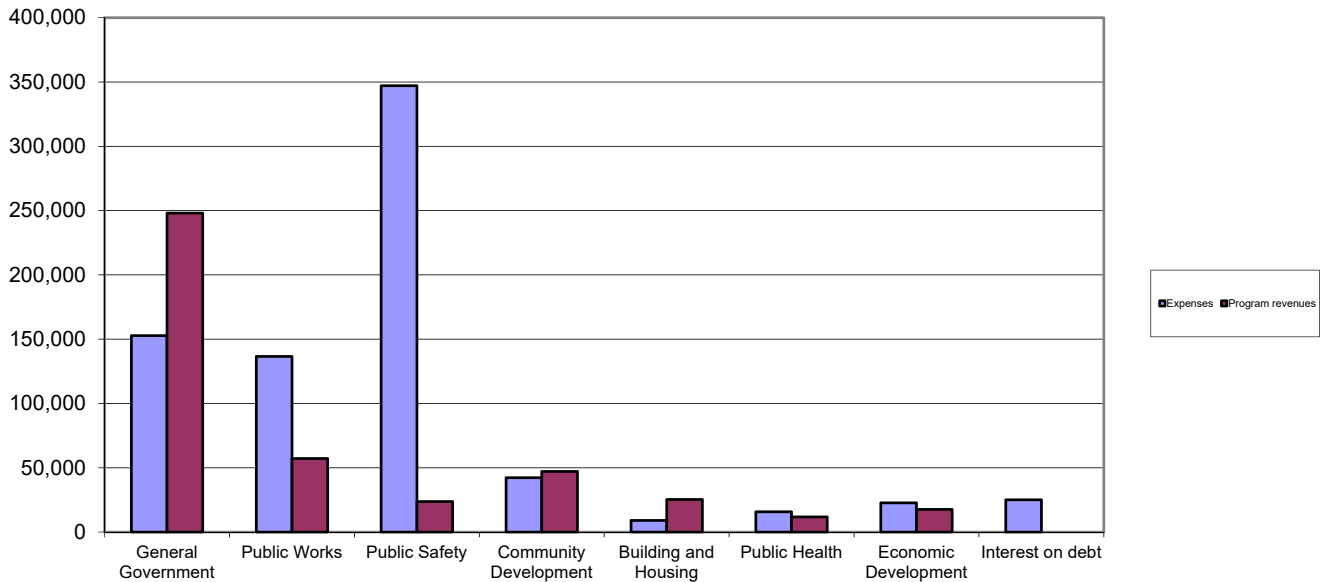
Revenues by Source - Governmental Activities



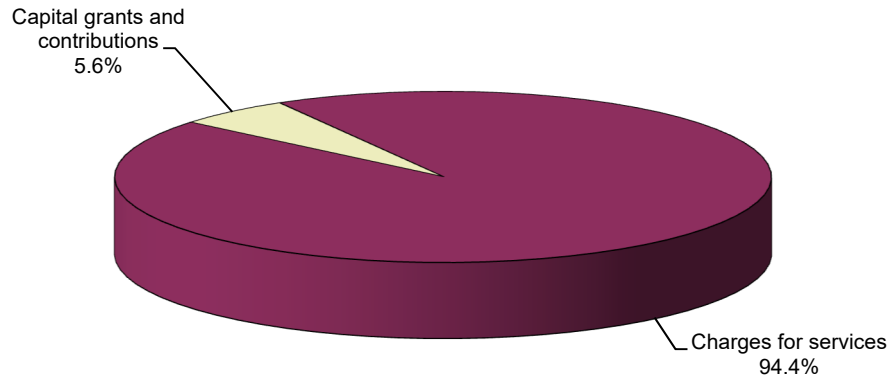
Other includes other taxes, shared revenues, unrestricted investment earnings and other general revenues.

Expenses and Program Revenues - Governmental Activities

(Amounts in Thousands)

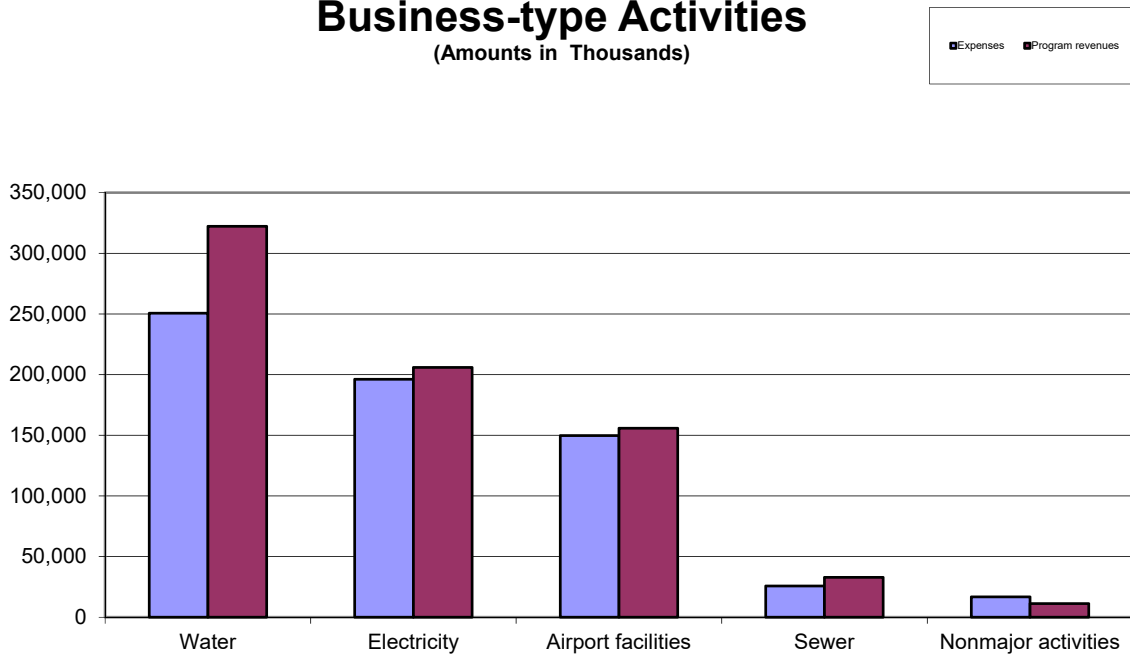


Revenues by Source - Business-type Activities



Expenses and Program Revenues - Business-type Activities

(Amounts in Thousands)



Business-type activities are principally accounted for in the City's Enterprise Funds. The City operates four major Enterprise Funds encompassing two airports, a water system, sewer system and an electric distribution system. The City also operates other Enterprise Funds consisting of cemeteries, a public auditorium, municipal parking lots and public market facilities. The City owns two golf courses, with one being managed and operated by an outside entity. The operating results of the City's Major Enterprise Funds are discussed below.

Division of Water: The Division operates a major public water supply system serves not only the City, but also sixty-nine direct service, seven master meter and three emergency standby suburban municipalities in the Cleveland Metropolitan Area. They provide water to approximately 433,000 city and suburban accounts in the Cleveland Metropolitan Area. Operating revenue in 2022 slightly decreased to \$319.7 million from \$325.8 million in 2021. The reduction is primarily attributed to a slight decrease in metered consumption and the loss of revenue associated with a transition fee charged to a suburban municipality that ended in 2021. In addition, there was a decrease of \$2.8 million in ancillary revenue, primarily due to not receiving a Workers' compensation refund in 2022. Operating expenses, exclusive of depreciation, increased approximately 16.5% to \$166.7 million compared to \$143.1 million in 2021.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 73,000 customers in the City. The Division is responsible for supplying, transmitting and distributing electricity and providing related electrical services to customers within its service area. The Division's 2022 operating revenue slightly increased to \$199.8 million from \$197.0 million in 2021. Purchased power expense increased by 3.3% to \$129.9 million in 2022 from \$125.8 million in 2021. Operating expenses, exclusive of depreciation and purchased power increased 15.8% to \$32.6 million in 2022 compared to \$28.2 million in 2021.

Division of Water Pollution Control: The Division was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area. The Division currently has approximately 117,000 customer accounts in the City, of which 96.0% are residential and 4.0% commercial. The Division's 2022 operating revenue increased by 9.9% to \$32.6 million from \$29.6 million in 2021. The increase is primarily attributed to a 12% increase in rates per MCF. Operating expenses, exclusive of depreciation, increased 16.3% to \$18.6 million in 2022 compared to \$16.0 million in 2021.

Department of Port Control: The City's Department of Port Control includes the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport. During 2022, 22 passenger airlines provided scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities. The Divisions' change in net position for 2022 was \$8.4 million. There were 41,000 scheduled landings in 2022. Operating revenues increased due to the increased number of passengers and flights. This resulted in increased parking and other concessions revenue. Total operating expenses for 2022 increased primarily due to increases in salaries wages and benefits as a result of the net pension and OPEB expenses. Non-operating revenues increased due to an increase in interest income as a result of higher interest rates.

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 \$1.169 billion, an increase of \$262.2 million and approximately 28.9% in comparison with the prior year. The components of the governmental fund balances include an unassigned balance of \$166.6 million, which indicates the amount available for spending at the City's discretion. An additional \$511.4 million of fund balance is available for expenditures that are legally restricted for a particular purpose. The non-spendable portion of fund balance has \$13.3 million of funds that are not in a spendable form, such as pre-paid expenditures. An additional \$298.1 million is committed to fund specific purposes and cannot be reassigned without legislative approval. The remaining assigned balance of \$179.1 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 \$166.6 million and the total fund balance was \$358.7 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 26.1% of total General Fund expenditures and other financing uses, while total fund balance represents approximately 56.3% of that same amount.

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

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance Information - GAAP Basis
2022 and 2021

(Amounts in Thousands)

	<u>2022</u>	<u>2021</u>
Revenues:		
Income taxes	\$ 455,770	\$ 440,473
Property taxes	44,868	39,079
State local government funds	31,276	29,932
Other taxes	40,115	30,505
Other shared revenues	20,316	19,524
Licenses and permits	23,209	19,917
Charges for services	32,993	33,756
Fines, forfeits and settlements	6,624	7,523
Investment earnings	9,261	322
Grants	1,865	3,424
Miscellaneous	6,938	24,652
Total revenues	<u>673,235</u>	<u>649,107</u>
Expenditures:		
General Government	105,316	109,571
Public Works	53,850	80,501
Public Safety	178,211	244,649
Community Development	1,176	888
Building and Housing	5,955	12,984
Economic Development	1,539	1,472
Other	10,043	8,066
Capital outlay	8,798	16,690
Total expenditures	<u>364,888</u>	<u>474,821</u>
Excess (deficiency) of revenues over (under) expenditures	308,347	174,286
Other financing sources (uses):		
Transfers out	<u>(272,780)</u>	<u>(65,678)</u>
Net change in fund balance	35,567	108,608
Fund balance at beginning of year	<u>323,162</u>	<u>214,554</u>
Fund balance at end of year	<u>\$ 358,729</u>	<u>\$ 323,162</u>

The City also presents the Capital/Urban Renewal Bond Construction Fund and the General Government Fund as major governmental funds. The change in fund balances increased by \$445,000 and \$216.6 million in 2022, respectively. The Public Health Fund is a blended component unit. The Public Health Fund’s fund balance increased by \$717,000 in 2022.

Analysis of General Fund Revenues

General Fund revenues and other financing sources totaled \$673.2 million in 2022, an increase of approximately \$24.1 million from 2021. A discussion of each of the major types of General Fund revenues follows.

Municipal Income Taxes

Ohio law authorizes a municipal income tax, both on corporate income (net profits from the operation of a business or profession) and employee wages, salaries and other compensation at a rate of up to 1% without voter authorization and at a rate above 1% with voter authorization. In 2016, the voters in the City approved increases of one-half of one percent to the rate of the income tax, bringing it to the current 2.5% rate. By the terms of the 1981 voter approval, as amended in 1985, one-ninth of the receipts of the total 2.5% tax (the Restricted Income Tax) must be used only for capital improvements, debt service or obligations issued for capital improvements or the payment of past deficits. The remaining eight-ninths of the municipal income tax is recorded in the General Fund and is pledged to and may also be used for, debt service on General Obligation Bonds of the City, to the extent required and certain other obligation of the City.

The income tax is also imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages, and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 100% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on the part of profits attributable to business conducted within the City. In 2022, approximately 92.3% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

In 2022, income tax revenue increased by \$15.3 million, primarily due to an increase in tax collection as a result of a lower unemployment rate than in 2021 stemming from a return to work and re-opening of businesses after the COVID-19 pandemic.

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:

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
(Amounts in Thousands)			
2022	\$ 5,329,360	\$ 520,673	\$ 5,850,033
2021	\$ 4,667,229	\$ 496,441	\$ 5,163,670

Property tax revenue increased by approximately \$5.8 million in 2022 from 2021 levels due to higher property appraisal values being levied.

State Local Government Funds, Other Taxes and Other Shared Revenues

State Local Government Funds, Other Taxes and Other Shared Revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other Taxes and Other Shared Revenues include state income, sales, admission, motor vehicle, parking, hotel, commercial activity, corporate franchise, casino, homestead and rollback, public utility, estate and cigarette taxes as well as liquor fees. State Local Government Funds revenue

increased by \$1.3 million or 4.5% in 2022. Other Taxes increased by \$9.6 million or 31.5% from 2021 levels as a result of sports, entertainment, and hotel revenues returning to more normal levels after the pandemic closures. Investment earnings increased significantly by \$8.9 million in 2022 due to an increase in interest rates, higher cash balances, and earnings on treasury investments. Licenses and Permits Revenues increased by \$3.3 million or 16.5% from 2021 levels mostly due to an increase in building permits and housing certificates of occupancy.

Ohio subdivisions share in a portion of the State Local Government Funds (LGF) which includes 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 \$637.7 million in 2022, an increase of 18% from 2021. 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:

<u>Expenditures and Other Financing Uses</u>	<u>Actual 2022</u>	<u>% of Total</u>	<u>Actual 2021</u>	<u>% of Total</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 105,316	16.52	\$ 109,571	20.27	\$ (4,255)	(3.88)
Public Works	53,850	8.45	80,501	14.90	(26,651)	(33.11)
Public Safety	178,211	27.95	244,649	45.26	(66,438)	(27.16)
Community Development	1,176	0.18	888	0.17	288	32.43
Building and Housing	5,955	0.93	12,984	2.40	(7,029)	(54.14)
Economic Development	1,539	0.24	1,472	0.27	67	4.55
Other	10,043	1.57	8,066	1.49	1,977	24.51
Capital Outlay	8,798	1.38	16,690	3.09	(7,892)	(47.29)
Transfers Out	<u>272,780</u>	42.78	<u>65,678</u>	12.15	<u>207,102</u>	315.33
Total Expenditures and Other Financing Uses	<u>\$ 637,668</u>		<u>\$ 540,499</u>		<u>\$ 97,169</u>	

The total expenditures and other financing uses increased by \$97.2 million. The increase was primarily caused by an increase in transfers to other subclasses. \$215 million of funds received from the ARPA Federal Grant were transferred to the strategic priority fund and used to cover the cost of payroll expenses reducing the overall expenditure of City funds for Public Safety, Public Works, Building and Housing and the General Government. Public Safety expenditures decreased by \$66.4 million in 2022 as a result of the receipt of Federal ARPA funds, while Public Works expenditures decreased by \$26.7 million, and Building and Housing expenditures decreased by \$7 million.

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

The unrestricted net position of the Division of Water, Water Pollution and Control, Cleveland Public Power and the Department of Port Control Funds amounted to \$410.9 million, \$41.1 million, \$29.3 million and \$140.5 million, respectively, at December 31, 2022. The change in net position for each of the respective funds amounted to an increase of \$76.1 million, an increase of \$7.7 million, an increase of \$10.1 million and an increase of \$8.4 million during 2022. 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, 2022 and 2021, the City had approximately 6,609 and 6,940 full-time employees, respectively. Of the 6,609 full-time employees, approximately 4,796 full-time employees are represented by 39 collective bargaining units. The largest collective bargaining units, together with the approximate number of employees represented by such units, include the American Federation of State, County and Municipal Employees, Local 100 – 965 members; Cleveland Police Patrolmen’s Association (CPPA) – 1,048 members; the Association of Cleveland Firefighters – 732 members; Municipal Foreman and Laborers Union, Local 960 – 360 members; and Local 507 – 261 members.

There have been no significant labor disputes or work stoppages in the City within the last 39 years.

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

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

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

<u>Year</u>	<u>Amount Paid</u>	
	(Amounts in Thousands)	
2022	\$	499,813
2021	\$	506,000

In 2022, there was a decrease in salaries and wages of 1.2% from the prior year due to a decrease in workforce.

GENERAL FUND BUDGETARY ANALYSIS

In 2022, the principal differences between the original and final budgeted expenditures included a \$331 million increase in transfers out due to a \$215 million transfer to the strategic priority subfund, a \$20 million provision for the Rainy Day Reserve Fund being added, as well as a \$90 million transfer to create a payroll reserve fund and a \$6 million increase in the subsidy for street construction.

The major differences between the final amended budget and the actual total revenues were a decrease of \$49.0 million to grant revenues, an increase of \$34.9 million to income tax revenues, an increase of \$11.2 million to other taxes, an increase of \$6.4 million to investment earnings, a \$3.7 million increase to property taxes, an increase of \$3.6 million in state local government funds, and a \$2.4 million decrease in charges for services.

The major differences between the final amended budget and the actual total expenditures were decreases of \$19.6 million in Public Safety and \$11.3 million in General Government.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City’s capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$4.194 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.

In 2022, the City’s net capital assets decreased by approximately 1.3% from 2021. A Summary of the City’s capital assets at December 31, 2022 is as follows:

Capital Assets, Net of Accumulated Depreciation

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	(Amounts in Thousands)		
Land	\$ 73,004	\$ 191,913	\$ 264,917
Land Improvements	63,604	66,186	129,790
Utility plant		1,636,480	1,636,480
Buildings, structures and improvements	311,119	311,744	622,863
Furniture, fixtures, equipment and vehicles	80,144	161,041	241,185
Infrastructure	391,628	213,938	605,566
Construction in progress	376,151	316,594	692,745
Total	\$ 1,295,650	\$ 2,897,896	\$ 4,193,546

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

- The Division of Cleveland Public Power’s main additions to construction in progress during 2022 included Southern Transmission Line, Hayden substation, general engineering services, and auto transformers. The Division’s net capital assets decreased by over \$10 million in 2022 due to utility plant disposals.
- The Division of Water incurred a net decrease of \$17 million for construction in progress in 2022 related to assets being placed into service. Major additions to construction in progress included the East 185th Street rehabilitation, suburban water mains, Nottingham sedimentation basins and the Richfield pump station. Overall, the Division’s investment in capital assets had a net decrease of \$17.5 million from 2021 due to the disposal of aging assets.
- The Department of Port Control had a net decrease of \$58.8 million in construction in progress related to completed projects in 2022. Major project spending in 2022 for construction in progress included the CLE Ground Transportation Center Upgrades Project, the North Airfield Improvements Projects, Cooling Chiller Replacement, and the Hotel Road Improvement Projects. Net capital assets decreased by 7.3%.
- The Division of Water Pollution Control’s principal spending for construction in progress in 2022 included emergency sewer installations, rehabilitations and re-linings of sewers, and the East 85th Street rehabilitation.
- Construction in progress spending for Governmental Activities had a net increase of \$46.1 million in 2022. Major projects included improvements to various recreational centers, parks and playgrounds, Stadium Improvements, infrastructure improvements, video surveillance expansion, and the development of the new police headquarter building.

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 \$1.990 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, 2022 is summarized below (excluding unamortized discounts, premiums and accreted interest).

	Balance January 1, 2022	Debt Issued	Debt Refunded or Defeased	Debt Retired	Balance December 31, 2022
	(Amounts in Thousands)				
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 341,075	\$ 45,910	\$	\$ (25,905)	\$ 361,080
Subordinated Income Tax Refunding Bonds	15,575			(4,935)	10,640
Subordinate Lien Income Tax Bonds	388,590			(13,580)	375,010
Non-Tax Revenue Bonds	55,158			(6,110)	49,048
Annual Appropriation Bonds	8,110			(385)	7,725
Certificates of Participation	61,865			(8,275)	53,590
Note/Loans Payable	<u>1,109</u>			<u>(78)</u>	<u>1,031</u>
 Total Governmental Activities	 <u>871,482</u>	 <u>45,910</u>	 <u>-</u>	 <u>(59,268)</u>	 <u>858,124</u>
 <u>Business –Type Activities:</u>					
Revenue Bonds	1,168,768			(93,555)	1,075,213
Loans Payable	<u>65,110</u>	<u>590</u>		<u>(8,833)</u>	<u>56,867</u>
 Total Business –Type Activities	 <u>1,233,878</u>	 <u>590</u>	 <u>-</u>	 <u>(102,388)</u>	 <u>1,132,080</u>
 Total	 <u>\$ 2,105,360</u>	 <u>\$ 46,500</u>	 <u>\$ -</u>	 <u>\$ (161,656)</u>	 <u>\$ 1,990,204</u>

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 \$23.2 million in 2022 which represents approximately 58.3% 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 41.7% of debt service requirements is retired from a portion of the City’s restricted income tax proceeds, homestead and rollback reimbursement from the State, premium generated through the issuance of bonds, interest earnings and other miscellaneous revenue sources generated within the Debt Service Funds.

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

The City’s bond ratings for governmental and revenue bonds are as follows as of December 31, 2022:

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

* On July 18, 2022, Moody's Investors Service upgraded its rating on the City's General Obligation and Subordinate Lien Income Tax Bonds from A1 to Aa3. The rating on the City's Non-Tax Revenue Bonds was also upgraded from A2 to A1.

** Not Rated

*** On August 11, 2022, S&P Global Ratings upgraded its underlying rating on the Airport Revenue Bonds from A- to A with a stable outlook.

**** Parking Facilities' bonds only carry an insured rating, based on the rating of Assured Guaranty Municipal Corp. On March 18, 2022, Moody's Investors Service upgraded the insurance financial strength of Assured Guaranty from A2 to A1.

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, 2022 was:

Net General Bonded Debt:	\$373,038,000
Ratio of Net Bonded Debt to Assessed Valuation:	6.38%
Net General Bonded Debt Per Capita:	\$1,001.11

The ORC provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.50% of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.50% of total assessed value of property. The City’s total debt limit (10.50%) is \$614,253,485 and unvoted debt limit (5.50%) is \$321,751,826. At December 31, 2022, the City had capacity under the indirect debt limitation calculation per the ORC to issue approximately \$200 million in additional unvoted debt. These debt limitations are not expected to affect the financing of any currently planned facilities or services.

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

The City reports a deferred 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, 2022 and an investment loss or gain as appropriate, based on the change in fair value. The specific terms and conditions of the one remaining swap have been provided by the counterparty for the 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 United States and the State of Ohio declared a state of emergency in March 2020, due to the COVID-19 pandemic. The financial impact of the ongoing COVID-19 pandemic may continue to impact subsequent periods of the City primarily in remote work and its effects on the income tax revenue, economic factors such as inflation and rising interest rates, a potential recession, and income tax due to the remote work. While any future impacts relating to these factors the City cannot fully predict, the City is actively monitoring public health efforts and corresponding impacts to the economy. The City continues to monitor the subject of municipal taxation and remote work.

Other Impacting Factors

- On May 22, 2023, City Council approved legislation authorizing the issuance of not to exceed \$67,000,000 of General Obligation Bonds.
- The Division of Water was the recipient of multiple loan awards from the OWDA beginning in 2023.

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

**STATEMENT OF NET POSITION
DECEMBER 31, 2022
(Amounts in Thousands)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,384,957	\$ 692,468	\$ 2,077,425
Investments	190	29,034	29,224
Receivables:			
Taxes	161,494		161,494
Accounts	12,388	238,675	251,063
Recoverable costs of purchased power		4,938	4,938
Grants	10,276		10,276
Loans	104,482		104,482
Leases	3,410	7,235	10,645
Unbilled revenue		21,522	21,522
Accrued interest	1,261	85	1,346
Assessments	74,648		74,648
Less: Allowance for doubtful accounts	(54,035)	(31,578)	(85,613)
Receivables, net	<u>313,924</u>	<u>240,877</u>	<u>554,801</u>
Internal balances	(76)	76	-
Due from other governments	52,713	6,965	59,678
Inventory of supplies	1,976	23,094	25,070
Prepaid expenses and other assets	4,241	4,373	8,614
Restricted assets:			
Cash and cash equivalents		10,192	10,192
Total restricted assets		<u>10,192</u>	<u>10,192</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents		293,830	293,830
Accrued interest receivable		650	650
Accrued passenger facility charge		2,139	2,139
Total restricted assets		<u>296,619</u>	<u>296,619</u>
Capital assets:			
Land and construction in progress	449,155	508,507	957,662
Other capital assets, net of accumulated depreciation	846,495	2,389,389	3,235,884
Total capital assets	<u>1,295,650</u>	<u>2,897,896</u>	<u>4,193,546</u>
Net pension asset	4,320	2,930	7,250
Net OPEB asset	36,055	24,463	60,518
Right to use asset (net of accumulated amortization)	4,269	1,542	5,811
Total assets	<u>3,098,219</u>	<u>4,230,529</u>	<u>7,328,748</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps		1	1
Loss on refunding	9,361	51,869	61,230
Pension	178,964	28,978	207,942
OPEB	41,632	177	41,809
Total deferred outflows of resources	<u>229,957</u>	<u>81,025</u>	<u>310,982</u>

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

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION

DECEMBER 31, 2022

(Amounts in Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable	\$ 32,551	\$ 67,443	\$ 99,994
Accrued wages and benefits	40,126	11,175	51,301
Claims payable	11,820		11,820
Due to other governments	75,402	179,105	254,507
Accrued interest payable	5,287	17,872	23,159
Unearned revenue	198,216		198,216
Liabilities payable from restricted assets		10,192	10,192
Long-term obligations:			
Due within one year	110,582	109,033	219,615
Due in more than one year	917,733	1,133,255	2,050,988
Net pension liability	544,363	68,990	613,353
Net OPEB liability	<u>77,665</u>	<u>68,990</u>	<u>77,665</u>
Total liabilities	<u>2,013,745</u>	<u>1,597,065</u>	<u>3,610,810</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax	63,431		63,431
Special assessment - TIF	14,662		14,662
Leases	3,377	7,166	10,543
Pension	286,066	89,364	375,430
OPEB	<u>68,842</u>	<u>25,932</u>	<u>94,774</u>
Total deferred inflows of resources	<u>436,378</u>	<u>122,462</u>	<u>558,840</u>
NET POSITION			
Net investment in capital assets	751,679	1,776,111	2,527,790
Restricted for:			
Capital	81,252	198	81,450
Debt service	52,455	171,328	223,783
Loans	34,976		34,976
Other purposes	61,834	20,546	82,380
Unrestricted	<u>(104,143)</u>	<u>623,844</u>	<u>519,701</u>
Total net position	<u>\$ 878,053</u>	<u>\$ 2,592,027</u>	<u>\$ 3,470,080</u>

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES

December 31, 2022

(Amounts in Thousands)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Governmental activities:				
General Government	\$ 151,424	\$ 12,963	\$ 229,358	\$ 5,745
Public Works	136,627	17,421	19,892	19,867
Public Safety	347,142	20,325	2,847	512
Community Development	42,259	748	46,364	
Building and Housing	9,063	25,086	232	
Public Health	15,765	3,086	8,644	
Economic Development	22,757	114	17,325	160
Interest on debt	25,134			
Total governmental activities	<u>750,171</u>	<u>79,743</u>	<u>324,662</u>	<u>26,284</u>
Business-type activities:				
Water	250,686	319,753	54	2,447
Sewer	25,703	32,559	14	367
Electricity	196,200	205,751	72	126
Airport facilities	149,774	117,887		37,985
Nonmajor activities:				
Public Auditorium	2,369	1,073		
Westside Market	1,871	1,167		
Eastside Market	224			
Municipal Parking Lots	8,702	6,748		80
Cemeteries	2,077	1,536		
Golf Courses	1,567	696	9	
Total business-type activities	<u>639,173</u>	<u>687,170</u>	<u>149</u>	<u>41,005</u>
Total	<u>\$ 1,389,344</u>	<u>\$ 766,913</u>	<u>\$ 324,811</u>	<u>\$ 67,289</u>

General revenues:

Income taxes
Property taxes
Other taxes
Unrestricted shared revenues
Unrestricted state local government funds
Unrestricted investment earnings
Other
Transfers
Total general revenues and transfers
Change in net position
Net position at beginning of year, as restated
Net position at end of year

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

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ 96,642	\$	\$ 96,642
(79,447)		(79,447)
(323,458)		(323,458)
4,853		4,853
16,255		16,255
(4,035)		(4,035)
(5,158)		(5,158)
(25,134)		(25,134)
<u>(319,482)</u>	<u>-</u>	<u>(319,482)</u>
	71,568	71,568
	7,237	7,237
	9,749	9,749
	6,098	6,098
	(1,296)	(1,296)
	(704)	(704)
	(224)	(224)
	(1,874)	(1,874)
	(541)	(541)
	(862)	(862)
<u>-</u>	<u>89,151</u>	<u>89,151</u>
<u>(319,482)</u>	<u>89,151</u>	<u>(230,331)</u>
518,824		518,824
69,754		69,754
40,115		40,115
22,428		22,428
31,546		31,546
20,555	9,443	29,998
7,315		7,315
(10,233)	10,233	-
<u>700,304</u>	<u>19,676</u>	<u>719,980</u>
380,822	108,827	489,649
497,231	2,483,200	2,980,431
<u>\$ 878,053</u>	<u>\$ 2,592,027</u>	<u>\$ 3,470,080</u>

CITY OF CLEVELAND, OHIO

**BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(Amounts in Thousands)**

	<u>General</u>	<u>Capital/ Urban Renewal Bond Construction</u>	<u>General Government</u>	<u>Public Health</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 349,704	\$ 291,771	\$ 421,132	\$ 5,012	\$ 265,311	\$ 1,332,930
Investments					190	190
Receivables:						
Taxes	123,606				37,888	161,494
Accounts	12,251			9	2	12,262
Grants	543		532	775	8,426	10,276
Loans	45				104,437	104,482
Leases			479		1,569	2,048
Accrued interest	39	929			244	1,212
Assessments	63,463		42		11,143	74,648
Less: Allowance for doubtful accounts	<u>(54,035)</u>					<u>(54,035)</u>
Receivables, net	<u>145,912</u>	<u>929</u>	<u>1,053</u>	<u>784</u>	<u>163,709</u>	<u>312,387</u>
Due from other funds	2,109		144	137	7,893	10,283
Due from other governments	25,919		995	5	25,794	52,713
Prepaid expenditures and other assets	<u>3,505</u>		<u>8</u>	<u>78</u>	<u>175</u>	<u>3,766</u>
TOTAL ASSETS	<u>\$ 527,149</u>	<u>\$ 292,700</u>	<u>\$ 423,332</u>	<u>\$ 6,016</u>	<u>\$ 463,072</u>	<u>\$ 1,712,269</u>
LIABILITIES						
Accounts payable	\$ 6,141	\$ 6,452	\$ 2,727	\$ 550	\$ 12,660	\$ 28,530
Accrued wages and benefits	36,336		91	604	2,172	39,203
Due to other governments	2,045	191	267		72,168	74,671
Unearned revenue	64		176,010	1,217	20,925	198,216
Due to other funds	<u>2,568</u>		<u>152</u>	<u>51</u>	<u>9,983</u>	<u>12,754</u>
Total liabilities	<u>47,154</u>	<u>6,643</u>	<u>179,247</u>	<u>2,422</u>	<u>117,908</u>	<u>353,374</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow	<u>121,266</u>		<u>1,028</u>	<u>6</u>	<u>68,061</u>	<u>190,361</u>
Total deferred inflows of resources	<u>121,266</u>		<u>1,028</u>	<u>6</u>	<u>68,061</u>	<u>190,361</u>
FUND BALANCES						
Nonspendable	13,084		8	78	175	13,345
Restricted		286,057	17,858	2,494	205,008	511,417
Committed			225,191	1,016	71,920	298,127
Assigned	179,065					179,065
Unassigned	<u>166,580</u>					<u>166,580</u>
Total fund balances	<u>358,729</u>	<u>286,057</u>	<u>243,057</u>	<u>3,588</u>	<u>277,103</u>	<u>1,168,534</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 527,149</u>	<u>\$ 292,700</u>	<u>\$ 423,332</u>	<u>\$ 6,016</u>	<u>\$ 463,072</u>	
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.						1,291,309
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						113,459
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.						(1,014,629)
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.						23,632
The net pension liability and net OPEB liability/(asset) are not due and payable in the current period; (excluding internal service) therefore the liabilities and related deferred inflows/outflows of resources are not reported in governmental funds:						
Pension						(635,508)
OPEB						<u>(68,744)</u>
Net position of governmental activities						<u>\$ 878,053</u>

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, 2022**

(Amounts in Thousands)

	<u>General</u>	<u>Capital/ Urban Renewal Bond Construction</u>	<u>General Government</u>	<u>Public Health</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Income taxes	\$ 455,770	\$	\$	\$	\$ 56,971	\$ 512,741
Property taxes	44,868				23,244	68,112
State local government funds	31,276					31,276
Other taxes	40,115					40,115
Other shared revenues	20,316		1,995		38,555	60,866
Licenses and permits	23,209			1,000	505	24,714
Charges for services	32,993		1,803	1,926	888	37,610
Fines, forfeits and settlements	6,624		1,069	155	450	8,298
Investment earnings	9,261	4,242	3,851	30	2,600	19,984
Grants	1,865		226,184	7,272	66,545	301,866
Contributions					705	705
Miscellaneous	6,938		1,014	1,372	4,049	13,373
Total revenues	<u>673,235</u>	<u>4,242</u>	<u>235,916</u>	<u>11,755</u>	<u>194,512</u>	<u>1,119,660</u>
EXPENDITURES:						
Current:						
General Government	105,316		5,786		1,069	112,171
Public Works	53,850		29,640		32,941	116,431
Public Safety	178,211		177,939		2,474	358,624
Community Development	1,176				41,371	42,547
Building and Housing	5,955		6,498		591	13,044
Public Health				18,714		18,714
Economic Development	1,539				21,451	22,990
Other	10,043					10,043
Capital outlay	8,798	49,716	14,793		44,391	117,698
Debt service:						
Principal retirement					59,268	59,268
Interest					32,562	32,562
General Government		402				402
Other					1,103	1,103
Total expenditures	<u>364,888</u>	<u>50,118</u>	<u>234,656</u>	<u>18,714</u>	<u>237,221</u>	<u>905,597</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>308,347</u>	<u>(45,876)</u>	<u>1,260</u>	<u>(6,959)</u>	<u>(42,709)</u>	<u>214,063</u>
OTHER FINANCING SOURCES (USES):						
Transfers in			215,386	7,676	110,061	333,123
Transfers out	(272,780)	(5,956)			(59,027)	(337,763)
Issuance of bonds		45,910				45,910
Premium on bonds		6,367				6,367
Payment to refund bonds						
Issuance of refunding debt						
Total other financing sources (uses)	<u>(272,780)</u>	<u>46,321</u>	<u>215,386</u>	<u>7,676</u>	<u>51,034</u>	<u>47,637</u>
NET CHANGE IN FUND BALANCES	35,567	445	216,646	717	8,325	261,700
FUND BALANCES AT BEGINNING OF YEAR	<u>323,162</u>	<u>285,612</u>	<u>26,411</u>	<u>2,871</u>	<u>268,778</u>	<u>906,834</u>
FUND BALANCES AT END OF YEAR	<u>\$ 358,729</u>	<u>\$ 286,057</u>	<u>\$ 243,057</u>	<u>\$ 3,588</u>	<u>\$ 277,103</u>	<u>\$ 1,168,534</u>

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

CITY OF CLEVELAND, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022 (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)	\$ 261,700
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.	21,931
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,974
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.	12,852
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.	(4,676)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows of resources, except for amounts reported as deferred inflows/outflows of resources, changes in the net pension/OPEB liabilities/(asset) are reported as pension/OPEB expense in the statement of activities:	
Pension	46,371
OPEB	26,023
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>2,647</u>
Change in net position of governmental activities (pages 60 and 61)	<u>\$ 380,822</u>

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, 2022**

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual*</u>	<u>Variance- Increase (Decrease)</u>
REVENUES:				
Income taxes	\$ 428,566	\$ 428,566	\$ 463,416	\$ 34,850
Property taxes	41,187	41,187	44,868	3,681
State local government funds	27,497	27,497	31,126	3,629
Other taxes	28,788	28,788	40,036	11,248
Other shared revenues	15,552	15,552	15,576	24
Licenses and permits	20,065	20,065	23,317	3,252
Charges for services	35,788	35,788	33,432	(2,356)
Fines, forfeits and settlements	7,990	7,990	6,545	(1,445)
Investment earnings	2,000	2,000	8,390	6,390
Grants	1,917	266,917	217,936	(48,981)
Miscellaneous	28,405	28,405	28,062	(343)
Total revenues	<u>637,755</u>	<u>902,755</u>	<u>912,704</u>	<u>9,949</u>
EXPENDITURES:				
Current:				
General Government	131,375	126,900	115,607	11,293
Public Works	87,077	87,072	84,850	2,222
Public Safety	383,785	384,295	364,657	19,638
Community Development	2,567	2,567	2,357	210
Building and Housing	14,348	13,508	12,367	1,141
Public Health	13,450	12,050	10,462	1,588
Economic Development	2,336	1,836	1,547	289
Other	24,569	24,679	23,978	701
Capital outlay	5,300	6,300	6,300	-
Total expenditures	<u>664,807</u>	<u>659,207</u>	<u>622,125</u>	<u>37,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(27,052)</u>	<u>243,548</u>	<u>290,579</u>	<u>47,031</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	9,187	9,187		(9,187)
Transfers out	(45,145)	(376,145)	(376,145)	-
Sale of City assets	1,000	1,000		(1,000)
Total other financing sources (uses)	<u>(34,958)</u>	<u>(365,958)</u>	<u>(376,145)</u>	<u>(10,187)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(62,010)</u>	<u>(122,410)</u>	<u>(85,566)</u>	<u>36,844</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			<u>2,132</u>	<u>2,132</u>
NET CHANGE IN FUND BALANCE	(62,010)	(122,410)	(83,434)	38,976
FUND BALANCE AT BEGINNING OF YEAR	<u>131,749</u>	<u>131,749</u>	<u>131,749</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 69,739</u>	<u>\$ 9,339</u>	<u>\$ 48,315</u>	<u>\$ 38,976</u>

* 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, 2022**

(Amounts in Thousands)

	Business Type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 406,822	\$ 84,480	\$ 63,262	\$ 132,369	\$ 3,066	\$ 689,999	\$ 54,496
Restricted cash and cash equivalents	5,321	912		3,959		10,192	
Investments	29,034					29,034	
Receivables:							
Accounts	73,577	144,860	18,420	1,695	123	238,675	126
Leases				7,235	-	7,235	1,664
Recoverable costs of purchased power			4,938			4,938	
Unbilled revenue	9,926	1,922	7,331	2,343		21,522	
Accrued interest	21	55		9		85	6
Less: Allowance for doubtful accounts	(18,021)	(3,554)	(8,661)	(1,316)	(26)	(31,578)	
Receivables, net	65,503	143,283	22,028	9,966	97	240,877	1,796
Due from other funds	2,662	37	2,782	3	32	5,516	2,429
Due from other governments		360		6,605		6,965	
Inventory of supplies	8,972	916	10,537	2,664	5	23,094	1,976
Prepaid expenses and other assets	2,559	82	445	1,148	33	4,267	581
Total current assets	520,873	230,070	99,054	156,714	3,233	1,009,944	61,278
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	48,043	3,413	4,138	226,002	12,234	293,830	
Accrued interest receivable	138	9	11	492		650	
Accrued passenger facility charges				2,139		2,139	
Total restricted assets	48,181	3,422	4,149	228,633	12,234	296,619	-
Capital assets:							
Land	5,731	295	5,574	166,882	13,431	191,913	663
Land improvements	18,091	289	3,194	102,687	15,481	139,742	276
Utility plant	2,070,249	233,670	609,254			2,913,173	
Buildings, structures and improvements	283,218	11,537	25,440	399,574	123,198	842,967	4,483
Furniture, fixtures, equipment and vehicles	609,245	15,697	93,857	123,729	6,461	848,989	22,382
Infrastructure				1,078,975		1,078,975	
Construction in progress	200,123	16,566	45,706	36,626	17,573	316,594	1,432
Less: Accumulated depreciation	(1,480,415)	(142,424)	(459,339)	(1,257,648)	(95,009)	(3,434,835)	(24,517)
Total capital assets, net	1,706,242	135,630	323,686	650,825	81,135	2,897,518	4,719
Net Pension Asset	1,512	182	410	547	69	2,720	487
Net OPEB Asset	12,624	1,519	3,419	4,563	589	22,714	4,067
Right to use asset							
(net of accumulated amortization)	1,288		254			1,542	771
Total noncurrent assets	1,769,847	140,753	331,918	884,568	94,027	3,221,113	10,044
Total assets	2,290,720	370,823	430,972	1,041,282	97,260	4,231,057	71,322
DEFERRED OUTFLOWS OF RESOURCES							
Derivative instruments-interest rate swaps					1	1	
Loss on refunding	18,983		19,699	13,187		51,869	
Pension	14,930	1,795	4,065	5,414	706	26,910	5,122
OPEB	89	11	26	34	5	165	70
Total deferred outflows of resources	34,002	1,806	23,790	18,635	712	78,945	5,192

CITY OF CLEVELAND, OHIO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2022

(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 18,110	\$ 2,198	\$ 13,388	\$ 33,341	\$ 677	\$ 67,714	\$ 4,040
Accrued wages and benefits	9,644	1,309	3,224	3,629	680	18,486	10,000
Claims payable						-	11,820
Due to other funds	1,860	2,668	78	711	129	5,446	28
Due to other governments		173,328		5,527	250	179,105	731
Accrued interest payable	7,409	180	743	9,540		17,872	3
Leases	44		254			298	20
Current payable from restricted assets	5,321	912		3,959		10,192	
Current portion of long-term obligations	45,205	1,063	9,960	43,535		99,763	
Total current liabilities	<u>87,593</u>	<u>181,658</u>	<u>27,647</u>	<u>100,242</u>	<u>1,736</u>	<u>398,876</u>	<u>26,642</u>
Noncurrent liabilities:							
Accrued wages and benefits	1,793	357	542	1,271	240	4,203	1,381
Construction loans payable	34,070	13,694				47,764	
Leases	1,302					1,302	785
Accrued interest payable			32,320			32,320	
Revenue bonds payable	359,552	31,642	167,390	487,938		1,046,522	
Net pension liability	35,604	4,284	9,644	12,869	1,656	64,057	11,470
Other			578			578	
Total noncurrent liabilities	<u>432,321</u>	<u>49,977</u>	<u>210,474</u>	<u>502,078</u>	<u>1,896</u>	<u>1,196,746</u>	<u>13,636</u>
Total liabilities	<u>519,914</u>	<u>231,635</u>	<u>238,121</u>	<u>602,320</u>	<u>3,632</u>	<u>1,595,622</u>	<u>40,278</u>
DEFERRED INFLOWS OF RESOURCES							
Leases				7,166		7,166	1,612
Pension	44,953	5,342	13,443	17,262	2,159	83,159	14,636
OPEB	13,226	1,583	3,752	4,917	625	24,103	4,281
Total deferred inflows of resources	<u>58,179</u>	<u>6,925</u>	<u>17,195</u>	<u>29,345</u>	<u>2,784</u>	<u>114,428</u>	<u>20,529</u>
NET POSITION							
Net investment in capital assets	1,291,552	90,267	167,237	145,542	81,135	1,775,733	4,719
Restricted for capital projects			177	21		198	
Restricted for debt service	44,177	2,712	2,746	121,693		171,328	
Restricted for passenger facility charges				20,546		20,546	
Unrestricted	<u>410,900</u>	<u>41,090</u>	<u>29,286</u>	<u>140,450</u>	<u>10,421</u>	<u>632,147</u>	<u>10,988</u>
Total net position	<u>\$ 1,746,629</u>	<u>\$ 134,069</u>	<u>\$ 199,446</u>	<u>\$ 428,252</u>	<u>\$ 91,556</u>	<u>\$ 2,599,952</u>	<u>\$ 15,707</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(7,925)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES						<u>\$ 2,592,027</u>	

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, 2022
(Amounts in Thousands)**

	Business-Type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds		
OPERATING REVENUES:							
Charges for services	\$ 319,745	\$ 32,559	\$ 199,816	\$ 117,887	\$ 11,220	\$ 681,227	\$ 174,885
Total operating revenue	<u>319,745</u>	<u>32,559</u>	<u>199,816</u>	<u>117,887</u>	<u>11,220</u>	<u>681,227</u>	<u>174,885</u>
OPERATING EXPENSES:							
Operations	96,546	8,138	15,850	68,272	12,689	201,495	167,946
Maintenance	70,128	10,417	16,793	3,216	64	100,618	3,282
Purchased power			129,928			129,928	
Depreciation	69,011	5,720	19,092	56,530	3,836	154,189	508
Total operating expenses	<u>235,685</u>	<u>24,275</u>	<u>181,663</u>	<u>128,018</u>	<u>16,589</u>	<u>586,230</u>	<u>171,736</u>
OPERATING INCOME (LOSS)	<u>84,060</u>	<u>8,284</u>	<u>18,153</u>	<u>(10,131)</u>	<u>(5,369)</u>	<u>94,997</u>	<u>3,149</u>
NON-OPERATING REVENUES (EXPENSES):							
Investment income (loss)	6,527	676	762	5,463	172	13,600	603
Interest revenue (expense)	(18,469)	(1,821)	(11,526)	(19,080)	(169)	(51,065)	37
Passenger facility charges				17,535		17,535	
Gain (loss) on disposal of capital assets	(5,163)	(68)	(5,090)			(10,321)	(12)
Amortization of bond premiums and discounts	7,305	260	2,014	1,737		11,316	
Amortization of lease agreements			(263)			(263)	
Amortization of right to use asset	(108)					(108)	
Other revenues (expenses)	54	14	6,007	(4,172)	(62)	1,841	35
Total non-operating revenues (expenses)	<u>(9,854)</u>	<u>(939)</u>	<u>(8,096)</u>	<u>1,483</u>	<u>(59)</u>	<u>(17,465)</u>	<u>663</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>74,206</u>	<u>7,345</u>	<u>10,057</u>	<u>(8,648)</u>	<u>(5,428)</u>	<u>77,532</u>	<u>3,812</u>
Capital contributions	1,909	312		17,059	6,210	25,490	-
Transfers in					4,023	4,023	617
Change in net position	<u>76,115</u>	<u>7,657</u>	<u>10,057</u>	<u>8,411</u>	<u>4,805</u>	<u>107,045</u>	<u>4,429</u>
NET POSITION AT BEGINNING OF YEAR (as restated)	<u>1,670,514</u>	<u>126,412</u>	<u>189,389</u>	<u>419,841</u>	<u>86,751</u>		<u>11,278</u>
NET POSITION AT END OF YEAR	<u>\$ 1,746,629</u>	<u>\$ 134,069</u>	<u>\$ 199,446</u>	<u>\$ 428,252</u>	<u>\$ 91,556</u>		<u>\$ 15,707</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds						<u>1,782</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES						<u>\$ 108,827</u>	

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, 2022**

(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers	\$ 294,352	\$ 30,207	\$ 190,871	\$ 118,776	\$ 11,224	\$ 645,430	\$ 173,513
Cash payments to suppliers for goods or services	(100,858)	(10,151)	(20,032)	(50,178)	(9,627)	(190,846)	(147,752)
Cash payments to employees for services	(81,819)	(10,204)	(17,808)	(30,231)	(4,430)	(144,492)	(27,123)
Cash payments for purchased power			(131,791)			(131,791)	
Cash received on behalf of other communities		441,706				441,706	
Agency activity on behalf of other sewer authorities		(442,139)				(442,139)	
Other	22,508	492	(4,779)			18,221	
Net cash provided by (used for) operating activities	134,183	9,911	16,461	38,367	(2,833)	196,089	(1,362)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Cash received through transfers from other funds					4,023	4,023	617
Cash received for royalties					9	9	
Cash received from electric excise tax			5,935			5,935	
Net cash provided by (used for) noncapital financing activities	-	-	5,935	-	4,032	9,967	617
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Cash receipts for passenger facility charges				17,479		17,479	
Proceeds from sale of revenue bonds, loans and notes	588					588	
Acquisition and construction of capital assets	(57,073)	(6,027)	(14,835)	(10,449)	(25)	(88,409)	(410)
Principal paid on long-term debt	(43,368)	(1,030)	(9,485)	(44,575)	(3,930)	(102,388)	
Principal paid on long-term lease agreement	(50)		(263)			(313)	(92)
Revenue from leases						-	164
Interest paid on long-term debt	(16,943)	(1,826)	(6,396)	(20,124)	(208)	(45,497)	
Interest paid on long-term lease agreement	(58)					(58)	
Capital grant proceeds	1,909	334		22,108		24,351	
Net cash provided by (used for) capital and related financing activities	(114,995)	(8,549)	(30,979)	(35,561)	(4,163)	(194,247)	(338)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of investment securities	(319,135)					(319,135)	
Proceed from sale and maturity of investment security	288,949					288,949	
Interest received on investments	7,521	613	751	4,965	172	14,022	603
Net cash provided by (used for) investing activities	(22,665)	613	751	4,965	172	(16,164)	603
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,477)	1,975	(7,832)	7,771	(2,792)	(4,355)	(480)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	463,663	86,830	75,232	354,559	18,092	998,376	54,976
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 460,186	\$ 88,805	\$ 67,400	\$ 362,330	\$ 15,300	\$ 994,021	\$ 54,496

(Continued)

CITY OF CLEVELAND, OHIO

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control	Nonmajor Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:							
Operating income (loss)	\$ 84,060	\$ 8,284	\$ 18,153	\$ (10,131)	\$ (5,369)	\$ 94,997	\$ 3,149
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	69,011	5,720	19,092	56,530	3,836	154,189	508
(Increase) Decrease in Assets:							
Receivables, net	323	(9,518)	(4,704)	3,737	(50)	(10,212)	(1,790)
Leases				(7,235)		(7,235)	
Accrued interest receivable							(6)
Prepaid expenses and other assets	1,145	(20)	(62)	(345)	(9)	709	(39)
Due from other funds	(88)	11	(454)		(10)	(541)	434
Inventory of supplies	(1,524)	(82)	(382)	470		(1,518)	77
Right to use asset, net of amortization							(771)
Net Pension Asset	(1,512)	(182)	(410)	(547)	(69)	(2,720)	(398)
Net OPEB Asset	(5,249)	(641)	(1,242)	(1,754)	(239)	(9,125)	(1,713)
(Increase) Decrease in Deferred Outflows of Resources:							
Pension	(5,018)	(605)	(1,359)	(1,816)	(173)	(8,971)	(1,593)
OPEB	3,915	466	1,156	1,492	206	7,235	1,114
Increase (Decrease) in Liabilities:							
Accounts payable	2,585	609	1,991	(2,506)	241	2,920	1,681
Accrued wages and benefits	256	(192)	(6)	347	302	707	(1,277)
Claims payable						-	(64)
Due to other funds	299	75	(20)	(49)	5	310	(14)
Due to other governments		8,155		1,017	(1)	9,171	(528)
Accrued interest payable							3
Lease liability							20
Long term lease liability							785
Net pension liability	(22,292)	(3,115)	(10,535)	(10,218)	(1,763)	(47,923)	(4,773)
Accrued expenses and other liabilities	425	13	(321)	(796)		(679)	
Increase (Decrease) in Deferred Inflows of Resources:							
Excess purchased power costs			(6,771)			(6,771)	
Leases				7,166		7,166	1,612
Pension	17,160	2,033	5,237	6,674	749	31,853	5,473
OPEB	(9,313)	(1,100)	(2,902)	(3,669)	(489)	(17,473)	(3,252)
Total adjustments	50,123	1,627	(1,692)	48,498	2,536	101,092	(4,511)
NET CASH PROVIDED BY (USED FOR)							
OPERATING ACTIVITIES	<u>\$ 134,183</u>	<u>\$ 9,911</u>	<u>\$ 16,461</u>	<u>\$ 38,367</u>	<u>\$ (2,833)</u>	<u>\$ 196,089</u>	<u>\$ (1,362)</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:							
Contributions of capital assets	\$	\$	\$	\$	\$ 6,210	\$ 6,210	\$ -
Accounts payable related to capital assets	5,321	912		3,959		10,192	

(Concluded)

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

December 31, 2022

(Amounts in Thousands)

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 16,481
Taxes receivable	16,601
Accounts receivable	4,403
Due from other governments	<u>1,388</u>
Total assets	<u>38,873</u>
Liabilities	
Accounts payable	3,310
Due to others	2,197
Due to other governments	<u>24,120</u>
Total liabilities	<u>29,627</u>
Deferred Inflows of Resources	<u>4,403</u>
Total Liabilities and Deferred Inflows	<u>34,030</u>
Net Position	
Restricted	<u>4,843</u>
Total net position	<u>\$ 4,843</u>

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands)

	Custodial Funds
Additions	
Law enforcement funds	\$ 393
Governmental and custodial funds	217
Vital Cert Fees Due State	56
Hilton Contribution Fund	248
Income tax collected for other governments	77,095
Fines collected for other governments	16,584
Special assessments	127
Fire escrow	67
Other	69
Total additions	94,856
Deductions	
Fire Escrow	31
Vital Cert Fees Due State	239
Special assessments	24
Governmental and custodial funds	955
Law enforcement funds	949
Payments of income tax to other governments	77,095
Payments of fines to other governments	16,584
Other	67
Total deductions	95,944
Change in net position	(1,088)
Net position, beginning of year	5,931
Net position, end of year	\$ 4,843

CITY OF CLEVELAND, OHIO
NOTES TO FINANCIAL STATEMENTS

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, 2022 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

On this basis, the City’s financial reporting entity has a blended component unit. It also includes in its financial statements the financial activities of all departments, agencies, boards and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services and general administrative services. In addition, the City owns and operates several enterprise activities, the principal ones consisting of a water system, a sewer system, an electric distribution system and two airports.

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

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

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

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

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

Gateway Economic Development Corporation of Greater Cleveland (Gateway) – Gateway is responsible for the operations of a sports complex and related economic development. The five-member board consists of two members appointed by the City, two members appointed by Cuyahoga County and one joint appointment confirmed by both the City and Cuyahoga County.

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

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

Major Funds – Beginning 2021, the Capital/Urban Renewal Bond Construction and General Government Funds became major funds. Prior to this, they were reported as Other Governmental Funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies:

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

A. *Government-Wide and Fund Financial Statements*

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, established requirements and a reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

Basic Financial Statements:

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

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

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

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

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

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

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

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

The City’s major Governmental Funds are the General, Capital/Urban Renewal Bond Construction, General Government, and Public Health Funds. Of the City’s business-type activities, the Division of Water Fund, Division of Water Pollution Control 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; 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 Capital/Urban Renewal Bond Construction Fund is a Capital fund used 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. It is not annually appropriated.

The General Government Fund is a Special Revenue fund used to account for revenue earmarked for general government activities. It is not annually appropriated. The major revenue sources are from the ARPA.

The Public Health Fund is for all public health activity for the City including operating and grant activity. The major revenue sources are the Healthy Start Grant, the Ohio Environmental Protection Agency (EPA) grant and state mandated programs.

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

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

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

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

While not considered as major funds, the City maintains Internal Service Funds that are 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 Custodial Funds that are 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 and actual statement is presented as part of the basic financial statements.
4. Notes to Financial Statements provide information that is essential to a user's understanding of the basic financial statements.
5. The Required Supplementary Information is essential to a user's understanding of the City's pension and other post-employment liabilities and contributions made to fund it.

B. *Financial Reporting Presentation*

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

GOVERNMENTAL FUNDS

1. **General Fund** – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.
2. **Special Revenue Funds** – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures of specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.
3. **Debt Service Funds** – Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. Debt Service Funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.
4. **Capital Project Funds** – Capital Project Funds are used to account for and report financial resources that are restricted or committed to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

PROPRIETARY FUNDS

1. **Enterprise Funds** – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
2. **Internal Service Funds** – The Internal Service Funds are used to account for the financing of goods or services provided by one department or division to other departments or divisions or to other governments on a cost-reimbursement basis. The City's most significant Internal Service Funds are used to account for Motor Vehicle Maintenance, Municipal Income Tax Administration, Workers' Compensation Reserve, Health Self Insurance Fund and Prescription Self Insurance Fund.

FIDUCIARY FUNDS

1. **Custodial Funds** – Custodial Funds are used to account for assets held by the City for individuals, private organizations, or other governments. The City's more significant Custodial Funds are used to account for Municipal Court and income tax collections for other municipalities.

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

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

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

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

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

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

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

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

D. ***Budgetary Procedures***

The City is required by State law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds), Debt Service Funds (except for Cleveland Stadium Debt Service Fund) 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 seven appropriation amendments during 2022 which reallocated appropriations and increased the budget by 18.8% from the original budget. Unencumbered appropriations for annually budgeted funds lapse at year end.

The City’s budgetary process does not include annual budgeting for certain Special Revenue Funds, including the Capital/Urban Renewal Bond Construction Fund, the General Governmental Fund, the Public Health Fund, the Cleveland Stadium Debt Service Fund 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 2022 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)	\$ (85,566)
Adjustments:	
Revenue Accruals	(239,469)
Expenditure and other financing sources (uses) Accruals	323,152
Encumbrances and Pre-Encumbrances	37,450
Net Change in Fund Balance	<u>\$ 35,567</u>

E. Other Significant Accounting Policies

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

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

The City has invested funds in STAR Ohio during 2022. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment

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

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

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

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

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

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

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

Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset.

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.

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, less salvage values, using the following estimated useful lives:

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

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

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

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

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

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

Swap Agreements: The City may enter into interest rate swap agreements to modify interest rates on outstanding debt. The City has accordingly recorded the fair value of each swap in the government-wide financial statements. As further described in Note 5 – Debt And Other Long-Term Obligations, the City has one swap agreement for its Subordinated Income Tax Variable Rate Refunding Bonds outstanding at December 31, 2022.

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, represent a consumption of net assets that applies to future periods 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, represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

Leases: the City follows the provisions of *GASB Statement No. 87, Leases*, which requires governmental entities to recognize their long-term lease agreements and related right-to-use (RTU) asset on the financial statements.

F. **Accounting Pronouncements**

In June of 2017, *GASB Statement No. 87, Leases*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As required, the City has implemented GASB Statement No. 87 as of December 31, 2022.

In May of 2019, *GASB Statement No. 91, Conduit Debt*, was issued. This Statement is effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The City has determined that GASB Statement No. 91 has no impact on its financial statements as of December 31, 2022.

In January of 2020, *GASB Statement No. 92, Omnibus 2020*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. As required, the City has implemented GASB Statement No. 92 as of December 31, 2022.

In June of 2020, *GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined contribution pension plans; (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The City has determined that GASB Statement No. 97 has no impact on its financial statements as of December 31, 2022.

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 \$1.011 billion difference are as follows:

(Amounts in Thousands)	
Bonds, certificates of participation and loans payables	\$ (858,124)
Other payable	(12,000)
Unamortized bond premium/discount	(57,190)
Accrued interest payable	(5,269)
Claims and adjustments	(6,373)
Loss on refunding	9,361
Compensated absences	(81,687)
Net adjustment to <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (1,011,282)

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

(Amounts in Thousands)	
Deferred outflows of resources - pension	\$ 175,910
Deferred inflows of resources - pension	(277,635)
Net pension liability	(537,826)
Net pension asset	4,043
Net adjustment to <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (635,508)

(Amounts in Thousands)	
Deferred outflows of resources - OPEB	\$ 41,574
Deferred inflows of resources - OPEB	(66,390)
Net OPEB liability	(77,665)
Net OPEB asset	33,737
Net adjustment to <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (68,744)

- 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 less any applicable salvage value and reported as depreciation expense. The details of this \$21.9 million difference are as follows:

	(Amounts in Thousands)	
Capital outlay	\$	83,893
Contributed Capital		6,256
Depreciation expense		(68,206)
Loss on capital asset disposals		(12)
		<hr/>
Net adjustment to <i>changes in fund balances - total governmental funds to arrive at change in net position of governmental activities</i>	\$	21,931
		<hr/>

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 \$14.0 million difference are as follows:

	(Amounts in Thousands)	
Lease Revenue	\$	25
Reversal of prior year deferred inflows of resources		(96,271)
Current year deferred inflows of resources		110,220
		<hr/>
Net adjustment to <i>changes in fund balances - total governmental funds to arrive at change in net position of governmental activities</i>	\$	13,974
		<hr/>

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 \$12.9 million which is detailed as follows:

	(Amounts in Thousands)	
Debt issued or incurred:		
Issuance of general obligation bonds and other obligations	\$	(45,910)
Accrued interest		5,861
Premium on debt		(6,367)
Principal repayments:		
General obligation debt and other obligations		59,268
		<hr/>
Net adjustment to <i>changes in fund balances - total governmental funds to arrive at change in net position of governmental activities</i>	\$	12,852
		<hr/>

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 \$4.7 million difference are as follows:

	(Amounts in Thousands)	
Compensated absences	\$	(2,764)
Claims judgements		(1,782)
Lease expense		(130)
		<hr/>
Net adjustment to <i>changes in fund balances - total governmental funds to arrive at change in net position of governmental activities</i>	\$	(4,676)
		<hr/>

NOTE 4 – POOLED AND SEGREGATED CASH AND INVESTMENTS

Monies for the Debt Service Funds, certain Capital Project Funds, certain Custodial 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, Capital/Urban Renewal Bond Construction Fund, General Governmental Fund, Public Health Fund, other Special Revenue Funds, other Capital Project Funds, other Enterprise Funds, Internal Service Funds and other fiduciary funds are maintained or invested in a common group of bank accounts. Collectively these common bank accounts and investments represent the Pooled Cash Account (PCA). Each fund whose monies are included in the PCA has equity therein.

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

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

Deposits: Ohio law requires that deposits be placed in eligible banks located in Ohio. The City's policy is to place deposits only with major commercial banks having offices within the City of Cleveland. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate fair 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 fair 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 \$130,734,000 and the actual bank balance totaled \$139,303,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, \$139,303,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City (excluding STAR Ohio and money market mutual funds) as of December 31, 2022:

Type of Investment	Fair Value	Fair Value Measurements Using	
		Level 1	Level 2
(Amounts in Thousands)			
U.S. Agency Obligations	\$ 251,814	\$	\$ 251,814
U.S. Treasury Bills	247,810	247,810	
U.S. Treasury Notes	124,395	124,395	
Commercial Paper	23,702		23,702
Manuscript Debt	4,358		4,358
Other	355		355
Total Investments	<u>\$ 652,434</u>	<u>\$ 372,205</u>	<u>\$ 280,229</u>

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, 2022 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. Investments in the Dreyfus Government Cash Management Mutual Fund, First American Government Obligations Fund, Federated Government Obligations Fund, Government Obligations Fund, Morgan Stanley Government Institutional Mutual Funds and STAR Ohio carry a rating of AAAM, which is the highest money market fund rating given by S&P Global. Investments in the Federal Home Loan Bank carry a rating of AA+. 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 Moody's rating of P-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:

<u>Type of Investment</u>	<u>Value</u>	<u>Cost</u>	<u>Investment Maturities</u>		
			<u>Less than One Year</u>	<u>1 - 5 Years</u>	<u>5 Years or More</u>
(Amounts in Thousands)					
U.S. Agency Obligations	\$ 251,814	\$ 251,814	\$ 241,680	\$ 10,134	\$
U.S. Treasury Bills	247,810	247,810	247,810		
U.S. Treasury Notes	124,395	125,568	59,751	64,644	
STAR Ohio	797,969	797,969	797,969		
Commercial Paper	23,702	23,702	23,702		
Money Market Mutual Funds	846,015	846,015	846,015		
Manuscript Debt	4,358	4,358			4,358
Other	355	355	355		
Total Investments	<u>2,296,418</u>	<u>2,297,591</u>	<u>2,217,282</u>	<u>74,778</u>	<u>4,358</u>
Total Deposits	<u>130,734</u>	<u>130,734</u>	<u>130,734</u>		
Total Deposits and Investments	<u>\$ 2,427,152</u>	<u>\$ 2,428,325</u>	<u>\$ 2,348,016</u>	<u>\$ 74,778</u>	<u>\$ 4,358</u>

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

Concentration of Credit Risk: The City places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. As of December 31, 2022, 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 10.96%, 10.79%, 5.42%, 34.75%, 1.03%, 36.84%, 0.19% and 0.02%, respectively, of the City's total investments.

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

(Amounts in Thousands)

Government-Wide Financial Statements

Unrestricted:		
Cash and cash equivalents	\$	2,077,425
Investments		29,224
Restricted:		
Cash and cash equivalents		304,022
Total	\$	<u>2,410,671</u>

Fund Financial Statements

Balance Sheet – Governmental Funds:

Unrestricted:		
Cash and cash equivalents	\$	1,332,930
Investments		190
		<u>1,333,120</u>

Statement of Net Position – Proprietary Funds:

Enterprise Funds:

Unrestricted:		
Cash and cash equivalents		689,999
Investments		29,034
Restricted:		
Cash and cash equivalents		304,022

Internal Service Funds:

Unrestricted:		
Cash and cash equivalents		54,496
Subtotal		<u>1,077,551</u>

Statement of Fiduciary Net Position:

Unrestricted:		
Cash and cash equivalents		16,481
		<u>16,481</u>
Total	\$	<u>2,427,152</u>

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, 2022 are as follows:

	Restated Balance			Balance	Due Within
	<u>January 1, 2022</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>December 31, 2022</u>	<u>One Year</u>
	(Amounts in Thousands)				
Governmental Long-Term Obligations and Notes					
General Obligation Bonds due through 2049, 2.00% to 5.5%	\$ 341,075	\$ 45,910	\$ (25,905)	\$ 361,080	\$ 28,455
<i>Other Obligations:</i>					
Subordinated Income Tax Refunding					
Bonds due through 2024, 5.00%	15,575		(4,935)	10,640	5,190
Subordinate Lien Income Tax Bonds					
due through 2047, 0.49% to 6.34%	388,590		(13,580)	375,010	15,010
<i>Non-Tax Revenue Bonds:</i>					
Taxable Economic and Community Dev. (Core City Bonds)					
due through 2036, 0.60% to 3.75%	30,495		(4,610)	25,885	4,745
Taxable Economic and Community Dev. (Core City Bonds)					
due through 2033, .75% to 1.91% - Direct Placement	20,045		(1,240)	18,805	1,295
Lower Euclid Ave. TIF 2003A due through 2032,					
2.00% to 4.00%	4,618		(260)	4,358	253
Annual Appropriation Bonds - Flats East Bank due through					
2035, 6.00%	8,110		(385)	7,725	410
Certificates of Participation 2010B-Stadium due through					
2028, 0.81% -Direct Placement	61,865		(8,275)	53,590	8,520
West 150th Street Improvement Loan - Direct Borrowing	537		(63)	474	63
Ohio Water Development Authority					
Loan due through 2028, 2.40% -Direct Borrowing	572		(15)	557	16
Cleveland Browns Stadium	14,000		(2,000)	12,000	2,000
Leases	4,922		(505)	4,417	522
Accrued wages and benefits	44,615	42,122	(42,205)	44,532	32,590
Net pension liability:					
Ohio Public Employees Retirement System	172,712		(71,020)	101,692	
Ohio Police and Fire Pension Fund	496,462		(53,791)	442,671	
Net OPEB liability:					
Ohio Police and Fire Pension Fund	77,160	505		77,665	
Police and fire overtime	42,360	13,385	(10,891)	44,854	4,749
Fire deferred vacation	1,907	179	(1,263)	823	389
Estimated claims payable	9,351	2,358	(5,334)	6,375	6,375
	<u>1,734,971</u>	<u>104,459</u>	<u>(246,277)</u>	<u>1,593,153</u>	<u>110,582</u>
Unamortized (discount)/premium - net	58,448	6,367	(7,625)	57,190	
Total Governmental Activities, Net	<u>\$ 1,793,419</u>	<u>\$ 110,826</u>	<u>\$ (253,902)</u>	<u>\$ 1,650,343</u>	<u>\$ 110,582</u>

	Restated Balance		Balance December 31, 2022	Due Within One Year
	January 1, 2022	Additions (Reductions)		
(Amounts in Thousands)				
Business-Type Activities (Enterprise Funds)				
Airport System Revenue Bonds:				
Series 2007B due through 2027, 5.00%	\$ 3,635	\$ (840)	\$ 2,795	\$ 885
Series 2011A due through 2024, 4.00% to 5.00%	10,025	(7,960)	2,065	1,015
Series 2016A due through 2031, 5.00%	95,515	(3,715)	91,800	8,200
Series 2016B due through 2024, 5.00%	36,235	(11,450)	24,785	12,060
Series 2018A due through 2048, 5.00%	70,295	(8,840)	61,455	8,920
Series 2018B due through 2048, 3.50% to 5.00%	21,745		21,745	
Series 2019A due through 2033, 2.23% to 2.98%	293,895	(5,075)	288,820	5,290
Series 2019B due through 2027, 5.00%	24,135	(5,410)	18,725	5,765
Series 2019C due through 2024, 5.00%	4,200	(1,285)	2,915	1,400
	<u>559,680</u>	<u>-</u>	<u>515,105</u>	<u>43,535</u>
Public Power System Revenue Bonds:				
Series 2008 due through 2038, 5.13% to 5.40%	27,903		27,903	
Series 2008 Accreted Interest Payable	29,247	3,073	32,320	
Series 2016 due through 2024, 5.00%	18,010	(5,710)	12,300	6,005
Series 2018 due through 2038, 5.00%	41,560	(3,775)	37,785	3,955
Series 2020A due through 2038, 4.00% to 5.00%	63,110		63,110	
Series 2020B due through 2038, 2.01% to 2.996%	20,470		20,470	
	<u>200,300</u>	<u>3,073</u>	<u>193,888</u>	<u>9,960</u>
Water Revenue Bonds:				
Series X 2012 due through 2022, 4.00%	1,285	(1,285)		
Series Y 2015 due through 2028, 4.00% to 5.00%	33,885	(5,275)	28,610	5,535
Series BB 2017 due through 2032, 5.00%	15,715		15,715	1,240
Series CC 2017 due through 2028, 5.00%	42,880	(6,380)	36,500	6,710
Series DD 2019 due through 2033, 2.00% to 5.00%	76,075	(14,225)	61,850	14,950
Series EE 2020 due through 2042, 1.32% to 3.21%	15,720	(140)	15,580	145
Series FF 2020 due through 2033, 5.00%	70,270		70,270	
Series GG 2020 due through 2037, 0.45% to 2.28%	98,960	(215)	98,745	220
Series A Sec. Lien 2012 due through 2022, 5.00%	7,385	(7,385)		
Series B Sub. Lien 2017 due through 2027, 5.00%	42,495		42,495	7,670
	<u>404,670</u>	<u>-</u>	<u>369,765</u>	<u>36,470</u>
Water Pollution Control Revenue Bonds:				
Series 2016 due through 2045, 5.00%	29,435	(660)	28,775	695
Ohio Water Development Authority and Public Works Commission loans due through 2050, 0.00% to 3.00%, Direct Borrowings				
	65,110	590	56,867	9,103
Parking Facilities Refunding Revenue Bonds:				
Series 2006 due through 2022, 5.25%	3,930	(3,930)	-	
Public Power System Other (See Note 7)				
	1,055	23	828	250
Accrued Wages and Benefits				
	13,512	11,529	13,450	8,681
Leases				
	1,913	(313)	1,600	298
Net pension liability:				
Ohio Public Employees Retirement System	117,639	(48,649)	68,990	
Estimated claims payable	173	(418)	41	41
	<u>1,397,417</u>	<u>15,501</u>	<u>1,249,309</u>	<u>109,033</u>
Unamortized (discount)/premium - net	75,635	(13,666)	61,969	
Total Business-Type Activities, Net	<u>\$1,473,052</u>	<u>\$15,501</u>	<u>(\$177,275)</u>	<u>\$1,311,278</u>
Total Debt and Other Long-Term Obligations	<u>\$3,266,471</u>	<u>\$126,327</u>	<u>(\$431,177)</u>	<u>\$2,961,621</u>

(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, 2022, \$1,708,000 and \$6,537,000 of the Internal Service Funds, except for Utilities Administration Fund, compensated absences and net pension, 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, 2022, \$1,278,000 and \$4,933,000 of the Utilities Administration Fund compensated absences and net pension, 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 2022:

	<u>Original Issue Amount</u>	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance December 31, 2022</u>
	(Amounts in Thousands)				
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	\$ 87,530	\$ 56,155	\$ 14,435	\$ (4,060)	\$ 66,530
Bridges and Roadways	167,920	134,600	4,975	(6,145)	133,430
Parks & Recreation	90,815	70,235	14,700	(2,000)	82,935
Neighborhood Development	1,750	1,685		(70)	1,615
Vehicles	11,800		11,800		11,800
Refunding Bonds	<u>198,325</u>	<u>78,400</u>		<u>(13,630)</u>	<u>64,770</u>
Total Governmental Activities	<u>\$ 558,140</u>	<u>\$ 341,075</u>	<u>\$ 45,910</u>	<u>\$ (25,905)</u>	<u>\$ 361,080</u>
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	\$ 681,355	\$ 559,680		\$ (44,575)	\$ 515,105
Public Power	200,753	171,053		(9,485)	161,568
Waterworks	633,300	404,670		(34,905)	369,765
Parking Facilities	57,520	3,930		(3,930)	-
Water Pollution Control	32,390	29,435		(660)	28,775
Loans					
Waterworks (Direct Borrowings)	157,996	50,678	590	(8,463)	42,805
Water Pollution Control (Direct Borrowings)	<u>15,148</u>	<u>14,432</u>		<u>(370)</u>	<u>14,062</u>
Total Business-Type Activities	<u>\$ 1,778,462</u>	<u>\$ 1,233,878</u>	<u>\$ 590</u>	<u>\$ (102,388)</u>	<u>\$ 1,132,080</u>

The following is a summary of the City's future debt service requirements as of December 31, 2022:

Year Ending December 31	Governmental Activities					
	General Obligation Bonds		Construction Loan (Direct Borrowing)		Subordinate Lien Income Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in Thousands)					
2023	\$ 28,455	\$ 14,452	\$ 16	\$ 13	\$ 20,200	\$ 15,490
2024	26,335	13,184	16	13	20,755	14,628
2025	22,515	12,016	16	13	20,170	13,835
2026	22,955	11,033	17	12	22,740	13,001
2027	21,955	10,033	17	12	26,480	12,104
2028-2032	89,655	38,107	475	11	122,875	42,225
2033-2037	71,460	22,568			78,500	21,291
2038-2042	43,320	12,009			48,535	9,835
2043-2047	25,140	4,438			25,395	2,017
2048-2051	9,290	831				
	<u>\$ 361,080</u>	<u>\$ 138,671</u>	<u>\$ 557</u>	<u>\$ 74</u>	<u>\$ 385,650</u>	<u>\$ 144,426</u>

Year Ending December 31	Non-Tax					
	Revenue Bonds		Revenue Bonds (Direct Placement)		City Annual Appropriation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in Thousands)					
2023	\$ 4,998	\$ 869	\$ 1,295	\$ 160	\$ 410	\$ 464
2024	5,143	725	1,350	148	435	439
2025	3,761	567	1,425	136	460	413
2026	3,883	450	1,480	123	485	385
2027	1,145	322	1,560	110	515	356
2028-2032	7,358	1,187	8,585	327	3,085	1,277
2033-2037	3,955	285	3,110	23	2,335	285
2038-2042						
2043-2047						
2048-2051						
	<u>\$ 30,243</u>	<u>\$ 4,405</u>	<u>\$ 18,805</u>	<u>\$ 1,027</u>	<u>\$ 7,725</u>	<u>\$ 3,619</u>

Year Ending December 31	Governmental Activities Total					
	Note/Loans Payable (Direct Borrowing)		Certificates of Participation (Direct Placement)		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in Thousands)					
2023	\$ 63	\$ -	\$ 8,520	\$ 434	\$ 63,957	\$ 31,882
2024	64	-	8,780	365	62,878	29,502
2025	63	-	9,040	294	57,450	27,274
2026	63	-	9,310	221	60,933	25,225
2027	63	-	9,590	145	61,325	23,082
2028-2032	158	-	8,350	68	240,541	83,202
2033-2037					159,360	44,452
2038-2042					91,855	21,844
2043-2047					50,535	6,455
2048-2051					9,290	831
	<u>\$ 474</u>	<u>\$ -</u>	<u>\$ 53,590</u>	<u>\$ 1,527</u>	<u>\$ 858,124</u>	<u>\$ 293,749</u>

Year Ending December 31	Business-Type Activities			
	Revenue Bonds		Construction Loans (Direct Borrowing)	
	Principal	Interest	Principal	Interest
	(Amounts in Thousands)			
2023	\$ 90,660	\$ 39,333	\$ 9,103	\$ 1,386
2024	95,340	34,913	8,972	1,132
2025	96,962	34,599	8,832	887
2026	99,449	30,843	5,802	954
2027	92,551	27,220	5,275	804
2028-2032	392,184	91,929	11,855	2,844
2033-2037	140,879	52,323	5,369	1,958
2038-2042	44,148	15,191	6,058	1,269
2043-2047	19,810	3,204	5,293	519
2048-2051	3,230	80	1,705	64
	<u>\$ 1,075,213</u>	<u>\$ 329,635</u>	<u>\$ 68,264</u>	<u>\$ 11,817</u>

Year Ending December 31	Business-Type Activities Total	
	Principal	Interest
	(Amounts in Thousands)	
2023	\$ 99,763	\$ 40,719
2024	104,312	36,045
2025	105,794	35,486
2026	105,251	31,797
2027	97,826	28,024
2028-2032	404,039	94,773
2033-2037	146,248	54,281
2038-2042	50,206	16,460
2043-2047	25,103	3,723
2048-2051	4,935	144
	<u>\$ 1,143,477</u>	<u>\$ 341,452</u>

The schedule of minimum principal and interest payments for construction loans above includes the amortization for a loan provided to the Division of Water by the Ohio Water Development Authority (OWDA) in 2022. This amortization is based upon the full amount expected to be financed, regardless of whether the City has received all the loan proceeds. At December 31, 2022, the amount financed on the loan, which is reflected in the amortization schedule, exceeds the actual loan balance shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by \$11,397,000. However, the amortization schedule is still tentative and will be finalized by OWDA. OWDA loans and Ohio Public Works Commission are direct borrowings.

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 August 10, 2022, the City issued \$45,910,000 Various Purpose General Obligation Bonds, Series 2022A. The proceeds of these bonds will be used for paying costs of permanent improvements to roads and bridges, parks and recreation facilities and various other public facilities as well as to purchase light and heavy duty vehicles for various general government divisions.

Effective July 28, 2021, the City issued \$56,095,000 Various Purpose and Refunding General Obligation Bonds, Series 2021A. Approximately \$54.9 million of the proceeds of these bonds will be used to pay costs of permanent improvements to roads and bridges, to parks and recreation facilities and to various other public facilities. Proceeds in the amount of \$1,354,849 were also used to currently refund \$1,345,000 of the Series 2011 General Obligation Bonds on July 28, 2021 to achieve debt service savings of approximately \$372,000 or 27.7%.

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue \$321,751,826 of additional unvoted debt at December 31, 2022.

Other Governmental Obligations

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

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

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

Interest Rate Swap Transaction:

Terms: On February 7, 2003, the City sold an option to JPMorgan Chase Bank (JPM) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City's Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The swaption is now associated with portions of the Series 2015 Bonds. Under the swap agreement, the City will be the fixed rate receiver, receiving the fixed rate of 4.88% and JPM will be the floating rate receiver, receiving interest on what would have been the outstanding notional amount of the original 1994 Bonds of \$10,700,000 at December 31, 2022, at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) index. If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the "General Bond Ordinance" securing the City's General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the Subordinate Lien Unrestricted Income Tax Bonds, Series 2015, and the periodic floating rate payments under the swap agreement.

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

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

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

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

Fair Value: The fair value of the swaption at December 31, 2022 as reported by JPM was approximately \$394 which would be payable by the City.

Subordinated Lien Income Tax Bonds: On September 22, 2021, the City issued \$81,755,000 Subordinate Lien Income Tax and Refunding Bonds, Series 2021A. These bonds were primarily issued to provide funds for public facility improvements and more specifically, \$60,000,000 for the construction of a new police headquarters. A portion of the bond proceeds in the amount of \$22,535,785, along with \$222,812 from the debt service fund, were placed in an irrevocable escrow account to refund \$21,495,000 of outstanding Subordinate Lien Income Tax Bonds issued in 2012 and 2014. 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 \$2,437,000 and an economic gain (the difference between the present values of the old and new debt service) of \$2,102,000 or 9.8%.

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 – 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 the 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 November 17, 2021, the City issued \$13,210,000 of Taxable Economic and Community Development Revenue Bonds, Series 2021 (Core City Fund). These are taxable bonds issued for eligible industrial and commercial development projects and provided funds for a portion of the City's contribution towards a new downtown headquarters for the Sherwin Williams Company. The principal and interest on these bonds will be paid from non-tax revenues of the City.

On October 9, 2020, the City issued \$2,050,000 of Taxable Economic and Community Development Bonds, Series 2020 (Core City Fund) through a private placement with Zions Bancorporation, N.A. These bonds were issued to provide funds for eligible projects including the acquisition, construction, equipping or improvement of multi-unit housing and commercial development and for the preparation or remediation of sites for these purposes. The principal and interest on these bonds are to be paid from the non-tax revenues of the City and net project revenues.

Events of default are those set forth in the indenture and include, but are not limited to, failure to pay principal or interest on the bonds and failure to perform pursuant to certain covenants and provisions under the indenture. Upon an event of default and subject to certain provisions of the indenture, the Trustee may pursue any available remedy to enforce the payment of principal or interest on the bonds or the observance and performance of any other covenant, agreement or obligation under the Indenture or any other instrument providing security, directly or indirectly, for the bonds. There is no right to accelerate the payment of principal or interest on the bonds under the indenture.

Effective April 9, 2015, the City issued \$15,280,000 Taxable Economic and Community Development Revenue Bonds, Series 2015 (Core City Fund). Similar to the 2020 Bonds, 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 to refund \$11,845,000 of the outstanding Taxable Economic and Community Development Bonds, Series 2004. Net proceeds of the Series 2014 Bonds in the amount of \$12,156,019 were deposited into an irrevocable escrow account to pay the principal and interest on the refunded bonds on December 1, 2014. As a result, the refunded bonds were defeased and the liability for the Series 2004 Core City Bonds was removed from long-term debt. This refunding resulted in \$1,248,000 of debt service savings and an economic gain of \$1,219,000 or 10.3%. The Series 2014 Bonds were issued as fixed rate securities and are special obligations of the City, payable from non-tax revenues and net project revenues.

Effective May 30, 2013, the City refunded the outstanding variable rate \$25,360,000 Series 2008 Taxable Economic and Community Development Refunding Revenue Bonds with \$25,360,000 Taxable Economic and Community Development Bonds, Series 2013A. The bonds remained variable rate bonds and were privately placed with KeyBank National Association for a period of five years. In May 2018, the City entered into a new three-year direct placement of the Series 2013A Bonds with PNC Bank, National Association upon the expiration of the old direct placement. On May 3, 2021, the City entered into a new three-year direct placement of the then outstanding \$19,160,000 Series 2013A Bonds with U.S. Bank National Association. As a result of this transaction, the interest rate on the bonds was converted from a variable Index Rate to a Bank Fixed Rate until May 3, 2024.

Events of default under the agreement with the bank include, but are not limited to, 1) failure to pay principal or interest on the Series 2013A Bonds or parity debt or general obligation debt payable from the City's general fund or failure to pay other obligations under the agreement; 2) failure to perform pursuant to certain covenants and provisions under the indenture; 3) certain representations and warranties under the agreement prove untrue in a material respect; 4) occurrence of bankruptcy and insolvency events; and 5) ratings downgrades of parity or general obligation debt of the City below certain levels. Upon an event of default, the Bonds shall bear interest at a default rate and the bank may cause a special mandatory redemption of the 2013A Bonds in accordance with the terms of the supplemental indenture and agreement. Under the agreement with the bank, no party has a right to accelerate the principal or interest on the 2013A Bonds. However, certain fees and expenses set forth in the agreement can be declared immediately due and payable under certain circumstances. The Bonds are payable from the City's non-tax revenues and net project revenues.

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

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

Effective April 22, 2010, the City issued \$63,225,000 COPS, Series 2010A and \$69,900,000 Series 2010B COPS, to refund all of the outstanding \$108,390,000 Series 2007 COPS. Proceeds of the Series 2010 COPS, were used to currently refund the Series 2007 COPS, on the day of closing, to fund a required debt service reserve fund deposit in the amount of \$8,324,045, to make a termination payment on the existing hedge agreement with UBS in the amount of \$17,322,000 and to pay costs of issuing the COPS. The final payment on the Series 2010A COPS was made November 15, 2020. The Series 2010B COPS, were purchased by Wells Fargo Bank, National Association, as floating rate obligations for a period of three years, the interest on which was 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 Series 2010B COPS. 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 Series 2010B COPS, were again purchased by Wells Fargo Bank, National Association. Effective March 1, 2018, the City entered into an amended and restated Continuing Covenants Agreement with Wells Fargo Municipal Capital Strategies, LLC on the 2010B Stadium COPS. The agreement extended to March 2021 the period of time during which Wells Fargo Municipal Capital Strategies, LLC was the owner of the COPS as a direct placement.

On March 18, 2021, the City entered into a Second Amended and Restated Continuing Covenants Agreement with Wells Fargo Municipal Capital Strategies, LLC on the \$69,900,000 2010B Stadium Certificates of Participation. Under this new agreement, the COPS were converted from Index Rate Certificates to a long-term rate until November 15, 2023.

Events of default under the agreement with the bank include, but are not limited to, 1) failure to pay principal of or interest on the Series 2010B COPS or parity debt or general obligation debt payable from the City’s general fund or failure to pay other obligations under the agreement; 2) failure to perform pursuant to certain covenants and provisions under the indenture; 3) certain representations and warranties under the agreement prove untrue in a material respect; 4) occurrence of bankruptcy and insolvency events; and 5) ratings downgrades of parity or general obligation debt of the City below certain levels. Upon an event of default, the 2010B COPS shall bear interest at a default rate and the bank may cause a special mandatory redemption of the 2010B COPS in accordance with the terms of the supplemental indenture and agreement. Under the agreement with the bank, no party has a right to accelerate the principal or interest on the 2010B COPS. However, certain fees and expenses set forth in the agreement can be declared immediately due and payable under certain circumstances.

West 150th Street Improvement Loan (SIB): 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. The SIB is a direct borrowing.

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 capital improvements made by the Browns. The Browns may use this annual payment as they deem appropriate, including for operations and maintenance expenses. This payment is subject to annual appropriation by the City.

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

Lines of Credit: The City has no unused lines of credit.

Pledged Collateral: The City has no assets pledged as collateral for debt.

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, 2022, follow:

<u>Division</u>	<u>Overtime</u>		<u>Deferred Vacation</u>	
	<u>Hours</u>	<u>Dollars</u>	<u>Hours</u>	<u>Dollars</u>
Police	975	\$ 39,845		\$
Fire	124	5,009	18	823
Total	<u>1,099</u>	<u>\$ 44,854</u>	<u>18</u>	<u>\$ 823</u>

Business-Type (Enterprise Fund) Obligations

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

On October 1, 2019, the City issued \$341,675,000 Airport System Revenue Bonds Series 2019 A-C. The \$301,665,000 Series 2019A Taxable Bonds were issued to advance refund the \$235,150,000 Series 2012A Bonds and to currently refund the outstanding \$52,050,000 of Series 2013A Bonds. Bond proceeds in the amount of \$248,355,650 along with \$3,694,402 released from the debt service reserve fund and \$2,965,914 released from the Series 2012A Bond Fund, were placed in an irrevocable escrow account for the payment of the principal and interest on the Series 2012A Bonds. Additionally, \$51,232,251 of Series 2019A Bonds proceeds, along with \$817,749 released from the debt service reserve fund, were deposited into the Series 2013A Bond Fund to redeem the 2013A Bonds on October 1, 2019. The \$34,605,000 Series 2019B AMT Bonds currently refunded the variable rate \$20,100,000 Series 2009D Bonds and the \$18,170,000 Series 2014A Bonds. Lastly, the \$5,405,000 Series 2019C Non-AMT Bonds currently refunded the outstanding variable rate \$5,975,000 Series 2008D Bonds. As a result of this refunding, the City achieved debt service savings of \$32,239,000 and an economic gain (the difference between the present values of the old and new debt service) of \$22,494,000 or 6.8% while also eliminating all of Port Control's remaining variable rate bonds and terminating its letters of credit and direct placements on those bonds.

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 February 19, 2020, Public Power System Revenue Bonds, Series 2020, were issued in the amount of \$83,580,000. The \$63,110,000 Series 2020A Tax-Exempt Bonds were issued to advance refund \$65,325,000 of outstanding Series 2014 Public Power System Refunding Revenue Bonds. The \$20,470,000 Federally Taxable Series 2020B Bonds were issued to advance refund \$11,560,000 of outstanding Series 2014 Public Power System Refunding Revenue Bonds and \$6,510,000 of the outstanding Series 2016 Public Power System Refunding Revenue Bonds. Bond proceeds in the amount of \$97,525,417, along with \$1,697,178 from the debt service fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. As a result of this refunding, the City realized debt service savings in the amount of \$13,788,000 and an economic gain (the difference between the present values of the old and new debt service) of \$11,897,000 or 14.3%.

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

On June 10, 2020, the City issued \$15,815,000 Federally Taxable Water Revenue Bonds, Series EE, 2020 to advance refund \$14,565,000 of the outstanding Water Revenue Bonds, Series X, 2012. Net bond proceeds in the amount of \$15,677,657, along with \$303,438 from the Series X debt service fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. As a result of this refunding, the Division of Water realized debt service savings of \$4,229,000 and an economic gain (the difference between the present values of the old and new debt service) of \$2.7 million or 18.7%.

Effective June 11, 2020, the City issued \$70,270,000 of tax-exempt Water Revenue Bonds, Series FF, to currently refund all of the outstanding variable rate \$90,800,000 Series AA, 2015, Bonds (direct placement). The Series AA Bonds were refunded in order to eliminate the risks associated with potential fluctuations in variable interest rates and lock in a true interest rate of 1.54% for the remaining life of the bonds. The Series FF Bonds refunded the last remaining variable rate bonds issued by Water.

The City issued \$99,145,000 Water Revenue Bonds, Series GG, 2020 (Federally Taxable) on August 13, 2020. These bonds advance refunded \$11,725,000 of Water Revenue Bonds, Series X, 2012, that did not produce savings at the time of the refunding earlier in the year. The Series GG Bonds also advance refunded \$76,060,000 of Water Revenue Bonds, Series Y, 2015. Net bond proceeds in the amount of \$98,460,704, along with \$293,728 from the Series X and Series Y debt service funds, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. As a result of this refunding, the City achieved debt service savings of \$8,926,000 and another \$8,340,000 or 9.5% of net present value debt service savings for the Division of Water.

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.

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 were used to pay capital costs relating to the acquisition, construction and improvement of the system along with funding the debt service reserve requirement and paying the costs of issuing the bonds.

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. OWD and OPWC loans are direct borrowings.

Parking Facilities Refunding Revenue Bonds: These bonds were 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 had pledged other non-tax revenue to meet debt service requirements. The City had pledged and assigned to the trustee a first lien on pledged revenues consisting of fines and penalties collected as a result of the violation of municipal parking ordinances and fines, waivers and costs relating to citations for misdemeanor offenses and the special funds as defined within the bond indenture.

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

Effective August 15, 2006, the City issued \$57,520,000 of Parking Facilities Refunding Revenue Bonds, Series 2006. The bonds were issued to currently refund \$56,300,000 of the outstanding Parking Facilities Refunding Revenue Bonds, Series 1996. In addition, proceeds were also used to fund a portion of a payment owed by the City upon early termination under an interest rate swaption agreement entered into in 2003. At the time of the issuance of the Series 2006 Bonds, the City entered into a basis swap agreement with UBS, AG (UBS). The Series 2006 Bonds were paid off effective September 15, 2022.

On April 16, 2013, the City entered into a novation agreement with UBS and PNC Bank, National Association (PNC) under which the basis swap was transferred from UBS to PNC effective March 15, 2013. All of the terms of the original basis swap remained the same. The City agreed to transfer the swap to PNC based upon UBS' mandate to downsize its swap portfolio. The basis swap terminated when the Series 2006 Parking Bonds were paid off on September 15, 2022.

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, 2022 is as follows:

<u>Bond Issue</u>	(Amounts in Thousands)	<u>Bond Issue</u>	
<u>Water Revenue Bonds:</u>		<u>Subordinate Lien Income Tax Bonds:</u>	
Series Y, 2015	\$ 76,060	Series 2013A	\$ 12,745
		Series 2014A	23,750
		Series 2015A	77,615
<u>Airport Revenue Bonds:</u>		<u>Cleveland Public Power Bonds:</u>	
Series 2012A	\$ 235,150	Series 2014	\$ 76,885
		Series 2016	2,265

Airport Special Facilities Revenue Bonds

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 \$515,105,000 in various Airport System Revenue Bonds issued in various years since 2007. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport net revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 69% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is \$627,327,000. Principal and interest funded in the current year and total net revenues (including other available funds) were \$62,615,000 and \$91,495,000 respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay \$161,568,000 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 57% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is \$281,045,000. Principal and interest paid for the current year and total net revenues were \$15,881,000 and \$27,934,000 respectively.

The City has pledged future water system revenues, net of specified operating expenses, to repay \$369,765,000 in various Senior Lien Water Revenue Bonds and Subordinate Lien Bonds issued in various years since 2015. 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 37% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is \$447,414,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were \$41,482,000 and \$137,288,000 respectively.

The City has pledged future water pollution control revenues to repay \$28,775,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds are being used to pay capital costs relating to the acquisition, construction and improvement of the system. The bonds are payable from water pollution control net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 19%

of net revenues. The total principal and interest remaining to be paid on the Water Pollution Control Revenue Bonds is \$49,064,000. Principal and interest funded in the current year and total net revenues (including other available funds) were \$2,132,000 and \$11,536,000 respectively.

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 the one 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 balance and notional amount of the City's one remaining derivative instrument outstanding at December 31, 2022, classified by type and the changes in fair value of this derivative during fiscal year 2022 as reported in the 2022 financial statements. The fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2022 and the specific terms and conditions of the swap, have been provided by the counterparty for the swap and confirmed by the City's municipal advisor.

	<u>Changes in Fair Value</u>		<u>Fair Value at December 31, 2022</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
(Amounts in Thousands)					
Investment Derivatives:					
Governmental Activities:					
Fixed to floating interest rate swap					
2003 Subordinated Income Tax Swaption	Investment Revenue	\$ 1	Debt	\$ -	\$ 10,700

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2022, along with the credit rating of each swap counterparty.

<u>Bonds</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
Subordinated Income Tax Bonds	Receive Fixed Interest Rate Swaption	Hedge of changes in fair value of Series 1994 Subordinated Income Tax Bonds	\$ 10,700,000	2/7/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa2/A+/AA

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, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
	(Amounts in Thousands)	
Estimated claims payable, January 1	\$ 9,524	\$ 13,550
Current year claims (including IBNRs) and changes in estimates	2,644	2,683
Claim payments	<u>(5,752)</u>	<u>(6,709)</u>
Estimated claims payable, December 31	<u>\$ 6,416</u>	<u>\$ 9,524</u>

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 reclassified 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 2022. There was no significant decrease in any insurance coverage in 2022. In addition, there were no insurance settlements in excess of insurance coverage during the past five years.

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage.

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

Changes in the estimated claims payable for the Health and Prescription Self Insurance Funds during the year ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
	(Amounts in Thousands)	
Estimated claims payable, January 1	\$ 11,884	\$ 11,508
Current year claims (including IBNRs) and changes in estimates	109,828	109,097
Claim payments	<u>(109,892)</u>	<u>(108,721)</u>
Estimated claims payable, December 31	<u>\$ 11,820</u>	<u>\$ 11,884</u>

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, 2022 was \$13,075,000. Of this amount, \$6,260,000 was recorded as a fund liability within each respective fund. The remaining \$6,815,000 is due in future years and is recorded as a liability in the Workers' Compensation Reserve Internal Service Fund. This liability is funded by charging the appropriate funds their proportionate share of this liability and recording the associated due to or due from as appropriate.

NOTE 7 – CONTINGENCIES

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

As of December 31, 2022, the City had \$32,000,000 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 was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City’s project share was 80,000 kilowatts (kW) of a total 771,281 kW, giving the City a 10.37% project share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. Prior to 2014, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel Corporation (Bechtel). As a result of a March 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 was \$13,813,694. The City received a credit of \$6,447,719 related to its 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 City is reporting a payable to AMP in its business-type activities and in the Cleveland Public Power 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 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. Since March 31, 2014, the City has made payments of \$3,018,193 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 \$172,526 and interest expense incurred on AMP’s line-of-credit of \$319,443. 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, 2022, of \$827,608.

The City does have a potential PHFU liability of \$4,213,372 resulting in a net total potential liability of \$5,040,980, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) has no value and also assuming the City’s credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items like revenue from leases or sale of all or a portion of the Meigs County site property.

The City intends to recover these costs and repay AMP over the next 7 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.

Cleveland Public Power (CPP) has various claims that could result in a material adverse effect on the CPP fund. This amount is indeterminable at this time.

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

In addition to the federally assisted Investment Act Grant Programs, the City also received American Rescue Plan Act (ARPA) funds in 2022. These federal funds are subject to financial and compliance audits by the grantor or their representative and are subject to availability.

NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES

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

The City has the following types of transactions among funds:

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

For the year ended December 31, 2022, transfers consisted of the following:

Transfers Out	Transfers In					
	General Government Fund	Public Health Fund	Other Governmental Funds	Total Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds
	Total					
(Amounts in Thousands)						
Governmental Funds:						
General	\$ 272,780	\$ 215,386	\$ 7,676	\$ 45,078	\$ 268,140	\$ 4,023
Capital/Urban Renewal Bond Construction	5,956			5,956	5,956	
Other Governmental	59,027			59,027	59,027	
Total Governmental Funds	<u>337,763</u>	<u>215,386</u>	<u>7,676</u>	<u>110,061</u>	<u>333,123</u>	<u>4,023</u>
Total	<u>\$ 337,763</u>	<u>\$ 215,386</u>	<u>\$ 7,676</u>	<u>\$ 110,061</u>	<u>\$ 333,123</u>	<u>\$ 4,023</u>

Interfund Balances: Interfund balances at December 31, 2022 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, 2022 are as follows:

Due To	Total	Due From											
		General Fund	Public Health Fund	General Government Fund	Other Governmental Funds	Total Governmental Funds	Division of Water Fund	Division of Water Pollution Control Fund	Cleveland Public Power Fund	Department of Port Control Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
(Amounts in Thousands)													
Governmental Funds:													
General	\$ 2,568	\$	\$ 3	\$ 84	\$	\$ 87	\$	\$ 4	\$ 1,170	\$ 3	\$ 24	\$ 1,201	\$ 1,280
Public Health	51	8	16			24							27
General Government	152	137		14		151					1	1	
Other Governmental	9,983	1,225	118	60	7,879	9,282		1	9		2	12	689
Total Governmental	\$ 12,754												
Enterprise Funds:													
Division of Water	\$ 1,860	12				12		26	1,513		1	1,540	308
Division of Water Pollution Control	2,668						2,620		9			2,629	39
Cleveland Public Power	78	2				2	31					31	45
Department of Port Control	711	662				662	11	6	19			36	13
Nonmajor Enterprise	129	57				57			55			55	17
Total Enterprise	\$ 5,446												
Internal Service Funds	28	6				6			7		4	11	11
Total Due To/Due From	\$ 18,228	\$ 2,109	\$ 137	\$ 144	\$ 7,893	\$ 10,283	\$ 2,662	\$ 37	\$ 2,782	\$ 3	\$ 32	\$ 5,516	\$ 2,429

NOTE 9 – INCOME TAXES

During 2022, the City income tax rate remained at 2.5% and the credit provided to City residents for income taxes paid to other municipalities remained at 100% with a maximum credit limited to 2.5%. A portion of the City income tax is restricted in its use to capital expenditures and debt service and is included in the Restricted Income Tax Special Revenue Fund. All other income tax proceeds are included in the General Fund.

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

NOTE 10 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. The 2021 levy for collection in 2022 was based upon an assessed valuation of approximately \$5.9 billion. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 4.4 mills, of which 4.35 mills is dedicated to debt service and .05 mills is dedicated to the payment of fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last update was completed in 2021. 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 Jan 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 Jan 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, represent a consumption of net assets that applies to future periods 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, represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

On the modified accrual basis of accounting, the City has recorded certain receivables relating to property taxes and unavailable revenue. Unavailable revenues and property taxes levied to finance 2022 operations have been reported as deferred inflows of resources in the governmental fund balance sheet for the following:

	<u>Governmental Type Funds</u>				<u>Totals</u>
	<u>General</u>	<u>Public Health Funds</u>	<u>General Government Funds</u>	<u>Other Governmental Funds</u>	
	(Amounts in Thousands)				
Income taxes receivable	\$ 26,300	\$	\$	\$ 3,286	\$ 29,586
Property taxes receivable	56,665			29,520	86,185
Special assessments receivable	17,236		42	25,746	43,024
Local government receivable	10,412				10,412
Estate tax receivable	9				9
Homestead rollback	3,551			1,850	5,401
Emergency medical service receivable	2,259				2,259
Motor vehicle taxes receivable				1,383	1,383
Municipal gas tax receivable				925	925
State gasoline tax receivable				3,765	3,765
Leases receivable			479	1,569	2,048
Due from other governments	4,248	6	507	17	4,778
Accounts receivable	586				586
Total deferred inflows of resources	<u>\$ 121,266</u>	<u>\$ 6</u>	<u>\$ 1,028</u>	<u>\$ 68,061</u>	<u>\$ 190,361</u>

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset): The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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 liability/(asset) because it was created as a result of employment exchanges that already have occurred.

The net pension liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

State Statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability/(asset). Resulting adjustments to the net pension liability/(asset) 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/(asset) on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): City employees, other than full-time police and firefighters, participate in OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS’ Traditional Plan.

OPERS provides retirement, disability, survivor and death benefits and annual COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report 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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at 3.0%.

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2022, member contribution rates were 10.0% of salary and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$40,242,000 for 2022. All required payments have been made.

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72.0% of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.0% or the percent increase, if any, in the CPI over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.0% of their base pension or disability benefit.

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

	<u>Police</u>	<u>Firefighters</u>
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25	12.25
2022 Actual Contribution Rates		
Employer:		
Pension	19.00	23.50
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
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 \$38,227,000 for 2022. All required payments have been made.

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability/(asset) for OPERS was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2021 and was determined by rolling forward the total pension liability/(asset) as of January 1, 2021 to December 31, 2021. The City’s proportion of the net pension liability/(asset) 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:

	<u>Traditional</u>	<u>Combined</u>	<u>OP&F</u>	<u>Total</u>
	(Amounts in Thousands)			
Proportionate Share of the Net Pension Liability/(Asset)	\$ 170,682	\$ (7,250)	\$ 442,671	\$ 606,103
Proportion of the Net Pension Liability/(Asset)	1.961767%	1.840138%	7.085664%	
Change in Proportion	(0.038010)%	(0.082131)%	(0.196951)%	
Pension Expense	\$ (31,215)	\$ (278)	\$ 28,548	\$ (2,945)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional</u>	<u>Combined</u>	<u>OP&F</u>	<u>Total</u>
	(Amounts in Thousands)			
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 8,701	\$ 45	\$ 12,764	\$ 21,510
Change in assumptions	21,344	364	80,901	102,609
Change in City's proportionate share and difference in employer contributions	647	202	4,505	5,354
Contributions subsequent to the measurement date	38,997	1,245	38,227	78,469
Total Deferred Outflows of Resources	<u>\$ 69,689</u>	<u>\$ 1,856</u>	<u>\$ 136,397</u>	<u>\$ 207,942</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 3,743	\$ 811	\$ 23,013	\$ 27,567
Net difference between projected and actual earnings on pension plan investments	203,020	1,554	116,062	320,636
Change in City's proportionate share and difference in employer contributions	4,516	198	22,513	27,227
Total Deferred Inflows of Resources	<u>\$ 211,279</u>	<u>\$ 2,563</u>	<u>\$ 161,588</u>	<u>\$ 375,430</u>

The \$78,469,000 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction/(increase) of the net pension liability/(asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>Traditional</u>	<u>Combined</u>	<u>OP&F</u>	<u>Total</u>
	(Amounts in Thousands)			
Year Ending December 31:				
2023	\$ (29,425)	\$ (487)	\$ (4,366)	\$ (34,278)
2024	(71,128)	(669)	(35,476)	(107,273)
2025	(47,738)	(441)	(17,397)	(65,576)
2026	(32,296)	(326)	(13,393)	(46,015)
2027		(39)	7,214	7,175
Thereafter		10		10
Total	<u>\$ (180,587)</u>	<u>\$ (1,952)</u>	<u>\$ (63,418)</u>	<u>\$ (245,957)</u>

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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Wage Inflation	2.75%
Future Salary Increases, including inflation	
Traditional	2.75 to 10.75%
Combined	2.75 to 8.25%
COLA or Ad Hoc COLA	2.75%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple
	through 2022, then 2.05%, simple
Investment Rate of Return	6.9%
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	100.00 %	4.21 %

Discount Rate: The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

Sensitivity of the City's Proportionate Share of the Net Pension Liability/(Asset) 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 6.9%, 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 (5.9%) or one-percentage-point higher (7.9%) than the current rate:

	<u>1% Decrease</u> <u>(5.9%)</u>	<u>Current Discount Rate</u> <u>(6.9%)</u>	<u>1% Increase</u> <u>(7.9%)</u>
	(Amounts in Thousands)		
City's proportionate share of the net pension liability/(asset)			
Traditional Plan	\$ 450,010	\$ 170,682	\$ (61,756)
Combined Plan	(5,410)	(7,250)	(8,685)

Actuarial Assumptions – OP&F: OP&F's total pension liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below:

Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50%
Projected Salary Increases	3.75%-10.50%
Payroll Increases	3.25%
Inflation Assumptions	2.75%
Cost of Living Adjustments	2.20% per year simple

The most recent experience study was completed December 31, 2016.

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average 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, 2021 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	21 %	3.60 %
Non-US Equity	14	4.40
Private Markets	8	6.80
Core Fixed Income *	23	1.10
High Yield Fixed Income	7	3.00
Private Credit	5	4.50
U.S. Inflation Linked Bonds *	17	0.80
Midstream Energy Infrastructure	5	5.00
Real Assets	8	5.90
Gold	5	2.40
Private Real Estate	12	4.80
Total	<u>125 %</u>	

* levered 2.0x

Note: Assumptions are geometric

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 1.25 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 7.5%. 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 7.5%. 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 rejected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:

Net pension liability/(asset) is sensitive to changes in the discount rate and to illustrate the potential impact the following table presents the net pension liability/(asset) calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
	(Amounts in Thousands)		
City's proportionate share of the net pension liability	\$ 656,475	\$ 442,671	\$ 264,625

NOTE 13 – DEFINED BENEFIT OPEB PLANS

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

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

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

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

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans.

This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of OPEB as described in GASB Statement No. 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the OPERS Board, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

For the year ended December 31, 2022, OPERS did not allocate any employer contributions to the OPEB plan.

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of OPEB as described in GASB Statement No. 75.

The ORC allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the ORC.

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

Funding Policy: The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employer units, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$942,000 for 2022. All required payments have been made.

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date as of December 31, 2021, by

incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2021 and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability/(asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
	(Amounts in Thousands)		
Proportionate Share of the Net OPEB Liability/(Asset)	\$ (60,518)	\$ 77,665	\$ 17,147
Proportion of the Net OPEB Liability/(Asset)	1.932166%	7.085664%	
Change in Proportionate Share	(0.038962)%	(0.196951)%	
OPEB Expense	\$ (52,157)	\$ 6,737	\$ (45,420)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
	(Amounts in Thousands)		
Deferred Outflows of Resources			
Differences between expected and actual economic experience	\$	\$ 3,533	\$ 3,533
Changes in assumptions		34,377	34,377
Changes in proportion and differences between City contributions and proportionate share of contributions	425	2,532	2,957
Contributions subsequent to the measurement date		942	942
Total Deferred Outflows of Resources	<u>\$ 425</u>	<u>\$ 41,384</u>	<u>\$ 41,809</u>
Deferred Inflows of Resources			
Differences between expected and actual economic experience	\$ 9,180	\$ 10,265	\$ 19,445
Changes of assumptions	24,497	9,020	33,517
Net difference between projected and actual earnings on OPEB plan investments	28,851	7,016	35,867
Changes in proportion and differences between City contributions and proportionate share of contributions	656	5,289	5,945
Total Deferred Inflows of Resources	<u>\$ 63,184</u>	<u>\$ 31,590</u>	<u>\$ 94,774</u>

The \$942,000 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction/(increase) of the net OPEB liability/(asset) in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:	(Amounts in Thousands)		
2023	\$ (38,675)	\$ 2,664	\$ (36,011)
2024	(13,636)	1,623	(12,013)
2025	(6,304)	2,115	(4,189)
2026	(4,144)	312	(3,832)
2027		1,215	1,215
Thereafter		923	923
Total	<u>\$ (62,759)</u>	<u>\$ 8,852</u>	<u>\$ (53,907)</u>

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date as of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	2.75%
Projected Salary Increases, including wage inflation	2.75% to 10.75%
Single Discount Rate:	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current Measurement Date	1.84%
Prior Measurement Date	2.00%
Health Care Cost Trend Rate:	
Current Measurement Date	5.50%, initial
	3.50%, ultimate in 2034
Prior Measurement Date	8.50%, initial
	3.50%, ultimate in 2035
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

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

The allocation of investment assets with the Health Care Portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	100.00 %	3.45 %

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

Discount Rate: A single discount rate of 6.00% was used to measure the total OPEB liability/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate: The following table presents the City's proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.00%, as well as what the City's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB liability/(asset)	\$ (35,590)	\$ (60,518)	\$ (81,209)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease (2.50%)	Current Health Care Cost Trend Rate Assumption (3.50%)	1% Increase (4.50%)
City's proportionate share of the net OPEB liability/(asset)	\$ (61,172)	\$ (60,518)	\$ (59,743)

Actuarial Assumptions – OP&F: OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and

new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 3.25%
Single Discount Rate:	
Current Measurement Date	2.84%
Prior Measurement Date	2.96%
Cost of Living Adjustments	2.20% Simple per year
Projected Depletion Year	2037

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been

established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	21 %	3.60 %
Non-US Equity	14	4.40
Private Markets	8	6.80
Core Fixed Income *	23	1.10
High Yield Fixed Income	7	3.00
Private Credit	5	4.50
U.S. Inflation Lined Bonds *	17	0.80
Midstream Energy Infrastructure	5	5.00
Gold	5	2.40
Real Assets	8	5.90
Private Real Estate	12	4.80
Total	<u>125 %</u>	

* levered 2.0x

Note: Assumptions are geometric

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate: The total OPEB liability was calculated using the discount rate of 2.84%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State Statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.5%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05% at December 31, 2021 and 2.12% at December 31, 2020, was blended with the long-term rate of 7.5%, which resulted in a blended discount rate of 2.84%.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: Net OPEB liability is sensitive to changes in the discount rate and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.84%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.84%), or one-percentage-point higher (3.84%) than the current rate.

	<u>1% Decrease (1.84%)</u>	<u>Current Discount Rate (2.84%)</u>	<u>1% Increase (3.84%)</u>
	(Amounts in Thousands)		
City's proportionate share of the net OPEB liability	\$ 97,627	\$ 77,665	\$ 61,256

NOTE 14 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	<u>Additions</u>	<u>Reductions</u>	Balance December 31, 2022
		(Amounts in Thousands)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 72,204	\$ 800	\$	\$ 73,004
Construction in progress	330,093	57,090	(11,032)	376,151
Total capital assets, not being depreciated	<u>402,297</u>	<u>57,890</u>	<u>(11,032)</u>	<u>449,155</u>
Capital assets, being depreciated:				
Land improvements	236,444	5,075		241,519
Buildings, structures and improvements	721,882	1,591		723,473
Furniture, fixtures, equipment and vehicles	295,060	18,939	(6,241)	307,758
Infrastructure	879,606	17,009	(815)	895,800
Total capital assets, being depreciated	<u>2,132,992</u>	<u>42,614</u>	<u>(7,056)</u>	<u>2,168,550</u>
Less accumulated depreciation for:				
Land improvements	(169,715)	(8,200)		(177,915)
Buildings, structures and improvements	(395,530)	(16,824)		(412,354)
Furniture, fixtures, equipment and vehicles	(221,702)	(12,131)	6,219	(227,614)
Infrastructure	(472,597)	(32,378)	803	(504,172)
Total accumulated depreciation	<u>(1,259,544)</u>	<u>(69,533)</u>	<u>7,022</u>	<u>(1,322,055)</u>
Total capital assets being depreciated, net	<u>873,448</u>	<u>(26,919)</u>	<u>(34)</u>	<u>846,495</u>
Governmental activities capital assets, net	<u>\$ 1,275,745</u>	<u>\$ 30,971</u>	<u>\$ (11,066)</u>	<u>\$ 1,295,650</u>
	Restated Balance January 1, 2022	<u>Additions</u>	<u>Reductions</u>	Balance December 31, 2022
		(Amounts in Thousands)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 191,913	\$	\$	\$ 191,913
Construction in progress	393,405	70,297	(147,108)	316,594
Total capital assets, not being depreciated	<u>585,318</u>	<u>70,297</u>	<u>(147,108)</u>	<u>508,507</u>
Capital assets, being depreciated:				
Land improvements	138,625	1,117		139,742
Utility plant	2,876,950	61,227	(25,004)	2,913,173
Buildings, structures and improvements	821,152	22,132		843,284
Furniture, fixtures, equipment and vehicles	850,276	21,457	(20,828)	850,905
Infrastructure	1,020,249	58,726		1,078,975
Total capital assets, being depreciated	<u>5,707,252</u>	<u>164,659</u>	<u>(45,832)</u>	<u>5,826,079</u>
Less accumulated depreciation for:				
Land improvements	(69,577)	(3,979)		(73,556)
Utility plant	(1,229,355)	(62,096)	14,758	(1,276,693)
Buildings, structures and improvements	(514,552)	(16,988)		(531,540)
Furniture, fixtures, equipment and vehicles	(675,115)	(35,144)	20,395	(689,864)
Infrastructure	(828,912)	(36,125)		(865,037)
Total accumulated depreciation	<u>(3,317,511)</u>	<u>(154,332)</u>	<u>35,153</u>	<u>(3,436,690)</u>
Total capital assets being depreciated, net	<u>2,389,741</u>	<u>10,327</u>	<u>(10,679)</u>	<u>2,389,389</u>
Business-Type activities capital assets, net	<u>\$ 2,975,059</u>	<u>\$ 80,624</u>	<u>\$ (157,787)</u>	<u>\$ 2,897,896</u>

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:

	<u>(Amounts in Thousands)</u>	
Governmental Activities:		
General Government	\$	25,492
Public Works		32,607
Public Safety		7,858
Building and Housing		117
Community Development		1,533
Public Health		353
Economic Development		246
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		<u>425</u>
Total depreciation expense charged to governmental activities	\$	<u><u>68,631</u></u>
Business-Type Activities:		
Water	\$	69,011
Sewer		5,720
Electricity		19,092
Airport Facilities		56,530
Nonmajor activities		3,836
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		<u>83</u>
Total depreciation expense charged to business-type activities	\$	<u><u>154,272</u></u>

Capital Commitments: Significant commitments of the City as of December 31, 2022 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in Thousands)	
Governmental Activities:		
Police Headquarters Building	\$ 9,244	\$ 95,186
ARPA ED/CD		42,966
Broadband Network		20,000
Fire Station #26 Design	482	17,997
East 105 SR 10 Quebec to Chester	8,286	17,566
Demo		15,000
Lead Safe Mount Sinai		13,000
Browns Stadium 2022		10,533
ARPA Police	1,045	9,195
Clark Recreation Center	854	8,934
9410 Hough		8,000
Fire Equipment	207	7,793
Vehicles Heavy	393	7,611
Demo 2020	6,453	7,547
Woodhill Choice		6,790
Northcoast Pedestrian Bridge	7,605	5,471

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in Thousands)	
Business-Type Activities:		
Baldwin Sedimentation Basin Roof	\$ 503	\$ 12,353
Richfield Tower	588	11,397
Highland Trebisky Trunk Main		10,000
Water Main Renewal 2023		10,000
Suburban Water Main Renewal	11,015	9,620
Baldwin Filter Underdrain	60	9,458
Kirtland Crib	788	9,396
Water Main Renewal 2022	1,429	9,260
Engle Road Pump Station		7,392
Independence Pump Station		7,000
Harvard Denison Interconnect		6,218
Pearl Road Pump Station		5,500
Crown Improvements	731	5,269
Green Road Pump Station		5,000
Large Valve Renewal		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. During 2022, the State funded \$4,424,742 of road and bridge improvement projects.

NOTE 15 – SERVICE CONCESSION ARRANGEMENTS

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

The City reports the golf courses and related equipment as a capital asset with a carrying amount of \$2,606,000 at year end.

NOTE 16 – SEGMENT INFORMATION

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

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

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

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

Condensed Statement of Net Position Information

	Municipal Parking Lots	
	<u>(Amounts in Thousands)</u>	
Assets:		
Current assets	\$	966
Restricted assets		7,150
Capital assets, net		34,579
Net pension asset		20
Net OPEB asset		170
Total assets		<u>42,885</u>
Deferred outflows of resources		203
Liabilities:		
Current liabilities		747
Long-term liabilities		626
Total liabilities		<u>1,373</u>
Deferred inflows of resources		832
Net position:		
Net investment in capital assets		34,579
Unrestricted		6,304
Total net position	\$	<u>40,883</u>

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

	Municipal Parking Lots	
	(Amounts in Thousands)	
Charges for services	\$	6,748
Depreciation (expense)		(1,847)
Other operating (expenses)		(6,673)
Operating income (loss)		(1,772)
Non-operating revenues (expenses):		
Investment income (loss)		80
Interest expense		(169)
Capital contributions		2,087
Operating transfers in		800
Change in net position		1,026
Net position at beginning of year		39,857
Net position at end of year	\$	<u>40,883</u>

Condensed Statement of Cash Flows Information

	Municipal Parking Lots	
	(Amounts in Thousands)	
Net cash provided by (used for):		
Operating activities	\$	(128)
Noncapital financing activities		800
Capital and related financing activities		(4,138)
Investing activities		80
Net increase (decrease) in cash and cash equivalents		(3,386)
Beginning cash and cash equivalents		11,423
Ending cash and cash equivalents	\$	<u>8,037</u>

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

<u>Purpose</u>	<u>Division of Water</u>	<u>Cleveland Public Power</u>	<u>Department of Port Control</u>	<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Water Pollution Control</u>
	(Amounts in Thousands)					
Construction activities	\$ 9,187	\$ 1,392	\$ 24,480	\$ 7,150	\$	\$ 1,613
Debt retirement	44,177	2,746	121,693			2,712
Accrued passenger facility charges			20,546			
Other	<u>138</u>	<u>11</u>	<u>65,873</u>	<u> </u>	<u>5,084</u>	<u>9</u>
Total	<u>\$ 53,502</u>	<u>\$ 4,149</u>	<u>\$ 232,592</u>	<u>\$ 7,150</u>	<u>\$ 5,084</u>	<u>\$ 4,334</u>

NOTE 17 – FUND BALANCES / NET POSITION

Fund Balance Classifications: Fund balance is classified into 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, 2022:

	General Fund	Capital/ Urban Renewal Bond Construction	General Government	Public Health	Other Governmental	Total Governmental
	(Amounts in Thousands)					
Fund Balances						
Nonspendable						
Prepaid expenses and other assets	\$ 13,084	\$ -	\$ 8	\$ 78	\$ 175	\$ 13,345
Nonspendable Total	13,084	-	8	78	175	13,345
Restricted						
Debt Service					111,179	111,179
Recreation capital expenditures		53,690				53,690
Public Facilities capital expenditures		159,012				159,012
Road & Bridges capital expenditures		73,355				73,355
Stadium capital expenditures					16,340	16,340
Other capital expenditures					3,707	3,707
Repair & building of streets					18,000	18,000
Health & wellness				2,494		2,494
Protection & enforcement					6,328	6,328
Housing, community & economic development					48,945	48,945
Parks, properties & recreational services					509	509
Municipal Court			8,072			8,072
Casino			6,891			6,891
Neighborhood & sidewalk maintenance			2,344			2,344
Utilities programs			69			69
General governance			482			482
Restricted Total	-	286,057	17,858	2,494	205,008	511,417
Committed						
Health & wellness				1,016		1,016
Protection & enforcement					1,752	1,752
Parks, properties & recreational services					995	995
Housing, community & economic development					69,173	69,173
Municipal Court			1,344			1,344
Neighborhood & sidewalk maintenance			4,071			4,071
Lakefront management			3,971			3,971
Utilities programs			10			10
General governance			215,795			215,795
Committed Total	-	-	225,191	1,016	71,920	298,127
Assigned						
General governance	16,811					16,811
Protection & enforcement	10,413					10,413
Parks, properties & recreational services	7,494					7,494
Housing, community & economic development	3,830					3,830
Other purpose	140,517					140,517
Assigned Total	179,065	-	-	-	-	179,065
Unassigned	166,580					166,580
Total Fund Balances	\$ 358,729	\$ 286,057	\$ 243,057	\$ 3,588	\$ 277,103	\$ 1,168,534

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), of the Ohio Revised Code, has established by ordinance the Rainy Day Reserve Fund (Rainy Day). The Rainy Day’s goal is to accumulate at least 5% for budget stabilization and up to 5% for self-insurance claims liabilities. The City funds the Rainy Day through transfers from the General Fund, when funds become available. In order to use the Rainy Day, the City must pass an ordinance. The amount of the Rainy Day is reported within the unassigned fund balance classification in the City’s General Fund.

NOTE 18 – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

In accordance with an agreement with Gateway Economic Development Corporation (Gateway), Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facilities Refunding Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In October 2011, the City sold one of the Gateway garages and defeased the applicable bonds. Going forward the amounts required to be reimbursed will be calculated based upon the net revenues of the remaining garage and remaining applicable bonds outstanding, as of September 15, 2022 the Bonds were completely repaid.

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

In 2022, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by \$2,224,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$61,623,000 at December 31, 2022. 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, 2022, the City pledged \$3,841,711.

NOTE 19 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2022, the following funds had a net position deficiency. These deficiencies are the result of changes in accounting for net pension and net OPEB liabilities for which there are no repayment schedules.

	<u>Amount</u>	
	(Amounts in Thousands)	
Utilities Administration	\$	7,925
Sinking Fund Administration		10
Municipal Income Tax Administration		4,947

NOTE 20 – TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board Statement No. 77, the City is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered

into that contributes to economic development or otherwise benefits the City or the citizens of the City. The City has entered into such agreements. A description of each of the City's abatement programs where the City has promised to forgo taxes follows:

Community Reinvestment Area (CRA)

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

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

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

Ohio Enterprise Zone Program

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

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

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

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

Tax Increment Financing (TIF)

The City uses tax increment financing authorized by the Ohio Revised Code (ORC) Chapter 5709 as a tool to support development in the City and are often used to support financing to close project funding gaps, without which the project would not be able to move forward. TIFs are analyzed by Department of Economic Development staff to

ensure that the project meets a “but-for” test, confirming that the development would not proceed without the incentive, as well as to determine that the City receives an adequate return on its investment in the form of other taxes or policy goals.

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

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

As a result of these projects, thousands of jobs have been created, adding millions of dollars to the City in total payroll and income tax revenue generated annually.

Below is the information relevant to the disclosure of these programs for the year ended December 31, 2022.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated For the year 2022</u> (Amounts in Thousands)
Community Reinvestment Area (CRA)	\$ 6,906
Enterprise Zone Program	248
Tax Increment Financing (TIF)	2,949

NOTE 21 – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment system and the permit would specify the procedures required to dispose of all or part of the sewage treatment system. At this time, the City does not have an approved permit from Ohio EPA to dispose of all or part of their sewage treatment system. Due to the lack of specific legal requirements for retiring the sewage treatment system, the City has determined that the amount of the Asset Retirement Obligation cannot be reasonably estimated.

NOTE 22 – COVID-19

The City was awarded approximately \$174.0 million in federal funding to combat the effects of COVID-19 and approximately \$512.0 million in the American Rescue Plan Act (ARPA) funding of which \$255.9 was received in 2021 and the other half was received in June 2022.

NOTE 23 – LEASES

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources (*based on contract provisions*). Under this statement, a lessor is required to recognize a lease receivable and deferred inflow of resources while a lessee is required to recognize a lease liability and a right-to-use (RTU) asset for each contract whose terms meet the definition of a lease. This recognition is intended to enhance the relevance and consistency of information about governments’ leasing activities.

Leases Scope:

GASB Statement No. 87 – Scope: Per GASB Statement No. 87, a lease is defined as, A contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange

or exchange-like transaction. A contract conveys control if the user of the underlying asset possesses both: the right to obtain present service capacity and the right to determine the nature and manner of its use. The transaction is “exchange-like” when both parties receive and sacrifice something of approximate equal value.

Accounting treatment for leases required by the Statement applies to non-financial assets. Assets that are non-financial in nature including intangible assets, biological assets, inventory leases, supply contracts, and service concession arrangements are considered out of scope.

Accounting Treatment at Adoption: The City is a lessor and a lessee in various noncancellable leases. In accordance with GASB Statement No. 87, leases that commenced before the adoption date of January 1, 2022 are considered to have commenced on this date. All leases with base rent payments adjusted by an index or rate (e.g., CPI) have measured their receivables and liabilities based upon the most recent adjustment as of January 1, 2022, unless otherwise noted. In accordance with the GASB Statement No. 87, the City does not recognize a lease receivable and a deferred inflow of resources for certain regulated leases. Instead, inflows of resources are recognized in the period in which payments are received. See “Certain Regulated Leases” section for required disclosures.

Measurement of Lease Amounts as a Lessor: As a lessor for in-scope leasing arrangements, at the beginning of the lease term, the City recognizes a lease receivable for leases based on the net present value of future, fixed lease payments to be received for the lease term and a deferred inflow of resources based on net present value calculated using the rate explicit in the contract, the rate implicit in the contract, or the City’s incremental borrowing rate which is estimated using the FHLB CDA rate + 2.00% plus the net impact of any payments to be received at or before the commencement of the lease term that relate to future periods as well as lease incentives payable to the lessee. Leases that meet the GASB’s definition of ‘Certain Regulated Leases’ are the exception to this measurement treatment. Amortization of the receivable is reported as lease and interest revenues. Deferred inflows of resources are amortized on a straight-line basis over the term of the lease.

Measurement of Lease Amounts as a Lessee: As a lessee, the City recognizes a lease liability and an intangible RTU asset at the beginning of a lease. Lease liabilities are measured based on net present value of the future lease payments at inception using the rate explicit in the contract, the rate implicit in the contract, or the City’s incremental borrowing rate which is estimated using the FHLB CDA rate + 2.00% plus any lease incentives from the lessor. The lease liability is also measured with the inclusion of amounts required to be paid by the lessee under residual value guarantees, exercise price of a purchase option, and lease termination penalties – these are included only if there is reasonable certainty in the requirement to make such payments.

The RTU asset is measured at inception by adding to the lease liability initial direct costs as well as net amounts exchanged with the lessor at or before commencement of the lease term. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Other Conditions: The City assumes optional extension terms present in lease agreements will be exercised unless optional extension periods have undefined future payment terms - these terms are excluded in the calculation of lease term length unless otherwise noted. The City did not record revenue or expense related to residual value guarantees nor did the City exercise a purchase option.

Short-term Leases: For short-term lease contracts, defined as having a maximum possible term of 12 months or less, the City recognizes revenue or expense based on the payment provisions of the lease contract.

City as a Lessor:

General Description of Lessor Leasing Arrangements: The City leases space to various non-governmental and governmental lessees for various uses. The City leases space for use as: office space, combined-use space, communications sites, sporting facilities, harbors, parking operations hub, and restaurants. These leases have term end dates ranging from October 31, 2023 to September 30, 2052. Most leases require fixed rent payments that escalate on the basis of CPI or a fixed percentage year-over-year.

The City maintains separate leases classified as certain regulated leases – see ‘Certain Regulated Leases’ section for these required disclosures.

Inflows Recognized in FY22 from Leases: The table below represents the total amount of inflows for business-type and governmental activities for existing, in-scope GASB Statement No. 87 leases. These amounts exclude inflows for certain regulated leases and variable payments not fixed in substance.

Lease Category	City-Wide Inflows			
	Governmental Activities		Business-Type Activities	
	Lease Revenue	Interest Revenue	Lease Revenue	Interest Revenue
(Amounts in Thousands)				
Combined Use Space	\$	\$	\$ 31	\$
Office Space			82	19
Harbors	62	18		
Communication Sites	90	74		
Special Purpose Property				
Parking Operations Space			2,274	199
Sporting Facilities	221	42		
Other			40	35
Total	\$ 373	\$ 134	\$ 2,427	\$ 253

Schedule of Future Payments: The table below represents the future expected minimum principal and interest amounts to be received for business-type and governmental activities from existing, in-scope GASB Statement No. 87 leases:

	City-Wide Maturity					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
(Amounts in Thousands)						
2023	\$ 289	\$ 132	\$ 421	\$ 2,416	\$ 177	\$ 2,593
2024	304	121	425	2,449	98	2,547
2025	326	108	434	275	47	322
2026	342	95	437	60	69	129
2027	356	81	437	59	84	143
2028 - 2032	764	284	1,048	338	379	717
2033 - 2037	420	180	600	461	291	752
2038 - 2042	314	95	409	536	175	711
2043 - 2047	256	40	296	239	94	333
2048 - 2052	44	1	45	295	33	328

City Wide Variable Inflows: The table below represents variable inflows not included in the calculation of lease receivable values for business-type and governmental activities. Variable inflows for business-type activities are based on percentage of lessee gross revenues and, for site-leases, are based upon number of equipment installations; municipal facilities are used by lessees for installation of equipment that utilize airspace. Fees are charged to the lessee based upon the number of municipal sites at which equipment has been used over the trailing twelve-month period. Variable inflows for governmental activities are related to an early termination penalty as well as docking fees; a lessee rents marina space from the City and makes fixed payments during operational, summer months. During the winter months, a separate rate is charged to the lessee only if the lessee utilizes the docks for storage. See variable inflows for certain regulated leases within the “Certain Regulated Leases” section.

<u>Lease Category</u>	City-Wide Variable Inflows	
	Governmental Activities	Business-Type Activities
	Amount	Amount
	(Amounts in Thousands)	
Office Space	\$	\$ 555
Harbors	12	
Communication Sites	37	64
Other		64
Parking Operations Space		763
Total	\$ 49	\$ 1,446

Certain Regulated Leases:

Definition: Certain leases are subject to external laws, regulations or legal rulings that prohibit lessors from denying potential lessees the right to enter into leases (contingent upon facility availability) and require fees imposed on lessees be fair, reasonable, and non-discriminatory. Such leases are termed “certain regulated leases” by the GASB. The Statement provides an exception to its general lessor recognition and measurement requirements for certain regulated leases but requires disclosure of specified quantitative and qualitative information.

These lease agreements are subject to the non-discriminatory criteria outlined in paragraph 43 of GASB 87 by the Federal Aviation Administration’s (FAA) *Rates and Charges Policy*. The principals of this policy apply to all aeronautical users of the airport. Paragraph 18.3a of FAA Order 5190.6B (FAA compliance manual) directs the Department’s classification of leases as certain regulated leases by noting: “all activities that involve or are directly related to the operation of the aircraft, including activities that make the operation of the aircraft possible and safe. Services located on the airport that are directly and substantially related to the movement of passengers, baggage, mail, and cargo are considered aeronautical uses.”

General Description of Certain Regulated Leasing Arrangements: The Department maintains certain regulated leasing arrangements for air cargo facilities, airlines, aircraft maintenance operations, Fixed-Base Operators (FBOs), flight schools, fuel farms, ground handling operations, hangars, and passenger services. The leases have term end dates ranging from May 31, 2023 to August 31, 2051 and have escalating rent payment terms. There are 7 agreements – 6 Airlines and 1 Air Cargo Facility – of the 30 CRL agreements whose lessees have been granted preferential or exclusive use of Airport space (e.g., terminal and/or concourse space). All other agreements only grant lessees non-exclusive use of common Airport space.

CRL Quantitative Disclosures: The following table represents the inflows recognized for fiscal year 2022 for certain regulated leasing arrangements:

Airports - Inflows Recognized in FY22 from CRLs		
<u>CRL Category</u>	<u>Total Inflows</u>	
	(Amounts in Thousands)	
Air Cargo Facilities	\$	1,329
Airlines		90,685
FBOs		2,454
Flight School		55
Fuel Farm		33
Ground Handling Operation		893
Hangars & Aircraft Maintenance		1,401
Passenger Services		857
Total	\$	97,707

The following table represents the future expected minimum payments for certain regulated leasing arrangements:

Schedule of Future Payments for CRLs		
	(Amounts in Thousands)	Amount
2023	\$	97,593
2024		96,612
2025		96,461
2026		5,758
2027		5,745
2028 - 2032		11,507
2033 - 2037		4,404
2038 - 2042		2,694
2043 - 2047		466
2048 - 2052		341

CRL Variable Inflows: Variable inflows not fixed in substance are based on various lessee performance indicators such as: number of planes landed, aircraft parking, and percentage of lessee gross revenues. The variable inflows amounted to \$10,700,000 for fiscal year 2022.

City as Lessee:

General Description of Lessee Leasing Arrangements: The City leases space from various non-governmental and governmental lessors for various uses. The City leases space for use as: office space, combined-use space, warehouse space and communications sites. These leases have terms ranging from September 8, 2023 to November 30, 2045. The leases require fixed rent payments – most of which escalating on the basis of CPI or a fixed percentage year-over-year.

Outflows Recognized in FY22 from Leases: The table below represents the total amount of outflows for business-type and governmental activities for existing, in-scope GASB Statement No. 87 leases. These amounts exclude outflows for variable payments not fixed in substance.

Lease Category	City-Wide Outflows			
	Governmental Activities		Business-Type Activities	
	Lease Expense	Interest Expense	Lease Expense	Interest Expense
	(Amounts in Thousands)			
Combined Use Space	\$ 110	\$ 18	\$	\$
Communication Sites	55	37	108	63
Warehouse			263	3
Office Space	488	111		
Total	\$ 653	\$ 166	\$ 371	\$ 66

Total Amount of Lease Assets and Accumulated Amortization: The table below represents the amount of lease assets and related accumulated amortization for existing, in-scope GASB Statement No. 87 leases for governmental and business-type activities:

Lease Category	City-Wide Lease Assets and Accumulated Amortization			
	Governmental Activities		Business-Type Activities	
	RTU Asset	Acc. Amortization	RTU Asset	Acc. Amortization
	(Amounts in Thousands)			
Combined Use Space	\$ 550	\$ (110)	\$	\$
Communication Sites	827	(55)	1,396	(108)
Warehouse			517	(263)
Office Space	3,545	(488)		
Total	\$ 4,922	\$ (653)	\$ 1,913	\$ (371)

Schedule of Future Payments: The table below represents the future expected minimum principal and interest amounts to be paid for the existing, in-scope GASB Statement No. 87 leases for business-type and governmental activities:

	City-Wide Future Maturity					
	Governmental Activities			Business-Type Activities		
	Principal	Interest		Principal	Interest	
	(Amounts in Thousands)					
2023	\$	522	\$ 175	\$	299	\$ 68
2024		535	155		43	60
2025		473	136		47	57
2026		231	123		50	55
2027		191	114		53	53
2028 - 2032		870	460		317	223
2033 - 2037		1,212	228		374	144
2038 - 2042		351	30		366	50
2043 - 2047		33	1		51	3

Variable Outflows: Variable outflows not fixed in substance are excluded from the measurement of the lease liability and are recognized as lease expenses in the period in which the obligation for those payments is incurred. For fiscal year 2022, the City recognized \$4,000 in variable outflows related to a prior period rent payment shortfall.

NOTE 24 – RESTATEMENT OF NET POSITION

In 2022, the Department of Port Control had a reclassification of the construction in progress. It was determined that assets that were in construction in progress should not be capitalized; however, should be expensed. This resulted in a restatement of net position of \$7,734,000.

	Beginning Net position January 1, 2022	Restatement	Beginning Restated Net Position January 1, 2022
	(Amounts in Thousands)		
Department of Port Control	\$ 427,575	\$ (7,734)	\$ 419,841
Business-type Activities	2,490,934	(7,734)	2,483,200

NOTE 25 – SUBSEQUENT EVENTS

On May 22, 2023, City Council approved legislation authorizing the issuance of not to exceed \$67,000,000 of General Obligation Bonds. These bonds will be issued to fund park and recreation improvements, public facility improvements, road and bridge improvements and the acquisition of heavy duty trucks, vehicles and equipment.

The Division of Water was the recipient of multiple loan awards from the OWDA beginning in 2023. They comprise both a principal forgiveness portion totaling \$13,463,000 and a loan repayment portion totaling \$12,027,000. The loan repayment term is for 20 years at a 0% interest rate and the first repayment is due on 1/1/2024.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST NINE YEARS (1), (2)**

	City's Proportion of the Net Pension Liability/(Asset)	City's Proportionate Share of the Net Pension Liability/(Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
(Amounts in Thousands)					
Traditional:					
2014	2.005665 %	\$ 236,084	\$ 227,331	103.85 %	86.36 %
2015	2.005665	241,132	250,992	96.07	86.45
2016	1.991565	343,995	253,925	135.47	81.08
2017	1.918603	434,615	254,500	170.77	77.25
2018	1.988234	309,209	265,054	116.66	84.66
2019	2.008996	547,978	287,186	190.81	74.70
2020	1.985574	388,322	295,329	131.49	82.17
2021	1.999777	290,351	300,679	96.57	86.88
2022	1.961767	170,682	310,979	54.89	92.62
Combined:					
2022	1.840138	(7,250)	310,979	(2.33)	169.88

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

(2) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

Notes to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%. There are no changes for 2020 and 2021. For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.20% down to 6.90%. (b) for defined benefit investments, decreasing the wage inflation from 3.25% to 2.75%. (c) changing the future salary increases from 3.25%-10.75% to 2.75%-10.75%.

In 2022, the City presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2013	\$ 29,553	\$ (29,553)	\$ -	\$ 227,331	13.00 %
2014	30,119	(30,119)	-	250,992	12.00
2015	30,471	(30,471)	-	253,925	12.00
2016	30,540	(30,540)	-	254,500	12.00
2017	34,457	(34,457)	-	265,054	13.00
2018	40,206	(40,206)	-	287,186	14.00
2019	41,346	(41,346)	-	295,329	14.00
2020	42,095	(42,095)	-	300,679	14.00
2021	43,537	(43,537)	-	310,979	14.00
2022	40,242	(40,242)	-	287,443	14.00

(1) Represents City's calendar year.

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND
LAST NINE YEARS (1), (2)**

	City's Proportion of the Net Pension Liability		City's Proportionate Share of the Net Pension Liability		City's Covered Payroll		City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
(Amounts in Thousands)									
2014	7.672388	% \$	373,669	\$	187,096		199.72	%	73.00
2015	7.672388		397,462		154,514		257.23		71.71
2016	7.121475		458,129		160,828		284.86		66.77
2017	7.413054		469,535		157,731		297.68		68.36
2018	7.316628		449,054		156,994		286.03		70.91
2019	7.414638		605,230		168,650		358.87		63.07
2020	7.493444		504,798		182,586		276.47		69.89
2021	7.282615		496,462		192,200		258.30		70.65
2022	7.085664		442,671		188,756		234.52		75.03

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

(2) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ending December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.00%, a reduction in the wage inflation rate from 3.75% to 3.25% and transition from the RP-2000 mortality tables to the RP-2014 mortality tables. There are no changes for 2020 and 2021. In 2022, the most significant changes were a reduction in the wage inflation rate from 3.25% to 2.75% and the total discount rate went down from 8.00% to 7.50%.

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND
LAST TEN YEARS (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2013	\$ 31,956	\$ (31,956)	\$ -	\$ 187,096	17.08 %
2014	32,108	(32,108)	-	154,514	20.78
2015	33,420	(33,420)	-	160,828	20.78
2016	32,808	(32,808)	-	157,731	20.80
2017	32,482	(32,482)	-	156,994	20.69
2018	34,978	(34,978)	-	168,650	20.74
2019	37,704	(37,704)	-	182,586	20.65
2020	38,921	(38,921)	-	192,200	20.25
2021	38,223	(38,223)	-	188,756	20.25
2022	38,227	(38,227)	-	183,872	20.79

(1) Represents City's calendar year.

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS (1), (2)**

	City's Proportion of the Net OPEB Liability/(Asset)		City's Proportionate Share of the Net OPEB Liability/(Asset)		City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	
				(Amounts in Thousands)				
2017	1.884621	%	\$ 190,355	\$	254,500	74.80	%	54.04
2018	1.955919		212,398		265,054	80.13		54.14
2019	1.985567		258,873		287,186	90.14		46.33
2020	1.958141		270,468		295,329	91.58		47.80
2021	1.971128		(35,117)		300,679	(11.68)		115.57
2022	1.932166		(60,518)		310,979	(19.46)		128.23

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

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

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate change from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.50% initial to 10.00% initial. In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.00% initial, 3.25% ultimate to 10.50% initial, 3.50% ultimate in 2030. In 2021, the single discount rate changed to 6.00% and the health care cost trend rate changed to 8.50% initial, 3.50% ultimate in 2035. In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF CONTRIBUTIONS - NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS (1), (2), (3)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2016 \$	5,090	\$ (5,090)	\$ -	\$ 254,500	2.00 %
2017	2,651	(2,651)	-	265,054	1.00
2018	-	-	-	287,186	0.00
2019	-	-	-	295,329	0.00
2020	-	-	-	300,679	0.00
2021	-	-	-	310,979	0.00
2022	-	-	-	287,443	0.00

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

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

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

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION FUND
LAST SIX YEARS (1), (2)**

	City's Proportion of the Net OPEB Liability		City's Proportionate Share of the Net OPEB Liability		City's Covered Payroll		City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll		Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
(Amounts in Thousands)									
2017	7.413054	%	351,881	\$	157,731		223.09	%	15.96
2018	7.316628		414,550		156,994		264.05		14.13
2019	7.414638		67,521		168,650		40.04		46.57
2020	7.493444		74,018		182,586		40.54		47.08
2021	7.282615		77,160		192,200		40.15		45.40
2022	7.085664		77,665		188,200		41.27		46.90

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

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

Note to Schedule:

For 2020, the single discount rate changed from 4.66% to 3.56%. In 2021, the single discount rate changed from 3.56% to 2.96%. In 2022, the single discount rate changed from 2.96% to 2.84%.

CITY OF CLEVELAND, OHIO

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF CONTRIBUTIONS - NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION FUND
LAST SEVEN YEARS (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2016	\$ 789	\$ (789)	\$ -	\$ 157,731	0.50 %
2017	801	(801)	-	156,994	0.50
2018	866	(866)	-	168,650	0.50
2019	929	(929)	-	182,586	0.50
2020	961	(961)	-	192,200	0.50
2021	941	(941)	-	188,200	0.50
2022	942	(942)	-	188,400	0.50

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

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SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	<u>Original</u>	<u>Final</u>		<u>Variance-</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Increase</u>
				<u>(Decrease)</u>
REVENUES:				
Income taxes	\$ 428,566	\$ 428,566	\$ 463,416	\$ 34,850
Property taxes	41,187	41,187	44,868	3,681
State local government funds	27,497	27,497	31,126	3,629
Other taxes	28,788	28,788	40,036	11,248
Other shared revenues	15,552	15,552	15,576	24
Licenses and permits	20,065	20,065	23,317	3,252
Charges for services	35,788	35,788	33,432	(2,356)
Fines, forfeits and settlements	7,990	7,990	6,545	(1,445)
Investment earnings	2,000	2,000	8,390	6,390
Grants	1,917	266,917	217,936	(48,981)
Miscellaneous	28,405	28,405	28,062	(343)
TOTAL REVENUES	<u>637,755</u>	<u>902,755</u>	<u>912,704</u>	<u>9,949</u>
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	6,294	6,294	6,102	192
Other	1,849	1,849	1,524	325
Total council and clerk of council	<u>8,143</u>	<u>8,143</u>	<u>7,626</u>	<u>517</u>
Municipal court-judicial division:				
Personnel	20,003	18,803	17,590	1,213
Other	4,867	4,867	4,638	229
Total municipal court-judicial division	<u>24,870</u>	<u>23,670</u>	<u>22,228</u>	<u>1,442</u>
Municipal court-clerks division:				
Personnel	10,936	10,636	9,942	694
Other	1,605	1,845	1,513	332
Total municipal court-clerks division	<u>12,541</u>	<u>12,481</u>	<u>11,455</u>	<u>1,026</u>
Municipal court-housing division:				
Personnel	4,737	4,437	4,081	356
Other	440	440	185	255
Total municipal court-housing division	<u>5,177</u>	<u>4,877</u>	<u>4,266</u>	<u>611</u>
Office of the mayor:				
Personnel	3,308	2,433	2,298	135
Other	164	164	148	16
Total office of the mayor	<u>3,472</u>	<u>2,597</u>	<u>2,446</u>	<u>151</u>
Office of capital projects:				
Personnel	6,640	6,165	5,861	304
Other	747	747	496	251
Total office of capital projects	<u>7,387</u>	<u>6,912</u>	<u>6,357</u>	<u>555</u>

(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, 2022**

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
Office of urban analytics and innovation:				
Personnel	\$ 1,558	\$ 1,158	\$ 975	\$ 183
Other	<u>50</u>	<u>50</u>	<u>25</u>	<u>25</u>
Total office of urban analytics and innovation	<u>1,608</u>	<u>1,208</u>	<u>1,000</u>	<u>208</u>
Landmarks commission:				
Personnel	328	328	257	71
Other	<u>23</u>	<u>23</u>	<u>6</u>	<u>17</u>
Total landmarks commission	<u>351</u>	<u>351</u>	<u>263</u>	<u>88</u>
Board of building standards and appeals:				
Personnel	230	230	203	27
Other	<u>26</u>	<u>26</u>	<u>5</u>	<u>21</u>
Total board of building standards and appeals	<u>256</u>	<u>256</u>	<u>208</u>	<u>48</u>
Board of zoning appeals:				
Personnel	230	230	201	29
Other	<u>24</u>	<u>24</u>	<u>15</u>	<u>9</u>
Total board of zoning appeals	<u>254</u>	<u>254</u>	<u>216</u>	<u>38</u>
Civil service commission:				
Personnel	947	947	651	296
Other	<u>621</u>	<u>621</u>	<u>319</u>	<u>302</u>
Total civil service commission	<u>1,568</u>	<u>1,568</u>	<u>970</u>	<u>598</u>
Community relations board:				
Personnel	2,023	1,848	1,620	228
Other	<u>291</u>	<u>291</u>	<u>40</u>	<u>251</u>
Total community relations board	<u>2,314</u>	<u>2,139</u>	<u>1,660</u>	<u>479</u>
City planning commission:				
Personnel	2,269	2,269	1,765	504
Other	<u>536</u>	<u>936</u>	<u>843</u>	<u>93</u>
Total city planning commission	<u>2,805</u>	<u>3,205</u>	<u>2,608</u>	<u>597</u>
Boxing and wrestling commission:				
Personnel	<u>32</u>	<u>32</u>	<u>15</u>	<u>17</u>
Total boxing and wrestling commission	<u>32</u>	<u>32</u>	<u>15</u>	<u>17</u>
Office of sustainability:				
Personnel	990	990	751	239
Other	<u>302</u>	<u>302</u>	<u>145</u>	<u>157</u>
Total office of sustainability	<u>1,292</u>	<u>1,292</u>	<u>896</u>	<u>396</u>

(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, 2022**

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
Office of equal opportunity:				
Personnel	\$ 936	\$ 846	\$ 723	\$ 123
Other	173	173	161	12
Total office of equal opportunity	<u>1,109</u>	<u>1,019</u>	<u>884</u>	<u>135</u>
Office of prevention, intervention, and opportunity:				
Personnel	1,898	1,398	1,021	377
Other	<u>2,760</u>	<u>2,760</u>	<u>2,753</u>	<u>7</u>
Total office of prevention, intervention, and opportunity	<u>4,658</u>	<u>4,158</u>	<u>3,774</u>	<u>384</u>
Office of budget and management:				
Personnel	746	746	682	64
Other	<u>31</u>	<u>31</u>	<u>4</u>	<u>27</u>
Total office of budget and management	<u>777</u>	<u>777</u>	<u>686</u>	<u>91</u>
Department of aging:				
Personnel	1,455	1,455	1,048	407
Other	<u>372</u>	<u>372</u>	<u>341</u>	<u>31</u>
Total department of aging	<u>1,827</u>	<u>1,827</u>	<u>1,389</u>	<u>438</u>
Office of personnel:				
Personnel	3,168	2,468	2,009	459
Other	<u>2,340</u>	<u>2,340</u>	<u>2,239</u>	<u>101</u>
Total office of personnel	<u>5,508</u>	<u>4,808</u>	<u>4,248</u>	<u>560</u>
Department of law:				
Personnel	9,740	8,940	8,426	514
Other	<u>9,108</u>	<u>11,408</u>	<u>11,219</u>	<u>189</u>
Total department of law	<u>18,848</u>	<u>20,348</u>	<u>19,645</u>	<u>703</u>
Finance administration:				
Personnel	1,145	1,095	881	214
Other	<u>584</u>	<u>634</u>	<u>621</u>	<u>13</u>
Total finance administration	<u>1,729</u>	<u>1,729</u>	<u>1,502</u>	<u>227</u>
Division of accounts:				
Personnel	1,749	1,549	1,405	144
Other	<u>845</u>	<u>845</u>	<u>812</u>	<u>33</u>
Total division of accounts	<u>2,594</u>	<u>2,394</u>	<u>2,217</u>	<u>177</u>
Division of assessments and licenses:				
Personnel	3,979	3,479	3,167	312
Other	<u>1,521</u>	<u>1,521</u>	<u>1,409</u>	<u>112</u>
Total division of assessments and licenses	<u>5,500</u>	<u>5,000</u>	<u>4,576</u>	<u>424</u>
Division of treasury:				
Personnel	672	672	609	63
Other	<u>169</u>	<u>169</u>	<u>99</u>	<u>70</u>
Total division of treasury	<u>841</u>	<u>841</u>	<u>708</u>	<u>133</u>

(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, 2022**

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
Division of purchases and supplies:				
Personnel	\$ 868	\$ 868	\$ 693	\$ 175
Other	34	34	22	12
Total division of purchases and supplies	<u>902</u>	<u>902</u>	<u>715</u>	<u>187</u>
Bureau of internal audit:				
Personnel	586	486	385	101
Other	712	512	239	273
Total bureau of internal audit	<u>1,298</u>	<u>998</u>	<u>624</u>	<u>374</u>
Division of financial reporting and control:				
Personnel	1,770	1,770	1,521	249
Other	50	50	31	19
Total division of financial reporting and control	<u>1,820</u>	<u>1,820</u>	<u>1,552</u>	<u>268</u>
Division of information system services:				
Personnel	3,753	2,853	2,682	171
Other	8,141	8,441	8,191	250
Total division of information system services	<u>11,894</u>	<u>11,294</u>	<u>10,873</u>	<u>421</u>
 TOTAL GENERAL GOVERNMENT	 <u>131,375</u>	 <u>126,900</u>	 <u>115,607</u>	 <u>11,293</u>
Public Health:				
Public health administration:				
Personnel	1,732	1,532	1,338	194
Other	790	790	780	10
Total public health administration	<u>2,522</u>	<u>2,322</u>	<u>2,118</u>	<u>204</u>
Division of health:				
Personnel	3,681	2,681	2,373	308
Other	3,121	3,121	2,904	217
Total division of health	<u>6,802</u>	<u>5,802</u>	<u>5,277</u>	<u>525</u>
Division of environment:				
Personnel	1,962	1,762	1,576	186
Other	509	509	388	121
Total division of environment	<u>2,471</u>	<u>2,271</u>	<u>1,964</u>	<u>307</u>
Division of air quality:				
Personnel	636	636	475	161
Other	475	475	394	81
Total division of air quality	<u>1,111</u>	<u>1,111</u>	<u>869</u>	<u>242</u>
Health equity & social justice:				
Personnel	457	457	197	260
Other	87	87	37	50
Total health equity & social justice	<u>544</u>	<u>544</u>	<u>234</u>	<u>310</u>
 TOTAL PUBLIC HEALTH	 <u>13,450</u>	 <u>12,050</u>	 <u>10,462</u>	 <u>1,588</u>

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, 2022**

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
Public Safety:				
Public safety administration:				
Personnel	\$ 4,741	\$ 3,841	\$ 3,620	\$ 221
Other	<u>3,270</u>	<u>3,270</u>	<u>2,538</u>	<u>732</u>
Total public safety administration	<u>8,011</u>	<u>7,111</u>	<u>6,158</u>	<u>953</u>
Division of police:				
Personnel	208,393	204,693	197,464	7,229
Other	<u>14,874</u>	<u>14,874</u>	<u>13,600</u>	<u>1,274</u>
Total division of police	<u>223,267</u>	<u>219,567</u>	<u>211,064</u>	<u>8,503</u>
Division of fire:				
Personnel	95,445	104,215	98,572	5,643
Other	<u>4,782</u>	<u>4,872</u>	<u>4,665</u>	<u>207</u>
Total division of fire	<u>100,227</u>	<u>109,087</u>	<u>103,237</u>	<u>5,850</u>
Division of emergency medical services:				
Personnel	30,181	27,981	27,059	922
Other	<u>4,600</u>	<u>4,770</u>	<u>4,584</u>	<u>186</u>
Total division of emergency medical services	<u>34,781</u>	<u>32,751</u>	<u>31,643</u>	<u>1,108</u>
Division of animal control services:				
Personnel	2,915	2,410	2,073	337
Other	<u>805</u>	<u>805</u>	<u>726</u>	<u>79</u>
Total division of animal control services	<u>3,720</u>	<u>3,215</u>	<u>2,799</u>	<u>416</u>
Division of correction:				
Personnel	517	537	511	26
Other	<u>4,752</u>	<u>4,467</u>	<u>4,466</u>	<u>1</u>
Total division of correction	<u>5,269</u>	<u>5,004</u>	<u>4,977</u>	<u>27</u>
Office of Professional Standards:				
Personnel	1,426	1,426	1,127	299
Other	<u>624</u>	<u>624</u>	<u>255</u>	<u>369</u>
Total office of professional standards	<u>2,050</u>	<u>2,050</u>	<u>1,382</u>	<u>668</u>
Police Review Board:				
Personnel	178	178	129	49
Other	<u>4</u>	<u>4</u>	<u>1</u>	<u>3</u>
Total police review board	<u>182</u>	<u>182</u>	<u>130</u>	<u>52</u>
Community Police Commission:				
Personnel	575	575	452	123
Other	<u>1,541</u>	<u>1,541</u>	<u>112</u>	<u>1,429</u>
Total community police commission	<u>2,116</u>	<u>2,116</u>	<u>564</u>	<u>1,552</u>

(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, 2022**

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
Police Inspector General:				
Personnel	\$ 218	\$ 68	\$	\$ 68
Other	<u>13</u>	<u>13</u>	<u>-</u>	<u>13</u>
Total police inspector general	<u>231</u>	<u>81</u>	<u>-</u>	<u>81</u>
Department of Justice:				
Personnel	1,737	1,337	1,336	1
Other	<u>2,194</u>	<u>1,794</u>	<u>1,367</u>	<u>427</u>
Total department of justice	<u>3,931</u>	<u>3,131</u>	<u>2,703</u>	<u>428</u>
TOTAL PUBLIC SAFETY	<u>383,785</u>	<u>384,295</u>	<u>364,657</u>	<u>19,638</u>
Public Works:				
Division of public works administration:				
Personnel	3,692	2,787	2,646	141
Other	<u>501</u>	<u>516</u>	<u>503</u>	<u>13</u>
Total division of public works administration	<u>4,193</u>	<u>3,303</u>	<u>3,149</u>	<u>154</u>
Division of recreation:				
Personnel	10,683	10,173	9,934	239
Other	<u>4,936</u>	<u>5,121</u>	<u>4,968</u>	<u>153</u>
Total division of recreation	<u>15,619</u>	<u>15,294</u>	<u>14,902</u>	<u>392</u>
Division of parking facilities:				
Personnel	952	952	796	156
Other	<u>103</u>	<u>103</u>	<u>71</u>	<u>32</u>
Total division of parking facilities	<u>1,055</u>	<u>1,055</u>	<u>867</u>	<u>188</u>
Division of property management:				
Personnel	6,413	6,558	6,556	2
Other	<u>2,482</u>	<u>2,677</u>	<u>2,524</u>	<u>153</u>
Total division of property management	<u>8,895</u>	<u>9,235</u>	<u>9,080</u>	<u>155</u>
Division of park maintenance and properties:				
Personnel	11,066	11,066	10,677	389
Other	<u>7,012</u>	<u>7,232</u>	<u>6,971</u>	<u>261</u>
Total division of park maintenance and properties	<u>18,078</u>	<u>18,298</u>	<u>17,648</u>	<u>650</u>
Division of waste collection and disposal:				
Personnel	18,010	17,770	17,734	36
Other	<u>17,238</u>	<u>18,128</u>	<u>17,797</u>	<u>331</u>
Total division of waste collection and disposal	<u>35,248</u>	<u>35,898</u>	<u>35,531</u>	<u>367</u>

(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, 2022

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
Division of traffic engineering:				
Personnel	\$ 3,061	\$ 3,061	\$ 2,790	\$ 271
Other	<u>928</u>	<u>928</u>	<u>883</u>	<u>45</u>
Total division of traffic engineering	<u>3,989</u>	<u>3,989</u>	<u>3,673</u>	<u>316</u>
TOTAL PUBLIC WORKS	<u>87,077</u>	<u>87,072</u>	<u>84,850</u>	<u>2,222</u>
Community Development:				
Director's office:				
Personnel	535	520	334	186
Other	<u>2,032</u>	<u>2,047</u>	<u>2,023</u>	<u>24</u>
Total director's office	<u>2,567</u>	<u>2,567</u>	<u>2,357</u>	<u>210</u>
TOTAL COMMUNITY DEVELOPMENT	<u>2,567</u>	<u>2,567</u>	<u>2,357</u>	<u>210</u>
Building and Housing:				
Director's office:				
Personnel	2,851	2,326	2,149	177
Other	<u>934</u>	<u>1,204</u>	<u>943</u>	<u>261</u>
Total director's office	<u>3,785</u>	<u>3,530</u>	<u>3,092</u>	<u>438</u>
Division of code enforcement:				
Personnel	8,625	8,040	7,565	475
Other	<u>310</u>	<u>310</u>	<u>212</u>	<u>98</u>
Total division of code enforcement	<u>8,935</u>	<u>8,350</u>	<u>7,777</u>	<u>573</u>
Division of construction permitting:				
Personnel	1,602	1,602	1,483	119
Other	<u>26</u>	<u>26</u>	<u>15</u>	<u>11</u>
Total division of construction permitting	<u>1,628</u>	<u>1,628</u>	<u>1,498</u>	<u>130</u>
TOTAL BUILDING AND HOUSING	<u>14,348</u>	<u>13,508</u>	<u>12,367</u>	<u>1,141</u>
Economic Development:				
Economic development administration:				
Personnel	2,269	1,769	1,536	233
Other	<u>67</u>	<u>67</u>	<u>11</u>	<u>56</u>
Total economic development administration	<u>2,336</u>	<u>1,836</u>	<u>1,547</u>	<u>289</u>
TOTAL ECONOMIC DEVELOPMENT	<u>2,336</u>	<u>1,836</u>	<u>1,547</u>	<u>289</u>

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, 2022**

(Amounts in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
Non-Departmental Expenditures:				
Other	\$ 24,569	\$ 24,679	\$ 23,978	\$ 701
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>24,569</u>	<u>24,679</u>	<u>23,978</u>	<u>701</u>
Capital outlay	<u>5,300</u>	<u>6,300</u>	<u>6,300</u>	<u>-</u>
TOTAL EXPENDITURES	<u>664,807</u>	<u>659,207</u>	<u>622,125</u>	<u>37,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(27,052)	243,548	290,579	47,031
OTHER FINANCING SOURCES (USES):				
Transfers in	9,187	9,187		(9,187)
Transfers out	(45,145)	(376,145)	(376,145)	-
Sale of City assets	<u>1,000</u>	<u>1,000</u>		<u>(1,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,958)</u>	<u>(365,958)</u>	<u>(376,145)</u>	<u>(10,187)</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			<u>2,132</u>	<u>2,132</u>
NET CHANGE IN FUND BALANCE	(62,010)	(122,410)	(83,434)	38,976
FUND BALANCE AT BEGINNING OF YEAR	<u>131,749</u>	<u>131,749</u>	<u>131,749</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 69,739</u>	<u>\$ 9,339</u>	<u>\$ 48,315</u>	<u>\$ 38,976</u>

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CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

SPECIAL REVENUE FUNDS (Continued)

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.
Payroll Reserve Fund	To accumulate the necessary resources for payments of the 27th pay period and accumulated sick and/or vacation leave.

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.
Subordinated Income Tax Fund	To account for the accumulation of resources for the payment of Subordinated Income Tax Variable Rate Refunding Bonds payable from pledged income taxes.
Lower Euclid Avenue TIF	To account for the accumulation of resources for the payment of Economic Development Bonds payable from tax increment financing revenues and a pledge of the non-tax revenue of the City.
Core City Bonds	To account for the accumulation of resources for the payment of taxable Economic and Community Development Bonds payable from non-tax and net project revenues.
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.

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:

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, 2022
(Amounts in Thousands)**

	<u>Special Revenue Funds - Budgeted</u>			
	<u>Division of Streets</u>	<u>Restricted Income Tax</u>	<u>Cleveland Stadium Operations</u>	<u>Total Budgeted Funds</u>
ASSETS				
Cash and cash equivalents	\$ 18,681	\$ 33,141	\$ 23,499	\$ 75,321
Investments				-
Receivables:				
Taxes		8,368		8,368
Accounts	2			2
Grants				-
Loans				-
Leases			1,569	1,569
Accrued interest			43	43
Assessments				-
Receivables, net	<u>2</u>	<u>8,368</u>	<u>1,612</u>	<u>9,982</u>
Due from other funds		3,395		3,395
Due from other governments	8,973			8,973
Prepaid expenditures and other assets	<u>169</u>			<u>169</u>
TOTAL ASSETS	<u>\$ 27,825</u>	<u>\$ 44,904</u>	<u>\$ 25,111</u>	<u>\$ 97,840</u>
LIABILITIES				
Accounts payable	\$ 1,135	\$ 1,283		\$ 2,418
Accrued wages and benefits	1,750			1,750
Due to other governments			796	796
Unearned revenue				-
Due to other funds	<u>697</u>			<u>697</u>
Total liabilities	<u>3,582</u>	<u>1,283</u>	<u>796</u>	<u>5,661</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow	<u>6,074</u>	<u>3,286</u>	<u>1,569</u>	<u>10,929</u>
Total deferred inflows of resources	<u>6,074</u>	<u>3,286</u>	<u>1,569</u>	<u>10,929</u>
FUND BALANCES				
Nonspendable	169			169
Restricted	18,000	40,335	22,746	81,081
Committed				-
Total fund balances	<u>18,169</u>	<u>40,335</u>	<u>22,746</u>	<u>81,250</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 27,825</u>	<u>\$ 44,904</u>	<u>\$ 25,111</u>	<u>\$ 97,840</u>

Special Revenue Funds - Non-Budgeted					
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	WIOA Grants
\$	\$ 19,180	\$ 1,447	\$ 21,818	\$ 31,945	\$
193	5,991				279
5,057	6,087		26,593	44,464	
<u>3,207</u>	<u>1,674</u>	<u>6,262</u>			
<u>8,457</u>	<u>13,752</u>	<u>6,262</u>	<u>26,593</u>	<u>44,464</u>	<u>279</u>
409	351			14,662	
	5				
<u>\$ 8,866</u>	<u>\$ 33,288</u>	<u>\$ 7,709</u>	<u>\$ 48,411</u>	<u>\$ 91,071</u>	<u>\$ 279</u>
\$ 18	\$ 1	\$ 45	\$ 17	\$	\$ 11
331	38				33
51				54,494	
2,193	15,542	675		891	
<u>3,079</u>	<u>19</u>	<u>755</u>	<u>3,718</u>		<u>235</u>
<u>5,672</u>	<u>15,600</u>	<u>1,475</u>	<u>3,735</u>	<u>55,385</u>	<u>279</u>
<u>3,194</u>	<u>1,669</u>	<u>6,220</u>		<u>14,662</u>	
<u>3,194</u>	<u>1,669</u>	<u>6,220</u>	<u>-</u>	<u>14,662</u>	<u>-</u>
	5				
	10,269	2		13,972	
	<u>5,745</u>	<u>12</u>	<u>44,676</u>	<u>7,052</u>	
<u>-</u>	<u>16,019</u>	<u>14</u>	<u>44,676</u>	<u>21,024</u>	<u>-</u>
<u>\$ 8,866</u>	<u>\$ 33,288</u>	<u>\$ 7,709</u>	<u>\$ 48,411</u>	<u>\$ 91,071</u>	<u>\$ 279</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(Amounts in Thousands)**

	<u>Special Revenue Funds - Non-Budgeted</u>		
	<u>Public Works Funds</u>	<u>Public Safety Funds</u>	<u>Gateway Shared Income Tax Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,848	\$ 7,668	\$ 2,432
Investments			
Receivables:			
Taxes			
Accounts			
Grants	25	643	
Loans			
Leases			
Accrued Interest			
Assessments			
Receivables, net	<u>25</u>	<u>643</u>	<u>-</u>
Due from other funds	21		
Due from other governments			309
Prepaid expenditures and other assets		<u>1</u>	
TOTAL ASSETS	<u>\$ 1,894</u>	<u>\$ 8,312</u>	<u>\$ 2,741</u>
LIABILITIES			
Accounts payable	\$ 31	\$ 27	\$
Accrued wages and benefits		20	
Due to other governments		6	1,362
Unearned revenue	359	165	
Due to other funds		<u>13</u>	<u>1,362</u>
Total liabilities	<u>390</u>	<u>231</u>	<u>2,724</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow			17
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>17</u>
FUND BALANCE			
Nonspendable		1	
Restricted	509	6,328	
Committed	<u>995</u>	<u>1,752</u>	
Total fund balances	<u>1,504</u>	<u>8,081</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,894</u>	<u>\$ 8,312</u>	<u>\$ 2,741</u>

Special Revenue Funds - Non-Budgeted

Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds
\$ 1,416	\$ 17,726	\$ 6,714	\$ 112,194	\$ 187,515
			-	-
			-	8,368
			-	2
			7,131	7,131
3,341	13,867	5,028	104,437	104,437
				1,569
	40		40	83
			11,143	11,143
<u>3,341</u>	<u>13,907</u>	<u>5,028</u>	<u>122,751</u>	<u>132,733</u>
		3,717	4,498	7,893
			14,971	23,944
			6	175
<u>\$ 4,757</u>	<u>\$ 31,633</u>	<u>\$ 15,459</u>	<u>\$ 254,420</u>	<u>\$ 352,260</u>
\$	\$	\$	\$ 150	\$ 2,568
			422	2,172
		15,459	71,372	72,168
			19,825	19,825
			9,181	9,878
<u>-</u>	<u>-</u>	<u>15,459</u>	<u>100,950</u>	<u>106,611</u>
			25,762	36,691
<u>-</u>	<u>-</u>	<u>-</u>	<u>25,762</u>	<u>36,691</u>
			6	175
	24,702		55,782	136,863
4,757	6,931		71,920	71,920
<u>4,757</u>	<u>31,633</u>	<u>-</u>	<u>127,708</u>	<u>208,958</u>
<u>\$ 4,757</u>	<u>\$ 31,633</u>	<u>\$ 15,459</u>	<u>\$ 254,420</u>	<u>\$ 352,260</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(Amounts in Thousands)**

	Debt Service Funds - Budgeted				
	Unvoted Tax Supported Obligations <u>Fund</u>	Subordinated Income Tax <u>Fund</u>	Lower Euclid Avenue TIF	Core City <u>Bonds</u>	Subordinate Lien Income Tax <u>Fund</u>
ASSETS					
Cash and cash equivalents	\$ 17,634	\$ 3,578	\$ 2,619	\$ 2,437	\$ 11,543
Investments	190				
Receivables:					
Taxes	29,520				
Grants					
Loans					
Accrued interest	58	11	8	7	33
Assessments					
Receivables, net	<u>29,578</u>	<u>11</u>	<u>8</u>	<u>7</u>	<u>33</u>
Due from other funds					
Due from other governments	1,850				
Prepaid expenditures and other assets					
TOTAL ASSETS	<u>\$ 49,252</u>	<u>\$ 3,589</u>	<u>\$ 2,627</u>	<u>\$ 2,444</u>	<u>\$ 11,576</u>
LIABILITIES					
Accounts payable	\$	\$	\$	\$	\$
Accrued wages and benefits					
Due to other governments					
Unearned revenue					
Due to other funds					
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow	<u>31,370</u>				
Total deferred inflows of resources	<u>31,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Nonspendable					
Restricted	17,882	3,589	2,627	2,444	11,576
Committed					
Total fund balances	<u>17,882</u>	<u>3,589</u>	<u>2,627</u>	<u>2,444</u>	<u>11,576</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 49,252</u>	<u>\$ 3,589</u>	<u>\$ 2,627</u>	<u>\$ 2,444</u>	<u>\$ 11,576</u>

Debt Service Funds		
Non-Budgeted		
Total Budgeted Funds	Cleveland Stadium Debt Service Fund	Total Debt Service Funds
\$ 37,811	\$ 9,949	\$ 47,760
190		190
29,520		29,520
-		-
-		-
117	31	148
-		-
<u>29,637</u>	<u>31</u>	<u>29,668</u>
-		-
1,850		1,850
-		-
<u>\$ 69,488</u>	<u>\$ 9,980</u>	<u>\$ 79,468</u>
\$ -	\$ -	\$ -
-		-
-		-
-		-
-		-
<u>-</u>	<u>-</u>	<u>-</u>
31,370		31,370
<u>31,370</u>	<u>-</u>	<u>31,370</u>
-		-
38,118	9,980	48,098
-		-
<u>38,118</u>	<u>9,980</u>	<u>48,098</u>
<u>\$ 69,488</u>	<u>\$ 9,980</u>	<u>\$ 79,468</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2022

(Amounts in Thousands)

	<u>Capital Projects Funds</u> <u>Non-Budgeted</u>		
	<u>Grant</u> <u>Improvement</u>	<u>Capital</u> <u>Improvement</u>	<u>Cleveland</u> <u>Stadium</u> <u>Construction</u>
ASSETS			
Cash and cash equivalents	\$ 926	\$ 12,770	\$ 16,340
Investments			
Receivables:			
Taxes			
Accounts			
Grants	1,295		
Loans			
Leases			
Accrued interest			13
Assessments			
Receivables, net	<u>1,295</u>	<u>-</u>	<u>13</u>
Due from other funds			
Due from other governments			
Prepaid expenditures and other assets			
TOTAL ASSETS	<u>\$ 2,221</u>	<u>\$ 12,770</u>	<u>\$ 16,353</u>
LIABILITIES			
Accounts payable	\$ 1,016	\$ 4,848	\$ 4,228
Accrued wages and benefits			
Due to other governments			
Unearned revenue	1,100		
Due to other funds	105		
Total liabilities	<u>2,221</u>	<u>4,848</u>	<u>4,228</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable			
Restricted		7,922	12,125
Committed			
Total fund balances	<u>-</u>	<u>7,922</u>	<u>12,125</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,221</u>	<u>\$ 12,770</u>	<u>\$ 16,353</u>

Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 30,036	\$ 265,311
-	190
-	37,888
-	2
1,295	8,426
-	104,437
-	1,569
13	244
-	11,143
<u>1,308</u>	<u>163,709</u>
-	7,893
-	25,794
-	175
<u>\$ 31,344</u>	<u>\$ 463,072</u>
\$ 10,092	\$ 12,660
-	2,172
-	72,168
1,100	20,925
105	9,983
<u>11,297</u>	<u>117,908</u>
-	68,061
-	68,061
-	175
20,047	205,008
-	71,920
<u>20,047</u>	<u>277,103</u>
<u>\$ 31,344</u>	<u>\$ 463,072</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	<u>Special Revenue Funds - Budgeted</u>			
	<u>Division of Streets</u>	<u>Restricted Income Tax</u>	<u>Cleveland Stadium Operations</u>	<u>Total Budgeted Funds</u>
REVENUES:				
Income taxes	\$	\$ 56,971	\$	\$ 56,971
Property taxes				-
Other shared revenues	18,026		4,669	22,695
Licenses and permits	463			463
Charges for services	16		250	266
Fines, forfeits and settlements				-
Investment earnings	190	463	243	896
Grants				-
Contributions				-
Miscellaneous	146			146
Total revenues	<u>18,841</u>	<u>57,434</u>	<u>5,162</u>	<u>81,437</u>
EXPENDITURES:				
Current:				
General Government				-
Public Works	31,581		1,306	32,887
Public Safety				-
Community Development				-
Building and Housing				-
Economic Development				-
Capital outlay	4,957	15,261		20,218
Debt service:				
Principal retirement		448		448
Interest		519		519
Other		1,103		1,103
Total expenditures	<u>36,538</u>	<u>17,331</u>	<u>1,306</u>	<u>55,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(17,697)</u>	<u>40,103</u>	<u>3,856</u>	<u>26,262</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	17,227		9,661	26,888
Transfers out		(38,969)	(17,446)	(56,415)
Issuance of bonds				-
Total other financing sources (uses)	<u>17,227</u>	<u>(38,969)</u>	<u>(7,785)</u>	<u>(29,527)</u>
NET CHANGE IN FUND BALANCES	(470)	1,134	(3,929)	(3,265)
FUND BALANCES AT BEGINNING OF YEAR	<u>18,639</u>	<u>39,201</u>	<u>26,675</u>	<u>84,515</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,169</u>	<u>\$ 40,335</u>	<u>\$ 22,746</u>	<u>\$ 81,250</u>

Special Revenue Funds - Non-Budgeted					
<u>Community Development Block Grants</u>	<u>Community Development Funds</u>	<u>Building and Housing Funds</u>	<u>Urban Development Action Funds</u>	<u>Economic Development Funds</u>	<u>WIOA Grants</u>
\$	\$	\$	\$	\$	\$
				13,435	
176	14	292			
27	8			15	
24,960	21,203	227	262	1,971	1,069
<u>170</u>	<u>2</u>	<u>72</u>	<u>152</u>	<u>1,103</u>	<u>1,069</u>
<u>25,333</u>	<u>21,227</u>	<u>591</u>	<u>414</u>	<u>16,524</u>	<u>1,069</u>
					1,069
25,060	16,311				
		591			
			4,137	16,284	
273					
				15	
				14	
<u>25,333</u>	<u>16,311</u>	<u>591</u>	<u>4,137</u>	<u>16,313</u>	<u>1,069</u>
-	4,916	-	(3,723)	211	-
			3,750		
				(655)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>(655)</u>	<u>-</u>
-	4,916	-	27	(444)	-
	11,103	14	44,649	21,468	
<u>\$ -</u>	<u>\$ 16,019</u>	<u>\$ 14</u>	<u>\$ 44,676</u>	<u>\$ 21,024</u>	<u>\$ -</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	Special Revenue Funds - Non-Budgeted		
	Public Works Funds	Public Safety Funds	Gateway Shared Income Tax Funds
REVENUES:			
Income taxes	\$	\$	\$
Property taxes			
Other shared revenues			
Licenses and permits	42		
Charges for services	140		
Fines, forfeits and settlements		450	
Investment earnings	6	69	
Grants	52	2,308	
Contributions			
Miscellaneous		1,916	
Total revenues	240	4,743	-
EXPENDITURES:			
Current:			
General Government			
Public Works	54		
Public Safety		2,474	
Community Development			
Building and Housing			
Economic Development			
Capital outlay	4	1	
Debt service:			
Principal retirement			
Interest			
Other			
Total expenditures	58	2,475	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	182	2,268	-
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out			
Issuance of bonds			
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	182	2,268	-
FUND BALANCES AT BEGINNING OF YEAR	1,322	5,813	-
FUND BALANCES AT END OF YEAR	\$ 1,504	\$ 8,081	\$ -

Special Revenue Funds - Non-Budgeted				
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non- Budgeted Funds	Total Special Revenue Funds
\$	\$	\$	\$	\$
			-	56,971
			-	-
	88	203	13,726	36,421
			42	505
			622	888
			450	450
	256	92	473	1,369
			52,052	52,052
			-	-
11	100		3,526	3,672
11	444	295	70,891	152,328
			1,069	1,069
			54	32,941
			2,474	2,474
			41,371	41,371
			591	591
735		295	21,451	21,451
	15		293	20,511
			15	463
			14	533
			-	1,103
735	15	295	67,332	122,507
(724)	429	-	3,559	29,821
			3,750	30,638
	(1,957)		(2,612)	(59,027)
			-	-
-	(1,957)	-	1,138	(28,389)
(724)	(1,528)	-	4,697	1,432
5,481	33,161		123,011	207,526
\$ 4,757	\$ 31,633	\$ -	\$ 127,708	\$ 208,958

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands)

	Debt Service Funds - Budgeted				
	Unvoted Tax Supported Obligations <u>Fund</u>	Subordinated Income Tax <u>Fund</u>	Lower Euclid Avenue TIF	Core City Bonds	Subordinate Lien Income Tax <u>Fund</u>
REVENUES:					
Income taxes	\$	\$	\$	\$	\$
Property taxes	23,244				
Other shared revenues	1,974				
Licenses and permits					
Charges for services					
Fines, forfeits and settlements					
Investment earnings	414	36	36	90	208
Grants					
Contributions					
Miscellaneous					377
Total revenues	<u>25,632</u>	<u>36</u>	<u>36</u>	<u>90</u>	<u>585</u>
EXPENDITURES:					
Current:					
General Government					
Public Works					
Public Safety					
Community Development					
Building and Housing					
Economic Development					
Capital outlay					
Debt service:					
Principal retirement	25,905	4,935	260	5,850	13,580
Interest	13,935	655	125	1,043	15,770
Total expenditures	<u>39,840</u>	<u>5,590</u>	<u>385</u>	<u>6,893</u>	<u>29,350</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,208)</u>	<u>(5,554)</u>	<u>(349)</u>	<u>(6,803)</u>	<u>(28,765)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	18,256	5,719	655	7,628	26,669
Transfers out					
Issuance of bonds					
Total other financing sources (uses)	<u>18,256</u>	<u>5,719</u>	<u>655</u>	<u>7,628</u>	<u>26,669</u>
NET CHANGE IN FUND BALANCES	4,048	165	306	825	(2,096)
FUND BALANCES AT BEGINNING OF YEAR	<u>13,834</u>	<u>3,424</u>	<u>2,321</u>	<u>1,619</u>	<u>13,672</u>
FUND BALANCES AT END OF YEAR	<u>\$ 17,882</u>	<u>\$ 3,589</u>	<u>\$ 2,627</u>	<u>\$ 2,444</u>	<u>\$ 11,576</u>

Total Budgeted Funds	Debt Service Funds Non-Budgeted	
	Cleveland Stadium Debt Service Fund	Total Debt Service Funds
\$ -	\$ -	\$ -
23,244		23,244
1,974		1,974
-		-
-		-
-		-
784	199	983
-		-
-		-
377		377
<u>26,379</u>	<u>199</u>	<u>26,578</u>
-		-
-		-
-		-
-		-
-		-
-		-
50,530	8,275	58,805
31,528	501	32,029
<u>82,058</u>	<u>8,776</u>	<u>90,834</u>
<u>(55,679)</u>	<u>(8,577)</u>	<u>(64,256)</u>
58,927	9,514	68,441
-		-
-		-
<u>58,927</u>	<u>9,514</u>	<u>68,441</u>
3,248	937	4,185
<u>34,870</u>	<u>9,043</u>	<u>43,913</u>
<u>\$ 38,118</u>	<u>\$ 9,980</u>	<u>\$ 48,098</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	Capital Projects Funds		
	Non-Budgeted		
	<u>Grant Improvement</u>	<u>Capital Improvement</u>	<u>Cleveland Stadium Construction</u>
REVENUES:			
Income taxes	\$	\$	\$
Property taxes			
Other shared revenues		160	
Licenses and permits			
Charges for services			
Fines, forfeits and settlements			
Investment earnings		54	194
Grants	14,493		
Contributions		705	
Miscellaneous			
Total revenues	<u>14,493</u>	<u>919</u>	<u>194</u>
EXPENDITURES:			
Current:			
General Government			
Public Works			
Public Safety			
Community Development			
Building and Housing			
Economic Development			
Capital outlay	14,493	818	8,569
Debt service:			
Principal retirement			
Interest			
Other			
Total expenditures	<u>14,493</u>	<u>818</u>	<u>8,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>101</u>	<u>(8,375)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			10,982
Transfers out			
Issuance of bonds			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,982</u>
NET CHANGE IN FUND BALANCES	-	101	2,607
FUND BALANCES AT BEGINNING OF YEAR		<u>7,821</u>	<u>9,518</u>
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ 7,922</u>	<u>\$ 12,125</u>

Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ 56,971
-	23,244
160	38,555
-	505
-	888
-	450
248	2,600
14,493	66,545
705	705
-	4,049
<u>15,606</u>	<u>194,512</u>
-	1,069
-	32,941
-	2,474
-	41,371
-	591
-	21,451
23,880	44,391
-	59,268
-	32,562
-	1,103
<u>23,880</u>	<u>237,221</u>
<u>(8,274)</u>	<u>(42,709)</u>
10,982	110,061
-	(59,027)
-	-
<u>10,982</u>	<u>51,034</u>
2,708	8,325
<u>17,339</u>	<u>268,778</u>
<u>\$ 20,047</u>	<u>\$ 277,103</u>

(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, 2022
(Amounts in Thousands)**

	Division of Streets			
	Original Budget	Revised Budget	Actual	Variance- Increase (Decrease)
REVENUES:				
Income taxes	\$ 17,774	\$ 17,774	\$ 17,908	\$ -
Other shared revenues	895	895	545	(350)
Licenses and permits	35	35	183	148
Charges for services	10	10	190	180
Investment earnings	<u>18,714</u>	<u>18,714</u>	<u>18,826</u>	<u>112</u>
Total revenues				
EXPENDITURES:				
Current:				
Public Works:				
Personnel	19,317	24,317	21,152	3,165
Other	9,067	9,517	9,475	42
Capital outlay	6,630	6,630	6,630	-
Principal retirement				-
Interest				-
Total expenditures	<u>35,014</u>	<u>40,464</u>	<u>37,257</u>	<u>3,207</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,300)</u>	<u>(21,750)</u>	<u>(18,431)</u>	<u>3,319</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	8,465	13,915	17,227	3,312
Transfers out				-
Total other financing sources (uses)	<u>8,465</u>	<u>13,915</u>	<u>17,227</u>	<u>3,312</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(7,835)</u>	<u>(7,835)</u>	<u>(1,204)</u>	<u>6,631</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			88	88
FUND BALANCES AT BEGINNING OF YEAR	<u>7,835</u>	<u>7,835</u>	<u>7,835</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,719</u>	<u>\$ 6,719</u>

Restricted Income Tax				Rainy Day Reserve Fund				Payroll Reserve Fund			
Original Budget	Revised Budget	Actual	Variance-Increase (Decrease)	Original Budget	Revised Budget	Actual	Variance-Increase (Decrease)	Original Budget	Revised Budget	Actual	Variance-Increase (Decrease)
\$ 53,571	\$ 53,571	\$ 57,927	\$ 4,356	\$	\$	\$	\$ -	\$	\$	\$	\$ -
			-				-				-
			-				-				-
			-				-				-
20	20	463	443	25	25	825	800				-
53,591	53,591	58,390	4,799	25	25	825	800	-	-	-	-
			-				-				-
			-				-				-
12,362	12,520	12,520	-				-				-
1,460	1,491	1,583	(92)				-				-
620	611	519	92				-				-
14,442	14,622	14,622	-	-	-	-	-	-	-	-	-
39,149	38,969	43,768	4,799	25	25	825	800	-	-	-	-
			-		20,000	20,000	-		90,000	90,000	-
(39,149)	(38,969)	(38,969)	-				-				-
(39,149)	(38,969)	(38,969)	-	-	20,000	20,000	-	-	90,000	90,000	-
		4,799	4,799	25	20,025	20,825	800		90,000	90,000	-
		197	197				-				-
285	285	285	-	45,007	45,007	45,007	-				-
\$ 285	\$ 285	\$ 5,281	\$ 4,996	\$ 45,032	\$ 65,032	\$ 65,832	\$ 800	\$ -	\$ 90,000	\$ 90,000	\$ -

(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, 2022
(Amounts in Thousands)**

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

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, 2022
(Amounts in Thousands)**

	Unvoted Tax Supported Obligations Fund			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Increase (Decrease)</u>
REVENUES:				
Property taxes	\$ 22,800	\$ 22,800	\$ 23,244	\$ 444
Other shared revenues	1,876	1,876	1,974	98
Investment earnings	7	7	382	375
Miscellaneous				-
Total revenues	<u>24,683</u>	<u>24,683</u>	<u>25,600</u>	<u>917</u>
EXPENDITURES:				
Principal retirement	25,905	25,905	25,905	-
Interest	13,894	13,936	13,935	1
Total expenditures	<u>39,799</u>	<u>39,841</u>	<u>39,840</u>	<u>1</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,116)</u>	<u>(15,158)</u>	<u>(14,240)</u>	<u>918</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
From other subfunds			5,956	5,956
Restricted income tax fund	13,250	13,250	12,300	(950)
Transfers out:				
To other subfunds				-
Total other financing sources (uses)	<u>13,250</u>	<u>13,250</u>	<u>18,256</u>	<u>5,006</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,866)</u>	<u>(1,908)</u>	<u>4,016</u>	<u>5,924</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>13,830</u>	<u>13,830</u>	<u>13,830</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 11,964</u>	<u>\$ 11,922</u>	<u>\$ 17,846</u>	<u>\$ 5,924</u>

Subordinated Income Tax Fund			
Original Budget	Revised Budget	Actual	Variance- Increase (Decrease)
\$	\$	\$	\$
			-
1	1	25	24
<u>1</u>	<u>1</u>	<u>25</u>	<u>24</u>
4,935	4,935	4,935	-
655	655	655	-
<u>5,590</u>	<u>5,590</u>	<u>5,590</u>	<u>-</u>
<u>(5,589)</u>	<u>(5,589)</u>	<u>(5,565)</u>	<u>24</u>
			-
5,719	5,719	5,719	-
<u>5,719</u>	<u>5,719</u>	<u>5,719</u>	<u>-</u>
			-
130	130	154	24
<u>3,424</u>	<u>3,424</u>	<u>3,424</u>	<u>-</u>
<u>\$ 3,554</u>	<u>\$ 3,554</u>	<u>\$ 3,578</u>	<u>\$ 24</u>

(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, 2022**

(Amounts in Thousands)

	Lower Euclid Avenue TIF				Core City Bonds			
	Original Budget	Revised Budget	Actual	Variance- Increase (Decrease)	Original Budget	Revised Budget	Actual	Variance- Increase (Decrease)
REVENUES:								
Property taxes	\$	\$	\$	\$ -	\$	\$	\$	\$ -
Other shared revenues				-				-
Investment earnings			28	28	2	2	83	81
Miscellaneous				-				-
Total revenues	<u>-</u>	<u>-</u>	<u>28</u>	<u>28</u>	<u>2</u>	<u>2</u>	<u>83</u>	<u>81</u>
EXPENDITURES:								
Principal retirement	260	260	260	-	5,770	5,770	5,850	(80)
Interest	125	125	125	-	1,123	1,123	1,043	80
Total expenditures	<u>385</u>	<u>385</u>	<u>385</u>	<u>-</u>	<u>6,893</u>	<u>6,893</u>	<u>6,893</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(385)</u>	<u>(385)</u>	<u>(357)</u>	<u>28</u>	<u>(6,891)</u>	<u>(6,891)</u>	<u>(6,810)</u>	<u>81</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	385	385	655	270	6,960	6,960	7,628	668
Restricted income tax fund				-				-
Transfers out:								
To other subfunds				-				-
Total other financing sources (uses)	<u>385</u>	<u>385</u>	<u>655</u>	<u>270</u>	<u>6,960</u>	<u>6,960</u>	<u>7,628</u>	<u>668</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>298</u>	<u>298</u>	<u>69</u>	<u>69</u>	<u>818</u>	<u>749</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>2,321</u>	<u>2,321</u>	<u>2,321</u>	<u>-</u>	<u>1,619</u>	<u>1,619</u>	<u>1,619</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,321</u>	<u>\$ 2,321</u>	<u>\$ 2,619</u>	<u>\$ 298</u>	<u>\$ 1,688</u>	<u>\$ 1,688</u>	<u>\$ 2,437</u>	<u>\$ 749</u>

Subordinate Lien Income Tax Bonds				Totals			
Original Budget	Revised Budget	Actual	Variance- Increase (Decrease)	Original Budget	Revised Budget	Actual	Variance- Increase (Decrease)
\$	\$	\$	\$ -	\$ 22,800	\$ 22,800	\$ 23,244	\$ 444
			-	1,876	1,876	1,974	98
4	4	175	171	14	14	693	679
407	407	377	(30)	407	407	377	(30)
411	411	552	141	25,097	25,097	26,288	1,191
13,580	13,580	13,580	-	50,450	50,450	50,530	(80)
15,770	15,770	15,770	-	31,567	31,609	31,528	81
29,350	29,350	29,350	-	82,017	82,059	82,058	1
(28,939)	(28,939)	(28,798)	141	(56,920)	(56,962)	(55,770)	1,192
30,170	30,170	26,669	(3,501)	7,345	7,345	14,239	6,894
			-	49,139	49,139	44,688	(4,451)
30,170	30,170	26,669	(3,501)	-	-	-	-
			-	56,484	56,484	58,927	2,443
1,231	1,231	(2,129)	(3,360)	(436)	(478)	3,157	3,635
13,672	13,672	13,672	-	34,866	34,866	34,866	-
\$ 14,903	\$ 14,903	\$ 11,543	\$ (3,360)	\$ 34,430	\$ 34,388	\$ 38,023	\$ 3,635

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CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

Public Auditorium

The Public Auditorium is a multi-purpose performing arts, entertainment and conference center. It was constructed in the grand opera tradition and features a spacious 21,780 square foot registration lobby, a 10,000 seat auditorium, the 3,000 seat Cleveland Music Hall and 600 seat Little Theater.

West Side Market

The West Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.

East Side Market

The East Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.

Municipal Parking Lots

The Division of Parking was established to provide municipal parking within the City's limits.

Cemeteries

The Division of Cemeteries was established to provide interment and cremation services for the City and its neighboring communities.

Golf Courses

The Golf Course Division was established to provide the City and neighboring communities with recreational facilities for golfing and cross country skiing. Currently, one of the City golf courses is being leased out. Seneca is being leased by Cleveland Metroparks.

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2022
(Amounts in Thousands)**

	<u>Public Auditorium</u>	<u>West Side Market</u>	<u>East Side Market</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 59	\$ 752	\$
Receivables:			
Accounts	81		
Less: Allowance for doubtful accounts	<u>(26)</u>		
Receivables, net	<u>55</u>	<u>-</u>	<u>-</u>
Due from other funds			
Inventory of supplies			
Prepaid expenses and other assets	<u>12</u>	<u>2</u>	
Total current assets	<u>126</u>	<u>754</u>	<u>-</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents			
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets:			
Land	4,261	198	413
Land improvements		848	484
Buildings, structures and improvements	26,535	15,311	8,241
Furniture, fixtures, equipment and vehicles	1,058	1,821	450
Construction in progress	6,840	4,375	
Less: Accumulated depreciation	<u>(22,893)</u>	<u>(13,331)</u>	<u>(3,331)</u>
Total capital assets, net	<u>15,801</u>	<u>9,222</u>	<u>6,257</u>
Net Pension Asset	22	7	
Net OPEB Asset	<u>188</u>	<u>61</u>	
Total noncurrent assets	<u>16,011</u>	<u>9,290</u>	<u>6,257</u>
Total assets	<u>16,137</u>	<u>10,044</u>	<u>6,257</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instruments-interest rate swaps			
Pension	232	72	
OPEB	<u>3</u>		
Total deferred outflows of resources	<u>235</u>	<u>72</u>	<u>-</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 887	\$ 240	\$ 1,128	\$ 3,066
37	5		123
<u>37</u>	<u>5</u>	<u>-</u>	<u>(26)</u>
			<u>97</u>
32			32
10	5		5
<u>966</u>	<u>9</u>	<u>1,128</u>	<u>33</u>
	<u>259</u>		<u>3,233</u>
7,150	5,084		12,234
<u>7,150</u>	<u>5,084</u>	<u>-</u>	<u>12,234</u>
5,478	1,259	1,822	13,431
4,374	5,692	4,083	15,481
58,908	12,200	2,003	123,198
2,227	571	334	6,461
4,335	1,937	86	17,573
<u>(40,743)</u>	<u>(8,989)</u>	<u>(5,722)</u>	<u>(95,009)</u>
<u>34,579</u>	<u>12,670</u>	<u>2,606</u>	<u>81,135</u>
20	20		69
<u>170</u>	<u>170</u>		<u>589</u>
41,919	17,944	2,606	94,027
<u>42,885</u>	<u>18,203</u>	<u>3,734</u>	<u>97,260</u>
1			1
201	201		706
<u>1</u>	<u>1</u>		<u>5</u>
<u>203</u>	<u>202</u>	<u>-</u>	<u>712</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2022

(Amounts in Thousands)

	<u>Public Auditorium</u>	<u>West Side Market</u>	<u>East Side Market</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 90	\$ 150	\$
Accrued wages and benefits	254	121	
Due to other funds	38	25	
Due to other governments			
Total current liabilities	<u>382</u>	<u>296</u>	<u>-</u>
Long-term liabilities:			
Accrued wages and benefits	61	7	
Net pension liability	<u>529</u>	<u>171</u>	
Total liabilities	<u>972</u>	<u>474</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	649	214	
OPEB	<u>194</u>	<u>63</u>	
Total deferred inflows of resources	<u>843</u>	<u>277</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	15,801	9,222	6,257
Unrestricted	<u>(1,244)</u>	<u>143</u>	
Total net position	<u>\$ 14,557</u>	<u>\$ 9,365</u>	<u>\$ 6,257</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 305	\$ 8	\$ 124	\$ 677
137	168		680
55	11		129
250			250
<u>747</u>	<u>187</u>	<u>124</u>	<u>1,736</u>
148	24		240
478	478		1,656
<u>1,373</u>	<u>689</u>	<u>124</u>	<u>3,632</u>
648	648		2,159
184	184		625
<u>832</u>	<u>832</u>	<u>-</u>	<u>2,784</u>
34,579	12,670	2,606	81,135
<u>6,304</u>	<u>4,214</u>	<u>1,004</u>	<u>10,421</u>
<u>\$ 40,883</u>	<u>\$ 16,884</u>	<u>\$ 3,610</u>	<u>\$ 91,556</u>

(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, 2022**

(Amounts in Thousands)

	<u>Public Auditorium</u>	<u>West Side Market</u>	<u>East Side Market</u>
OPERATING REVENUES:			
Charges for services	\$ 1,073	\$ 1,167	\$ -
Total operating revenue	<u>1,073</u>	<u>1,167</u>	<u>-</u>
OPERATING EXPENSES:			
Operations	2,080	1,233	
Maintenance	10	10	
Depreciation	290	565	224
Total operating expenses	<u>2,380</u>	<u>1,808</u>	<u>224</u>
OPERATING INCOME (LOSS)	<u>(1,307)</u>	<u>(641)</u>	<u>(224)</u>
NON-OPERATING REVENUE (EXPENSES):			
Investment income (loss)		9	
Interest expense			
Other revenues (expenses)		(71)	
Total non-operating revenues (expenses)	<u>-</u>	<u>(62)</u>	<u>-</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(1,307)</u>	<u>(703)</u>	<u>(224)</u>
Capital contributions	1,012	3,107	
Transfers in	1,830	540	
CHANGE IN NET POSITION	<u>1,535</u>	<u>2,944</u>	<u>(224)</u>
NET POSITION AT BEGINNING OF YEAR	<u>13,022</u>	<u>6,421</u>	<u>6,481</u>
NET POSITION AT END OF YEAR	<u>\$ 14,557</u>	<u>\$ 9,365</u>	<u>\$ 6,257</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 6,748	\$ 1,536	\$ 696	\$ 11,220
<u>6,748</u>	<u>1,536</u>	<u>696</u>	<u>11,220</u>
6,631	1,283	1,462	12,689
42	2		64
<u>1,847</u>	<u>805</u>	<u>105</u>	<u>3,836</u>
<u>8,520</u>	<u>2,090</u>	<u>1,567</u>	<u>16,589</u>
<u>(1,772)</u>	<u>(554)</u>	<u>(871)</u>	<u>(5,369)</u>
80	83		172
(169)			(169)
		<u>9</u>	<u>(62)</u>
<u>(89)</u>	<u>83</u>	<u>9</u>	<u>(59)</u>
(1,861)	(471)	(862)	(5,428)
2,087		4	6,210
<u>800</u>	<u>250</u>	<u>603</u>	<u>4,023</u>
1,026	(221)	(255)	4,805
<u>39,857</u>	<u>17,105</u>	<u>3,865</u>	<u>86,751</u>
<u>\$ 40,883</u>	<u>\$ 16,884</u>	<u>\$ 3,610</u>	<u>\$ 91,556</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	<u>Public Auditorium</u>	<u>West Side Market</u>	<u>East Side Market</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,023	\$ 1,167	\$
Cash payments to suppliers for goods or services	(1,373)	(864)	
Cash payments to employees for services	(1,477)	(405)	
Net cash provided by (used for) operating activities	<u>(1,827)</u>	<u>(102)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds	1,830	540	
Cash received for royalties			
Net cash provided by (used for) noncapital financing activities	<u>1,830</u>	<u>540</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets			
Principal paid on long-term debt			
Interest paid on long-term debt			
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments		9	
Net cash provided by (used for) investing activities	<u>-</u>	<u>9</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3	447	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>56</u>	<u>305</u>	
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 59</u>	<u>\$ 752</u>	<u>\$ -</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 6,713	\$ 1,625	\$ 696	\$ 11,224
(5,517)	(499)	(1,374)	(9,627)
<u>(1,324)</u>	<u>(1,224)</u>	<u>(678)</u>	<u>(4,430)</u>
<u>(128)</u>	<u>(98)</u>	<u>(678)</u>	<u>(2,833)</u>
800	250	603	4,023
		9	9
<u>800</u>	<u>250</u>	<u>612</u>	<u>4,032</u>
	(25)		(25)
(3,930)			(3,930)
<u>(208)</u>			<u>(208)</u>
<u>(4,138)</u>	<u>(25)</u>	<u>-</u>	<u>(4,163)</u>
80	83		172
<u>80</u>	<u>83</u>	<u>-</u>	<u>172</u>
(3,386)	210	(66)	(2,792)
<u>11,423</u>	<u>5,114</u>	<u>1,194</u>	<u>18,092</u>
<u>\$ 8,037</u>	<u>\$ 5,324</u>	<u>\$ 1,128</u>	<u>\$ 15,300</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	<u>Public Auditorium</u>	<u>West Side Market</u>	<u>East Side Market</u>
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY (USED FOR)			
OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,307)	\$ (641)	\$ (224)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	290	565	224
(Increase) Decrease in Assets:			
Receivables, net	(50)		
Prepaid expenses and other assets	(4)		
Due from other funds			
Net Pension Asset	(22)	(7)	
Net OPEB Asset	(83)	(26)	
(Increase) Decrease in Deferred Outflows of Resources:			
Pension	(8)	(11)	
OPEB	75	19	
Increase (Decrease) in Liabilities:			
Accounts payable	3	12	
Accrued wages and benefits	156	58	
Net pension liability	(858)	(119)	
Due to other funds	(11)	9	
Due to other governments			
Increase (Decrease) in Deferred Inflows of Resources:			
Pension	161	83	
OPEB	(169)	(44)	
Total adjustments	<u>(520)</u>	<u>539</u>	<u>224</u>
NET CASH PROVIDED BY (USED FOR)			
OPERATING ACTIVITIES	<u>\$ (1,827)</u>	<u>\$ (102)</u>	<u>\$ -</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of Capital Assets	\$ 1,012	\$ 3,107	\$

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ (1,772)	\$ (554)	\$ (871)	\$ (5,369)
1,847	805	105	3,836
5	(5)		(50)
(3)	(2)		(9)
(10)			(10)
(20)	(20)		(69)
(65)	(65)		(239)
(69)	(85)		(173)
56	56		206
144	(7)	89	241
37	51		302
(393)	(393)		(1,763)
2	5		5
		(1)	(1)
251	254		749
(138)	(138)		(489)
<u>1,644</u>	<u>456</u>	<u>193</u>	<u>2,536</u>
\$ (128)	\$ (98)	\$ (678)	\$ (2,833)

\$ 2,087 \$ \$ 4 \$ 6,210

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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, 2022

(Amounts in Thousands)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,710	\$ 948	\$ 40	\$ 2,469
Receivables:				
Accounts	2			
Leases				
Accrued interest				
Due from other funds	2,212	143	29	16
Inventory of supplies	1,906	70		
Prepaid expenses and other assets	48	31	1	106
Total current assets	<u>17,878</u>	<u>1,192</u>	<u>70</u>	<u>2,591</u>
Noncurrent assets:				
Capital assets:				
Land	663			
Land improvements	226			
Buildings, structures and improvements	3,170	884		317
Furniture, fixtures, equipment and vehicles	18,038	1,497		1,916
Construction in progress				
Less: Accumulated depreciation	<u>(19,984)</u>	<u>(1,845)</u>	<u>-</u>	<u>(1,855)</u>
Total capital assets, net	<u>2,113</u>	<u>536</u>	<u>-</u>	<u>378</u>
Net Pension Assets	102	17	1	210
Net OPEB Asset	847	139	12	1,749
Right to use asset (net of accumulated amortization)				
Total noncurrent assets	<u>3,062</u>	<u>692</u>	<u>13</u>	<u>2,337</u>
TOTAL ASSETS	<u>20,940</u>	<u>1,884</u>	<u>83</u>	<u>4,928</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,006	228	63	2,068
OPEB	7	9	6	12
Total deferred outflows of resources	<u>1,013</u>	<u>237</u>	<u>69</u>	<u>2,080</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Health Self Insurance Fund</u>	<u>Prescription Self Insurance Fund</u>	<u>Total</u>
\$ 336	\$ 2,079	\$ 2,609	\$ 2,320	\$ 14,771	\$ 12,489	\$ 2,725	\$ 54,496
					102	22	126
			1,664				1,664
			6				6
16		4	9				2,429
							1,976
2	49	225	119				581
<u>354</u>	<u>2,128</u>	<u>2,838</u>	<u>4,118</u>	<u>14,771</u>	<u>12,591</u>	<u>2,747</u>	<u>61,278</u>
							663
			50				276
			112				4,483
	421	88	422				22,382
			1,432				1,432
	(347)	(88)	(398)				(24,517)
<u>-</u>	<u>74</u>	<u>-</u>	<u>1,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,719</u>
4	120	25	8				487
36	1,005	212	67				4,067
			771				771
<u>40</u>	<u>1,199</u>	<u>237</u>	<u>2,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,044</u>
<u>394</u>	<u>3,327</u>	<u>3,075</u>	<u>6,582</u>	<u>14,771</u>	<u>12,591</u>	<u>2,747</u>	<u>71,322</u>
44	1,258	357	98				5,122
1	16	16	3				70
<u>45</u>	<u>1,274</u>	<u>373</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,192</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2022
(Amounts in Thousands)**

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,175	\$ 155	\$ 7	\$ 20
Accrued wages and benefits	709	123	7	1,373
Claims payable				
Due to other funds	8	1		10
Due to other governments				
Accrued interest payable				
Leases				
Total current liabilities	<u>2,892</u>	<u>279</u>	<u>7</u>	<u>1,403</u>
Long-term liabilities:				
Accrued wages and benefits	426	18	8	563
Lease liability				
Net pension liability	2,389	393	34	4,933
Net OPEB liability				
Total liabilities	<u>5,707</u>	<u>690</u>	<u>49</u>	<u>6,899</u>
DEFERRED INFLOWS OF RESOURCES				
Lease				
Pension	3,241	482	42	6,205
OPEB	918	144	13	1,829
Total deferred inflows of resources	<u>4,159</u>	<u>626</u>	<u>55</u>	<u>8,034</u>
NET POSITION				
Net investment in capital assets	2,113	536		378
Unrestricted	9,974	269	48	(8,303)
Total net position	<u>\$ 12,087</u>	<u>\$ 805</u>	<u>\$ 48</u>	<u>\$ (7,925)</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Health Self Insurance Fund</u>	<u>Prescription Self Insurance Fund</u>	<u>Total</u>
\$ 18	\$ 450	\$ 1,184	\$ 38	\$	\$	\$	\$ 4,040
27	753	142	51	6,815			10,000
	8		1		11,501	319	11,820
	717		14				28
			3				731
			20				3
<u>45</u>	<u>1,928</u>	<u>1,326</u>	<u>127</u>	<u>6,815</u>	<u>11,501</u>	<u>319</u>	<u>26,642</u>
23	274	56	13				1,381
			785				785
103	2,833	597	188				11,470
<u>171</u>	<u>5,035</u>	<u>1,979</u>	<u>1,113</u>	<u>6,815</u>	<u>11,501</u>	<u>319</u>	<u>40,278</u>
			1,612				1,612
227	3,475	734	230				14,636
51	1,038	219	69				4,281
<u>278</u>	<u>4,513</u>	<u>953</u>	<u>1,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,529</u>
	74		1,618				4,719
(10)	(5,021)	516	2,041	7,956	1,090	2,428	10,988
<u>\$ (10)</u>	<u>\$ (4,947)</u>	<u>\$ 516</u>	<u>\$ 3,659</u>	<u>\$ 7,956</u>	<u>\$ 1,090</u>	<u>\$ 2,428</u>	<u>\$ 15,707</u>

(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, 2022**

(Amounts in Thousands)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
OPERATING REVENUES:				
Charges for services	\$ 27,186	\$ 2,566	\$ 451	\$ 15,735
Total operating revenue	<u>27,186</u>	<u>2,566</u>	<u>451</u>	<u>15,735</u>
OPERATING EXPENSES:				
Operations	21,581	2,024	548	13,709
Maintenance	790	113		194
Depreciation	251	70		83
Total operating expenses	<u>22,622</u>	<u>2,207</u>	<u>548</u>	<u>13,986</u>
OPERATING INCOME (LOSS)	<u>4,564</u>	<u>359</u>	<u>(97)</u>	<u>1,749</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment income	162	12		33
Interest revenue (expense)				
Loss on disposal of capital assets	(12)			
Other revenue (expenses)				
Total non-operating revenues (expenses)	<u>150</u>	<u>12</u>	<u>-</u>	<u>33</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>4,714</u>	<u>371</u>	<u>(97)</u>	<u>1,782</u>
Capital contributions				
Transfers in				
CHANGE IN NET POSITION	<u>4,714</u>	<u>371</u>	<u>(97)</u>	<u>1,782</u>
NET POSITION AT BEGINNING OF YEAR	<u>7,373</u>	<u>434</u>	<u>145</u>	<u>(9,707)</u>
NET POSITION AT END OF YEAR	<u>\$ 12,087</u>	<u>\$ 805</u>	<u>\$ 48</u>	<u>\$ (7,925)</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Health Self Insurance Fund</u>	<u>Prescription Self Insurance Fund</u>	<u>Total</u>
\$ 53	\$ 10,023	\$ 11,233	\$ 3,185	\$ 1,270	\$ 91,045	\$ 12,138	\$ 174,885
53	10,023	11,233	3,185	1,270	91,045	12,138	174,885
581	7,331	11,231	1,049		93,646	16,246	167,946
	141	29	2,015				3,282
	49		55				508
581	7,521	11,260	3,119	-	93,646	16,246	171,736
(528)	2,502	(27)	66	1,270	(2,601)	(4,108)	3,149
	336	29	31				603
			37				37
			35				(12)
							35
-	336	29	103	-	-	-	663
(528)	2,838	2	169	1,270	(2,601)	(4,108)	3,812
617							617
89	2,838	2	169	1,270	(2,601)	(4,108)	4,429
(99)	(7,785)	514	3,490	6,686	3,691	6,536	11,278
<u>\$ (10)</u>	<u>\$ (4,947)</u>	<u>\$ 516</u>	<u>\$ 3,659</u>	<u>\$ 7,956</u>	<u>\$ 1,090</u>	<u>\$ 2,428</u>	<u>\$ 15,707</u>

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 26,586	\$ 2,550	\$ 471	\$ 15,735
Cash payments to suppliers for goods or services	(16,633)	(1,185)	(473)	(2,616)
Cash payments to employees for services	(6,193)	(955)	(67)	(11,279)
Net cash provided by (used for) operating activities	<u>3,760</u>	<u>410</u>	<u>(69)</u>	<u>1,840</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received through transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(306)			
Principal paid on long term lease obligations				
Revenue from leases				
Net cash provided by (used for) capital and related financing activities	<u>(306)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>162</u>	<u>12</u>		<u>33</u>
Net cash provided by (used for) investing activities	<u>162</u>	<u>12</u>	<u>-</u>	<u>33</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,616	422	(69)	1,873
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,094</u>	<u>526</u>	<u>109</u>	<u>596</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,710</u>	<u>\$ 948</u>	<u>\$ 40</u>	<u>\$ 2,469</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Health Self Insurance Fund</u>	<u>Prescription Self Insurance Fund</u>	<u>Total</u>
\$ 57	\$ 9,500	\$ 11,925	\$ 3,629	\$	\$ 90,944	\$ 12,116	\$ 173,513
(479)	(3,397)	(10,010)	(3,000)		(93,798)	(16,161)	(147,752)
(232)	(6,584)	(1,383)	(430)				(27,123)
(654)	(481)	532	199	-	(2,854)	(4,045)	(1,362)
617							617
617	-	-	-	-	-	-	617
	(10)		(94)				(410)
			(92)				(92)
			164				164
-	(10)	-	(22)	-	-	-	(338)
	336	29	31				603
-	336	29	31	-	-	-	603
(37)	(155)	561	208	-	(2,854)	(4,045)	(480)
373	2,234	2,048	2,112	14,771	15,343	6,770	54,976
<u>\$ 336</u>	<u>\$ 2,079</u>	<u>\$ 2,609</u>	<u>\$ 2,320</u>	<u>\$ 14,771</u>	<u>\$ 12,489</u>	<u>\$ 2,725</u>	<u>\$ 54,496</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 4,564	\$ 359	\$ (97)	\$ 1,749
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	251	70		83
(Increase) Decrease in Assets:				
Receivables, net	(2)			
Accrued interest receivable				
Prepaid expenses and other assets	(10)	(2)	(1)	(14)
Due from other funds	(598)	(16)	21	(5)
Inventory of supplies		77		
Right to use asset, net of amortization				
Net pension assets	(102)	(17)	(1)	(210)
Net OPEB Asset	(320)	(69)	(12)	(730)
(Increase) Decrease in Deferred Outflows of Resources:				
Pension	(474)	(110)	(63)	(228)
OPEB	256	50	(6)	453
Increase (Decrease) in Liabilities:				
Accounts payable	1,064	77		2
Accrued wages and benefits	(32)	(10)	1	22
Claims Payable				
Due to other funds	(9)	(1)		4
Due to other governments				
Accrued interest payable				
Lease liability				
Long term Lease liability				
Net pension liability	(1,418)	(28)	34	(726)
Net OPEB liability				
Increase (Decrease) in Deferred Inflows of Resources:				
Leases				
Pension	1,281	142	42	2,680
OPEB	(691)	(112)	13	(1,240)
Total adjustments	<u>(804)</u>	<u>51</u>	<u>28</u>	<u>91</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 3,760</u>	<u>\$ 410</u>	<u>\$ (69)</u>	<u>\$ 1,840</u>
 FINANCING ACTIVITIES:				
Contributions of Capital Assets	\$	\$	\$	\$

<u>Sinking</u> <u>Fund</u> <u>Administration</u>	<u>Municipal</u> <u>Income Tax</u> <u>Administration</u>	<u>Telephone</u> <u>Exchange</u>	<u>Radio</u> <u>Communications</u>	<u>Workers'</u> <u>Compensation</u> <u>Reserve</u>	<u>Health Self</u> <u>Insurance</u> <u>Fund</u>	<u>Prescription Self</u> <u>Insurance</u> <u>Fund</u>	<u>Total</u>
\$ (528)	\$ 2,502	\$ (27)	\$ 66	\$ 1,270	\$ (2,601)	\$ (4,108)	\$ 3,149
	49		55				508
			(1,664)		(102)	(22)	(1,790)
(1)	(9)	(2)	(6)				(6)
3		692	337				434
							77
			(771)				(771)
(4)	(31)	(25)	(8)				(398)
(1)	(443)	(106)	(32)				(1,713)
(7)	(591)	(149)	29				(1,593)
18	266	61	16				1,114
9	336	273	(80)				1,681
4	6	10	(8)	(1,270)			(1,277)
					(149)	85	(64)
	(5)		(1)		(2)		(14)
	(522)		(6)				(528)
			3				3
			20				20
			785				785
(187)	(1,901)	(342)	(205)				(4,773)
			1,612				1,612
96	871	266	95				5,473
(56)	(1,009)	(119)	(38)				(3,252)
(126)	(2,983)	559	133	(1,270)	(253)	63	(4,511)
\$ (654)	\$ (481)	\$ 532	\$ 199	\$ -	\$ (2,854)	\$ (4,045)	\$ (1,362)

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CITY OF CLEVELAND, OHIO

CUSTODIAL FUNDS

Custodial Funds are used to account for assets received and held by the City acting in the capacity of custodian. The City's Custodial 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.

Other Custodials

To account for miscellaneous assets held by the City for governmental units or individuals.

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 December 31, 2022
 (Amounts in Thousands)

	Municipal Courts	Central Collection Agency	Other	Total
Assets				
Cash and cash equivalents	\$ 2,197	\$ 3,702	\$ 10,582	\$ 16,481
Taxes receivable		16,601		16,601
Accounts receivable			4,403	4,403
Due from other governments		1,388		1,388
Total assets	<u>2,197</u>	<u>21,691</u>	<u>14,985</u>	<u>38,873</u>
Liabilities				
Accounts payable			3,310	3,310
Due to others	2,197			2,197
Due to other government		21,691	2,429	24,120
Total liabilities	<u>2,197</u>	<u>21,691</u>	<u>5,739</u>	<u>29,627</u>
Deferred Inflow of Resources				
			4,403	4,403
Total Liabilities and Deferred Inflows				
	<u>2,197</u>	<u>21,691</u>	<u>10,142</u>	<u>34,030</u>
Net Position				
Restricted for individuals, organizations and other governments			4,843	4,843
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,843</u>	<u>\$ 4,843</u>

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands)

	Municipal Courts	Central Collection Agency	Other	Total
Additions				
Law enforcement funds	\$	\$	\$ 393	\$ 393
Governmental and custodial funds			217	217
Vital Cert Fees Due State			56	56
Hilton Contribution Fund			248	248
Income tax collected for other governments		77,095		77,095
Fines collected for other governments	16,584			16,584
Special Assessments			127	127
Fire escrow			67	67
Other			69	69
Total additions	<u>16,584</u>	<u>77,095</u>	<u>1,177</u>	<u>94,856</u>
Deductions				
Fire Escrow			31	31
Vital Cert Fees Due State			239	239
Special assessments			24	24
Governmental and custodial funds			955	955
Law enforcement funds			949	949
Payments of income tax to other governments		77,095		77,095
Payments of fines to other governments	16,584			16,584
Other			67	67
Total deductions	<u>16,584</u>	<u>77,095</u>	<u>2,265</u>	<u>95,944</u>
Change in net position	-	-	(1,088)	(1,088)
Net position, beginning of year			<u>5,931</u>	<u>5,931</u>
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,843</u>	<u>\$ 4,843</u>

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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, 2022 (Amounts in Thousands)

Governmental Funds Capital Assets:

Land	\$ 72,341
Land improvements	241,243
Buildings, structures and improvements	719,307
Furniture, fixtures, equipment and vehicles	287,292
Infrastructure	895,800
Construction in progress	<u>374,719</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 2,590,702</u>

* 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 position.

CITY OF CLEVELAND, OHIO

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2022
(Amounts in Thousands)**

	<u>Total</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings, Structures and Improvements</u>	<u>Furniture, Fixtures, Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>
General Government:							
General government	\$ 389,050	\$ 2,998	\$ 2,329	\$ 307,131	\$ 31,347	\$ 16,200	\$ 29,045
City Hall	29,538	877		26,004		1,347	1,310
Engineering and construction	516,494		28,083		1,789	486,317	305
Research, planning and development	49,035	903	39,786	4,326	61	2,997	962
Charles V. Carr Municipal Center	647		15	632			
Total general government	<u>984,764</u>	<u>4,778</u>	<u>70,213</u>	<u>338,093</u>	<u>33,197</u>	<u>506,861</u>	<u>31,622</u>
Public Works:							
Waste collection	45,211	499		9,999	31,777	1,460	1,476
Streets	628,991	1,540	11,602	14,393	29,792	358,642	213,022
Traffic engineering	5,505			813	2,475	2,200	17
Park maintenance and properties	187,009	38,737	79,739	27,996	18,616	316	21,605
Recreation	199,610	869	67,642	83,923	2,816		44,360
Other	148,604	2,669		115,673	4,304	74	25,884
Total public works	<u>1,214,930</u>	<u>44,314</u>	<u>158,983</u>	<u>252,797</u>	<u>89,780</u>	<u>362,692</u>	<u>306,364</u>
Public Safety:							
Police	164,877	5,429	1,183	53,739	90,896	162	13,468
Fire	91,319	1,689		37,451	47,866		4,313
Emergency medical service	25,877			1,168	17,723	5,614	1,372
Correction	7,581	249		6,570	739	23	
Dog pound	8,955			8,036	916		3
Other	11,101				1,318		9,783
Total public safety	<u>309,710</u>	<u>7,367</u>	<u>1,183</u>	<u>106,964</u>	<u>159,458</u>	<u>5,799</u>	<u>28,939</u>
Public Health:							
Health and environment	14,861	1,112	208	10,846	2,639	56	
Total public health	<u>14,861</u>	<u>1,112</u>	<u>208</u>	<u>10,846</u>	<u>2,639</u>	<u>56</u>	<u>-</u>
Community Development:							
Community development	48,142	7,138	7,694	9,467	1,723	15,807	6,313
Total community development	<u>48,142</u>	<u>7,138</u>	<u>7,694</u>	<u>9,467</u>	<u>1,723</u>	<u>15,807</u>	<u>6,313</u>
Economic Development:							
Economic development	13,769	7,632	2,962	740		1,004	1,431
Total economic development	<u>13,769</u>	<u>7,632</u>	<u>2,962</u>	<u>740</u>	<u>-</u>	<u>1,004</u>	<u>1,431</u>
Building and Housing:							
Building and housing	4,526			400	495	3,581	50
Total building and housing	<u>4,526</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>495</u>	<u>3,581</u>	<u>50</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 2,590,702</u>	<u>\$ 72,341</u>	<u>\$ 241,243</u>	<u>\$ 719,307</u>	<u>\$ 287,292</u>	<u>\$ 895,800</u>	<u>\$ 374,719</u>

* 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, 2022**

(Amounts in Thousands)

	Balance January 1, 2022	Additions	Deductions	Transfers	Balance December 31, 2022
General Government:					
General government	\$ 362,931	\$ 26,158	\$ (101)	\$ 62	\$ 389,050
City Hall	29,538				29,538
Engineering and construction	516,494				516,494
Research, planning and development	49,035				49,035
Charles V. Carr Municipal Center	647				647
Total general government	<u>958,645</u>	<u>26,158</u>	<u>(101)</u>	<u>62</u>	<u>984,764</u>
Public Works:					
Waste collection	43,305	2,636	(830)	100	45,211
Streets	610,805	19,582	(1,942)	546	628,991
Traffic engineering	5,508	11	(14)		5,505
Park maintenance and properties	185,156	2,035	(252)	70	187,009
Recreation	188,959	10,627		24	199,610
Other	144,518	4,149	(101)	38	148,604
Total public works	<u>1,178,251</u>	<u>39,040</u>	<u>(3,139)</u>	<u>778</u>	<u>1,214,930</u>
Public Safety:					
Police	158,510	7,396	(1,029)		164,877
Fire	85,234	6,131	(46)		91,319
Emergency medical service	21,201	5,320	(644)		25,877
Correction	7,608		(27)		7,581
Dog pound	8,958	34	(37)		8,955
Other	7,583	3,518			11,101
Total public safety	<u>289,094</u>	<u>22,399</u>	<u>(1,783)</u>	<u>-</u>	<u>309,710</u>
Public Health:					
Health and environment	14,734	157	(30)		14,861
Total public health	<u>14,734</u>	<u>157</u>	<u>(30)</u>	<u>-</u>	<u>14,861</u>
Community Development:					
Community development	47,891	251			48,142
Total community development	<u>47,891</u>	<u>251</u>	<u>-</u>	<u>-</u>	<u>48,142</u>
Economic Development:					
Economic development	13,283	486			13,769
Total economic development	<u>13,283</u>	<u>486</u>	<u>-</u>	<u>-</u>	<u>13,769</u>
Building and Housing:					
Building and housing	4,535		(14)	5	4,526
Total building and housing	<u>4,535</u>	<u>-</u>	<u>(14)</u>	<u>5</u>	<u>4,526</u>
TOTAL GOVERNMENTAL FUNDS					
CAPITAL ASSETS	<u>\$ 2,506,433</u>	<u>\$ 88,491</u>	<u>\$ (5,067)</u>	<u>\$ 845</u>	<u>\$ 2,590,702</u>

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	S3-S6
Revenue Capacity	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the municipal income tax.	S7-S11
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	S12-S19
Economic and Demographic Information	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.	S20-S22
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	S23-S24
Schedule of Statistics – General Fund	S25

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Governmental Activities				
Net investment in capital assets	\$ 751,679	\$ 725,546	\$ 722,806	\$ 722,633
Restricted	230,517	218,181	209,288	208,522
Unrestricted	<u>(104,143)</u>	<u>(446,496)</u>	<u>(702,088)</u>	<u>(677,805)</u>
<i>Total Governmental Activities Net Position</i>	<u>\$ 878,053</u>	<u>\$ 497,231</u>	<u>\$ 230,006</u>	<u>\$ 253,350</u>
Business-Type Activities				
Net investment in capital assets	\$ 1,776,111	\$ 1,735,824	\$ 1,724,704	\$ 1,633,097
Restricted	192,072	196,842	184,926	207,837
Unrestricted	<u>623,844</u>	<u>550,534</u>	<u>417,570</u>	<u>438,760</u>
<i>Total Business-Type Activities Net Position</i>	<u>\$ 2,592,027</u>	<u>\$ 2,483,200</u>	<u>\$ 2,327,200</u>	<u>\$ 2,279,694</u>
Primary Government				
Net investment in capital assets	\$ 2,527,790	\$ 2,461,370	\$ 2,447,510	\$ 2,355,730
Restricted	422,589	415,023	394,214	416,359
Unrestricted	<u>519,701</u>	<u>104,038</u>	<u>(284,518)</u>	<u>(239,045)</u>
<i>Total Primary Government Net Position</i>	<u>\$ 3,470,080</u>	<u>\$ 2,980,431</u>	<u>\$ 2,557,206</u>	<u>\$ 2,533,044</u>

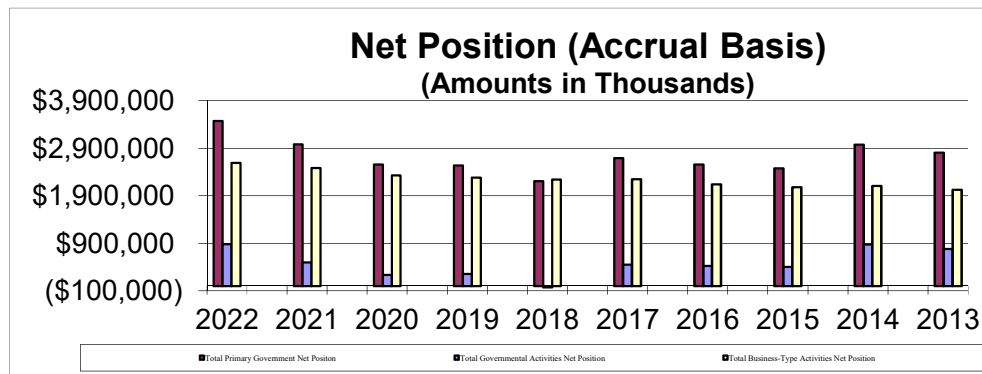
GASB issued Statement No. 65 effective for periods beginning after December 15, 2012. This statement changed the treatment of bond issuance costs to expense in the period incurred. Previously, the costs were recorded as assets and amortized over the life of the related debt issued. This change is reflected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

GASB issued Statement No. 68 and 71 effective for periods beginning after June 15, 2014. These statements established standards for measuring and recognizing pension liability/(asset), deferred outflows of resources, deferred inflows of resources and expense/expenditures. The City did not restate prior years in this statistical table.

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

In 2022, the Department of Port Control had a reclassification of the construction in progress. It was determined that assets that were in construction in progress should not be capitalized; however, should be expensed. This resulted in a restatement of net position of \$7,734,000 in 2021.

2018	2017	2016	2015	2014	2013
\$ 714,288	\$ 719,579	\$ 722,785	\$ 653,925	\$ 828,002	\$ 686,794
188,612	161,003	155,224	167,042	152,360	145,729
(933,271)	(433,843)	(459,804)	(422,125)	(110,650)	(53,448)
<u>\$ (30,371)</u>	<u>\$ 446,739</u>	<u>\$ 418,205</u>	<u>\$ 398,842</u>	<u>\$ 869,712</u>	<u>\$ 779,075</u>
\$ 1,544,414	\$ 1,482,861	\$ 1,367,544	\$ 1,354,871	\$ 1,335,195	\$ 1,307,661
219,202	214,161	236,772	240,979	244,937	244,196
474,284	548,411	532,257	482,852	525,970	474,185
<u>\$ 2,237,900</u>	<u>\$ 2,245,433</u>	<u>\$ 2,136,573</u>	<u>\$ 2,078,702</u>	<u>\$ 2,106,102</u>	<u>\$ 2,026,042</u>
\$ 2,258,702	\$ 2,202,440	\$ 2,090,329	\$ 2,008,796	\$ 2,163,197	\$ 1,994,455
407,814	375,164	391,996	408,021	397,297	389,925
(458,987)	114,568	72,453	60,727	415,320	420,737
<u>\$ 2,207,529</u>	<u>\$ 2,692,172</u>	<u>\$ 2,554,778</u>	<u>\$ 2,477,544</u>	<u>\$ 2,975,814</u>	<u>\$ 2,805,117</u>



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

	2022	2021	2020	2019 (1)
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 12,963	\$ 15,829	\$ 13,105	\$ 19,447
Public Works	17,421	19,655	18,452	19,395
Public Safety	20,325	16,557	15,853	14,262
Community Development	748	1,043	1,167	1,072
Building and Housing	25,086	22,072	18,827	20,900
Public Health	3,086	2,863	2,389	3,827
Economic Development	114	163	142	158
Subtotal - Charges for Services	<u>79,743</u>	<u>78,182</u>	<u>69,935</u>	<u>79,061</u>
Operating Grants and Contributions:				
General Government	229,358	116,538	9,649	4,293
Public Works	19,892	18,893	22,350	16,228
Public Safety	2,847	7,916	51,911	3,130
Community Development	46,364	55,940	30,668	28,560
Building and Housing	232	772	2,390	540
Public Health	8,644	10,596	7,983	8,056
Economic Development	17,325	17,609	14,593	19,487
Subtotal - Operating Grants and Contributions	<u>324,662</u>	<u>228,264</u>	<u>139,544</u>	<u>80,294</u>
Capital Grants and Contributions:				
General Government	5,745	9,140	115	5,918
Public Works	19,867	11,056	12,173	17,121
Public Safety	512	26		
Economic Development	160	293	294	240
Subtotal - Capital Grants and Contributions	<u>26,284</u>	<u>20,515</u>	<u>12,582</u>	<u>23,279</u>
<i>Total Governmental Activities Program Revenues</i>	<u>430,689</u>	<u>326,961</u>	<u>222,061</u>	<u>182,634</u>
Business-Type Activities:				
Charges for Services:				
Water	319,753	325,811	327,272	320,168
Sewer	32,559	29,625	29,392	32,176
Electricity	205,751	202,902	192,583	209,787
Airport facilities	117,887	111,108	103,088	148,421
Nonmajor activities	11,220	9,258	7,750	14,040
Subtotal - Charges for Services	<u>687,170</u>	<u>678,704</u>	<u>660,085</u>	<u>724,592</u>
Operating Grants and Contributions:				
Water	54	497	3,085	3,041
Sewer	14	12	222	741
Electricity	72	48	188	598
Airport facilities			575	1,750
Nonmajor activities	9	13	68	199
Subtotal - Operating Grants and Contributions	<u>149</u>	<u>570</u>	<u>4,138</u>	<u>6,329</u>
Capital Grants and Contributions:				
Water	2,447	312	7,816	18,635
Sewer	367	5,105	3,967	4,154
Electricity	126	2	2,134	1,455
Airport facilities	37,985	54,075	74,313	52,972
Nonmajor activities	80	2	50	296
Subtotal - Capital Grants and Contributions	<u>41,005</u>	<u>59,496</u>	<u>88,280</u>	<u>77,512</u>
<i>Total Business-Type Activities Program Revenues</i>	<u>728,324</u>	<u>738,770</u>	<u>752,503</u>	<u>808,433</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 1,159,013</u>	<u>\$ 1,065,731</u>	<u>\$ 974,564</u>	<u>\$ 991,067</u>

	2018	2017	2016	2015	2014	2013
\$	20,408	\$ 19,573	\$ 18,636	\$ 23,007	\$ 31,589	\$ 29,983
	17,973	18,408	18,301	17,587	17,706	17,561
	15,123	17,803	18,075	13,032	15,318	17,078
	359	777	952	844	1,483	
	19,008	16,377	17,717	16,408	11,984	11,734
	3,715	3,091	3,463	2,544	2,754	2,917
	140	103	103	103	101	377
	<u>76,726</u>	<u>76,132</u>	<u>77,247</u>	<u>73,525</u>	<u>80,935</u>	<u>79,650</u>
	4,450	3,343	3,468	4,349	4,351	5,601
	14,729	24,106	14,802	14,753	20,373	29,770
	5,067	6,144	46,421	3,806	7,315	9,180
	30,325	26,173	28,950	32,729	35,673	42,608
	2,360	2,413	4,380	3,609	2,804	9,133
	8,327	8,809	8,122	8,974	11,040	9,249
	18,843	3,023	8,614	11,752	18,234	14,046
	<u>84,101</u>	<u>74,011</u>	<u>114,757</u>	<u>79,972</u>	<u>99,790</u>	<u>119,587</u>
	1,259	34	134	415	2,862	56,610
	19,561	35,744	87,304	45,581	85,253	38,348
		97	6	91	173	
	<u>308</u>					
	<u>21,128</u>	<u>35,875</u>	<u>87,444</u>	<u>46,087</u>	<u>88,288</u>	<u>94,958</u>
	<u>181,955</u>	<u>186,018</u>	<u>279,448</u>	<u>199,584</u>	<u>269,013</u>	<u>294,195</u>
	306,159	301,621	310,111	301,283	303,412	272,674
	218,096	194,904	192,967	192,861	181,843	170,342
	145,981	145,206	142,433	128,033	131,724	113,244
	44,352	42,643	42,133	39,351	34,276	34,135
	<u>714,588</u>	<u>684,374</u>	<u>687,644</u>	<u>661,528</u>	<u>651,255</u>	<u>590,395</u>
	8,346	4,087	1,678	413	301	5,984
	409	4,105	3,340	3,225	4,030	656
	1,399	314	191	85	73	132
	588	648	218	299	161	86
	<u>10,742</u>	<u>9,154</u>	<u>5,427</u>	<u>4,022</u>	<u>4,565</u>	<u>6,858</u>
	17,686	50,693	4,326	25,158	34,699	12,446
	1,458	189	354	481	2	393
	53,867	56,757	32,280	20,159	19,775	35,089
	5,318	4,452	1,092	1,245	3,280	808
	<u>78,329</u>	<u>112,091</u>	<u>38,052</u>	<u>47,043</u>	<u>57,756</u>	<u>48,736</u>
	<u>803,659</u>	<u>805,619</u>	<u>731,123</u>	<u>712,593</u>	<u>713,576</u>	<u>645,989</u>
\$	<u>985,614</u>	<u>\$ 991,637</u>	<u>\$ 1,010,571</u>	<u>\$ 912,177</u>	<u>\$ 982,589</u>	<u>\$ 940,184</u>

(Continued)

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

	2022	2021	2020	2019 (1)
Expenses				
Governmental Activities:				
General Government	\$ 151,424	\$ 105,239	\$ 160,148	\$ 191,388
Public Works	136,627	118,315	156,576	172,526
Public Safety	347,142	351,515	397,692	75,355
Community Development	42,259	55,675	33,643	31,523
Building and Housing	9,063	7,194	15,320	16,974
Public Health	15,765	15,843	18,321	21,269
Economic Development	22,757	38,358	20,454	28,428
Interest on debt	25,134	25,054	27,198	27,059
<i>Total Governmental Activities Expenses</i>	<u>750,171</u>	<u>717,193</u>	<u>829,352</u>	<u>564,522</u>
Business-Type Activities				
Water	250,686	219,063	300,180	316,588
Sewer	25,703	21,917	29,358	31,318
Electricity	196,200	190,647	199,950	220,883
Airport facilities	149,774	137,587	168,310	187,779
Nonmajor activities	16,810	12,757	14,916	17,834
<i>Total Business-Type Activities Expenses</i>	<u>639,173</u>	<u>581,971</u>	<u>712,714</u>	<u>774,402</u>
<i>Total Primary Government Program Expenses</i>	<u>1,389,344</u>	<u>1,299,164</u>	<u>1,542,066</u>	<u>1,338,924</u>
Net (Expense)/Revenue				
Governmental Activities	(319,482)	(390,232)	(607,291)	(381,888)
Business-Type Activities	89,151	156,799	39,789	34,031
<i>Total Primary Government Net Expense</i>	<u>(230,331)</u>	<u>(233,433)</u>	<u>(567,502)</u>	<u>(347,857)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Income taxes	518,824	495,297	458,943	487,077
Property taxes	69,754	57,327	57,955	58,252
Other taxes	40,115	30,505	16,349	44,633
Unrestricted shared revenues	22,428	23,499	15,556	20,894
Unrestricted state and local government funds	31,546	30,806	25,936	26,658
Unrestricted investment earnings	20,555	590	3,827	14,997
Other	7,315	25,279	13,022	20,210
Transfers	(10,233)	(5,846)	(7,641)	(7,112)
<i>Total Governmental Activities</i>	<u>700,304</u>	<u>657,457</u>	<u>583,947</u>	<u>665,609</u>
Business-Type Activities				
Unrestricted investment earnings	9,443	479	11	26
Other		610	65	625
Special items - gain on sale of capital assets				
Transfers	10,233	5,846	7,641	7,112
<i>Total Business-Type Activities Expenses</i>	<u>19,676</u>	<u>6,935</u>	<u>7,717</u>	<u>7,763</u>
<i>Total Primary Government General Revenues and Other Changes in Net Position</i>	<u>719,980</u>	<u>664,392</u>	<u>591,664</u>	<u>673,372</u>
Change in Net Position				
Governmental Activities	380,822	267,225	(23,344)	283,721
Business-Type Activities	108,827	163,734	47,506	41,794
<i>Total Primary Government Change in Net Position</i>	<u>\$ 489,649</u>	<u>\$ 430,959</u>	<u>\$ 24,162</u>	<u>\$ 325,515</u>

Note:

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

Business-type activities on the Government-wide Statement of Activities summarizes other Enterprise Funds as Nonmajor activities. In years 2018 and prior these include Sewer, Public Auditorium, West Side Market, East Side Market, Municipal Parking Lots, Cemeteries and Golf Courses. In 2019, Sewer was reclassified as a major enterprise fund.

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

	2018	2017	2016	2015	2014	2013
\$	157,730	\$ 160,117	\$ 139,022	\$ 140,946	\$ 121,050	\$ 115,793
	151,476	137,256	119,019	117,040	129,551	130,108
	415,703	357,248	383,453	328,453	298,768	310,246
	33,464	28,555	32,173	35,026	39,099	44,337
	15,294	14,240	14,111	13,433	11,059	17,694
	19,189	18,038	16,110	16,841	18,236	15,405
	27,251	36,189	37,913	29,474	32,508	18,142
	26,286	28,630	27,596	36,489	26,333	24,913
	846,393	780,273	769,397	717,702	676,604	676,638
	302,725	293,148	270,014	259,892	253,822	258,014
	218,261	197,613	196,092	197,823	181,862	171,669
	173,624	172,383	172,254	162,499	161,021	155,343
	44,863	41,990	39,501	37,088	38,430	35,235
	739,473	705,134	677,861	657,302	635,135	620,261
	1,585,866	1,485,407	1,447,258	1,375,004	1,311,739	1,296,899
	(664,438)	(594,255)	(489,949)	(518,118)	(407,591)	(382,443)
	64,186	100,485	53,262	55,291	78,441	25,728
	(600,252)	(493,770)	(436,687)	(462,827)	(329,150)	(356,715)
	480,966	451,929	359,668	346,797	337,933	332,719
	53,839	51,985	28,634	55,017	52,327	45,055
	45,235	46,704	48,945	38,904	35,851	37,765
	19,338	37,428	35,888	34,974	37,240	34,434
	25,191	24,331	24,061	26,567	23,846	30,081
	10,730	4,392	1,801	1,060	1,193	683
	19,070	14,374	14,906	8,760	11,454	21,194
	(4,852)	(8,354)	(4,591)	(1,957)	(1,616)	(1,527)
	649,517	622,789	509,312	510,122	498,228	500,404
	24	13	7	4	3	3
		8	11			
	4,852	8,354	4,591	1,957	1,616	1,527
	4,876	8,375	4,609	1,961	1,619	1,530
	654,393	631,164	513,921	512,083	499,847	501,934
	(14,921)	28,534	19,363	(7,996)	90,637	117,961
	69,062	108,860	57,871	57,252	80,060	27,258
\$	54,141	\$ 137,394	\$ 77,234	\$ 49,256	\$ 170,697	\$ 145,219

(Concluded)

City of Cleveland, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)
(Amounts in Thousands)

	2022	2021	2020	2019	2018
General Fund					
Nonspendable	\$ 13,084	\$ 11,039	\$ 8,082	\$ 3,069	\$ 3,035
Assigned	179,065	83,232	84,600	85,953	67,388
Unassigned	<u>166,580</u>	<u>228,891</u>	<u>121,872</u>	<u>114,870</u>	<u>116,486</u>
Total General Fund	<u>358,729</u>	<u>323,162</u>	<u>214,554</u>	<u>203,892</u>	<u>186,909</u>
Capital/Urban Renewal Bond Construction (2)					
Nonspendable					
Restricted	286,057	285,612			
Committed					
Total Capital/Urban Renewal Bond Construction	<u>286,057</u>	<u>285,612</u>			
General Government (2)					
Nonspendable	8	5			
Restricted	17,858	16,864			
Committed	<u>225,191</u>	<u>9,542</u>			
Total General Government	<u>243,057</u>	<u>26,411</u>			
Public Health (1)					
Nonspendable	78	18	32	32	
Restricted	2,494	2,157	1,897	1,446	
Committed	<u>1,016</u>	<u>696</u>	<u>548</u>	<u>387</u>	
Total Public Health	<u>3,588</u>	<u>2,871</u>	<u>2,513</u>	<u>1,865</u>	
All Other Governmental Funds					
Nonspendable	175	122	128	138	168
Restricted	205,008	195,796	420,543	427,063	416,726
Committed	71,920	72,860	68,930	64,813	62,927
Assigned				11	9
Unassigned					
Total All Other Governmental Funds	<u>277,103</u>	<u>268,778</u>	<u>489,601</u>	<u>492,025</u>	<u>479,830</u>
Total Governmental Funds	<u>\$ 1,168,534</u>	<u>\$ 906,834</u>	<u>\$ 706,668</u>	<u>\$ 697,782</u>	<u>\$ 666,739</u>

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

(2) In 2021, General Government and Capital/Urban Renewal Bond Construction were determined to be major funds. Prior to this the City reported the General Government and Capital/Urban Renewal Bond Construction activities in Other Governmental Funds.

City of Cleveland, Ohio
Changes in Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)
(Amounts in Thousands)

	2022	2021	2020	2019
Revenues				
Income taxes	\$ 512,741	\$ 495,532	\$ 466,699	\$ 486,792
Property taxes	68,112	59,438	58,364	57,580
State and local government funds	31,276	29,932	25,616	26,304
Other taxes	40,115	30,505	16,349	44,739
Other shared revenues	60,866	60,565	53,053	55,319
Licenses and permits	24,714	22,126	18,120	21,892
Charges for services	37,610	37,766	36,905	38,158
Fines, forfeits and settlements	8,298	9,820	8,186	14,292
Investment earnings	19,984	572	3,671	14,277
Grants	301,866	196,373	112,741	52,890
Contributions	705	467	377	1,787
Miscellaneous	13,373	29,596	16,844	25,437
<i>Total Revenues</i>	<u>1,119,660</u>	<u>972,692</u>	<u>816,925</u>	<u>839,467</u>
Expenditures				
Current:				
General Government	112,171	114,539	110,683	107,996
Public Works	116,431	109,248	104,711	109,612
Public Safety	358,624	358,048	354,729	345,025
Community Development	42,547	57,208	30,929	27,857
Building and Housing	13,044	13,967	14,146	14,019
Public Health	18,714	20,493	17,019	18,343
Economic Development	22,990	38,965	19,846	27,718
Other	10,043	8,066	9,032	8,255
Capital outlay	117,698	100,284	120,315	113,170
Inception of capital lease				
Debt service:				
Principal retirement	59,268	54,472	55,103	55,423
Interest	32,562	30,426	31,353	34,968
General Government	402	1,237	1,088	450
Other	1,103	1,095	1,088	1,080
<i>Total Expenditures</i>	<u>905,597</u>	<u>908,048</u>	<u>870,042</u>	<u>863,916</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>214,063</u>	<u>64,644</u>	<u>(53,117)</u>	<u>(24,449)</u>
Other Financing Sources (Uses)				
Transfers in	333,123	133,383	101,945	123,680
Transfers out	(337,763)	(136,912)	(107,597)	(126,729)
Issuance of bonds	45,910	128,420	132,555	51,015
Issuance of refunding bonds		22,640		
Premium on bonds and notes	6,367	12,104	5,200	5,740
Discount on bonds and notes				
Payment to refund bonds and notes		(24,113)	(70,109)	
Issuance of Loans				601
Sale of City assets			9	1,185
Capital leases				
<i>Total Other Financing Sources (Uses)</i>	<u>47,637</u>	<u>135,522</u>	<u>62,003</u>	<u>55,492</u>
<i>Net Change in Fund Balances</i>	<u>\$ 261,700</u>	<u>\$ 200,166</u>	<u>\$ 8,886</u>	<u>\$ 31,043</u>
Debt Service as a Percentage of Noncapital Expenditures	11.2%	10.1%	11.1%	11.5%

	2018	2017	2016	2015	2014	2013
\$	473,306	\$ 447,259	\$ 355,092	\$ 350,524	\$ 336,743	\$ 333,359
	52,665	51,473	49,311	49,697	49,198	49,740
	24,970	24,375	24,431	26,433	25,077	28,439
	45,149	46,683	48,945	38,904	35,851	37,764
	53,866	61,079	49,108	48,864	54,329	59,907
	21,196	19,407	21,236	18,884	15,404	16,034
	39,194	39,177	37,620	35,169	36,120	39,297
	15,296	14,299	14,295	18,864	28,928	27,020
	10,186	4,147	1,725	927	858	865
	60,385	80,077	125,956	102,257	111,935	115,851
	4,398	1,704	1,844	2,803	2,571	15,948
	15,068	11,618	16,067	13,565	18,534	27,770
	<u>815,679</u>	<u>801,298</u>	<u>745,630</u>	<u>706,891</u>	<u>715,548</u>	<u>751,994</u>
	97,343	100,372	98,102	86,686	91,199	85,638
	104,949	98,228	93,148	90,961	89,042	86,576
	332,423	322,483	347,426	311,177	294,605	303,234
	30,876	25,827	29,990	33,076	37,191	42,677
	13,829	13,216	13,710	13,419	10,885	17,444
	17,735	16,382	15,410	16,462	17,722	14,983
	26,850	35,748	37,552	29,393	32,360	18,030
	9,030	6,640	7,388	8,635	10,580	11,877
	88,812	85,888	99,622	127,001	100,868	115,170
				571	6,044	5,046
	55,368	49,041	49,370	48,648	47,752	46,252
	31,006	30,000	30,365	28,627	27,935	30,380
	1,485	971	476	2,462	1,114	615
	1,077	1,069	1,070	1,071	1,077	1,176
	<u>810,783</u>	<u>785,865</u>	<u>823,629</u>	<u>798,189</u>	<u>768,374</u>	<u>779,098</u>
	4,896	15,433	(77,999)	(91,298)	(52,826)	(27,104)
	112,956	81,122	72,227	92,273	77,659	56,516
	(116,926)	(83,188)	(74,118)	(94,734)	(79,766)	(58,466)
	135,680		28,125	101,385	69,200	35,840
		142,850	23,680	117,325	20,110	25,360
	16,868	21,916	7,497	30,085	6,666	4,415
					(13)	
		(108,761)	(28,150)	(135,757)	(20,635)	(25,360)
	15					2,786
	9,248	6,573	437	1,713	1,044	4,425
						6,535
	<u>157,841</u>	<u>60,512</u>	<u>29,698</u>	<u>112,290</u>	<u>74,265</u>	<u>52,051</u>
\$	<u>162,737</u>	<u>\$ 75,945</u>	<u>\$ (48,301)</u>	<u>\$ 20,992</u>	<u>\$ 21,439</u>	<u>\$ 24,947</u>
	11.6%	10.8%	10.8%	11.1%	11.7%	11.5%

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

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU		Assessed Value	Estimated Actual Value
2022	\$ 2,762,701	\$ 2,566,659	\$ 15,226,744	\$ 520,673	\$ 591,674
2021	2,184,072	2,483,157	13,334,939	496,441	564,138
2020	2,158,209	2,506,117	13,326,645	468,023	531,844
2019	2,161,965	2,664,334	13,789,426	436,992	496,582
2018	1,987,511	2,325,434	12,322,700	415,800	472,500
2017	2,002,109	2,238,298	12,115,449	387,919	440,817
2016	2,002,439	2,255,156	12,164,557	331,843	377,094
2015	2,035,581	2,593,704	13,226,529	318,829	362,306
2014	2,051,307	2,550,042	13,146,711	298,603	339,322
2013	2,075,286	2,526,924	13,149,171	266,558	302,907

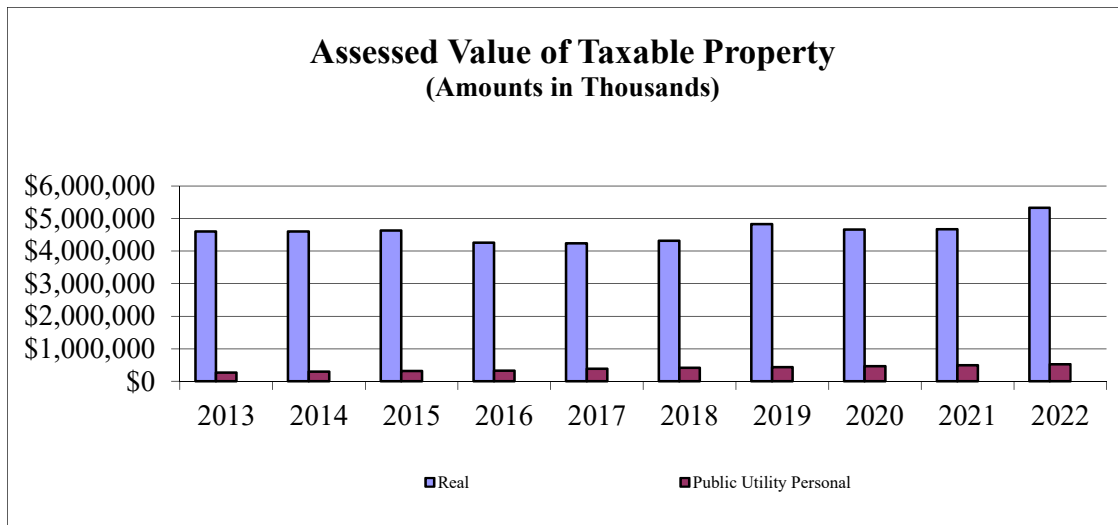
The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.

Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment was reduced from 100% to 25% of true value, with makeup payments in varying amounts to be made through 2021 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.

Total				
Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Ratio	
\$ 5,850,033	\$ 15,818,418	12.70	37.0 %	
5,163,670	13,899,077	12.70	37.2	
5,132,348	13,858,489	12.70	37.0	
5,263,291	14,286,008	12.70	36.8	
4,728,745	12,795,200	12.70	37.0	
4,628,326	12,556,266	12.70	36.9	
4,589,438	12,541,651	12.70	36.6	
4,948,114	13,588,835	12.70	36.4	
4,899,952	13,486,033	12.70	36.3	
4,868,768	13,452,078	12.70	36.2	



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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unvoted Millage				
Debt	4.350000	4.350000	4.350000	4.350000
Fire Pension	<u>0.050000</u>	<u>0.050000</u>	<u>0.050000</u>	<u>0.050000</u>
<i>Total Unvoted Millage</i>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>
Charter Millage				
Operating	7.750000	7.750000	7.750000	7.750000
Fire Pension	0.250000	0.250000	0.250000	0.250000
Police Pension	<u>0.300000</u>	<u>0.300000</u>	<u>0.300000</u>	<u>0.300000</u>
<i>Total Charter Millage</i>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>
Total Millage	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>

Overlapping Rates by Taxing District

City School District				
Residential/Agricultural Real	45.748138	45.750328	54.635189	49.324018
Commercial/Industrial and Public Utility Real	58.809971	59.268791	61.877129	56.853103
General Business and Public Utility Personal	84.100000	84.100000	84.300000	79.100000
County				
Residential/Agricultural Real	12.251926	12.255221	14.006317	12.801150
Commercial/Industrial and Public Utility Real	13.633084	13.670579	14.303665	13.230331
General Business and Public Utility Personal	14.850000	14.850000	14.850000	14.050000
Special Taxing Districts (1)				
Residential/Agricultural Real	13.072079	12.483336	14.874736	14.830000
Commercial/Industrial and Public Utility Real	14.592648	14.388187	15.075454	15.080000
General Business and Public Utility Personal	16.580000	16.580000	16.580000	16.580000

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.

2018	2017	2016	2015	2014	2013
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
49.475411	52.627462	52.527150	52.479460	52.699898	52.427248
55.336037	61.103106	61.578271	61.740058	61.107741	60.124573
79.300000	79.300000	79.300000	79.300000	79.900000	79.800000
12.797318	13.914095	13.880201	13.869781	14.050000	14.050000
13.077038	14.006049	14.012362	14.050000	14.019470	13.949465
14.050000	14.050000	14.050000	14.050000	14.050000	14.050000
14.431850	13.636727	13.116607	13.112910	13.202292	12.298441
14.324894	13.760521	13.322508	13.363153	13.312617	12.339767
16.180000	14.180000	13.680000	13.680000	13.680000	12.780000

City of Cleveland, Ohio
Property Tax Levies and Collections
Last Ten Years

Year	Current Tax Levy (1)	Current Tax Collections (2)	Percent of Current Tax Collections To Current Tax Levy	Delinquent Tax Collections	Total Tax Collections
2022	\$ 88,065,482	\$ 80,638,135	91.57 %	\$ 7,538,901	\$ 88,177,035
2021	80,573,965	74,434,601	92.38	4,674,084	79,108,685
2020	78,536,205	71,810,777	91.44	4,691,071	76,501,848
2019	72,955,931	71,218,160	97.62	5,828,919	77,047,080
2018	74,752,362	66,628,584	89.13	4,538,024	71,166,608
2017	72,023,002	64,982,553	90.22	4,280,681	69,263,234
2016	70,861,467	61,490,574	86.78	3,862,554	65,353,128
2015	75,115,511	62,192,254	82.80	4,537,073	66,729,327
2014	72,904,038	60,147,465	82.50	4,542,885	64,690,350
2013	68,191,726	57,319,877	84.06	4,664,866	61,984,743

Note:

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

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

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

(3) Total levy includes the delinquent levy.

Source: Cuyahoga County Fiscal Officer.

<u>Total Tax Levy (3)</u>	<u>Percent of Total Tax Collections To Total Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes to Total Tax Levy</u>
\$ 114,690,294	76.88 %	\$ 24,849,705	21.67 %
102,816,932	76.94	22,853,906	22.23
103,132,280	74.18	25,397,758	24.63
98,584,152	78.15	24,209,291	24.56
97,367,860	73.09	24,479,163	25.14
94,787,217	73.07	23,227,032	24.50
87,924,969	74.33	23,066,836	26.23
110,147,288	60.58	47,220,991	42.87
110,329,017	58.63	41,284,638	37.42
104,953,336	59.06	40,343,634	38.44

City of Cleveland, Ohio
Principal Taxpayers - Real Estate Tax
 2022 and 2013

<u>2022</u>		
<u>Taxpayer</u>	<u>Real Property Assessed Valuation (1)</u>	<u>Percentage of Real Assessed Valuation</u>
Cleveland Electric Illuminating Co.	\$ 272,488,570	5.11 %
East Ohio Gas Co.	151,959,600	2.85
American Transmission System	124,885,260	2.34
City of Cleveland, Ohio	115,281,490	2.16
127 PS Fee Owner, LLC	87,820,780	1.65
K&D Properties	75,859,840	1.43
Cleveland-Cuyahoga Port Authority	70,903,670	1.33
G&I IX 200 Public Square Garage, LLC	51,380,950	0.97
Hertz Cleveland	49,079,890	0.92
Cleveland Propco II, LLC	36,826,470	0.69
Total	<u>\$ 1,036,486,520</u>	<u>19.45 %</u>
Total Real Property Assessed Valuation	<u>\$ 5,329,360,000</u>	

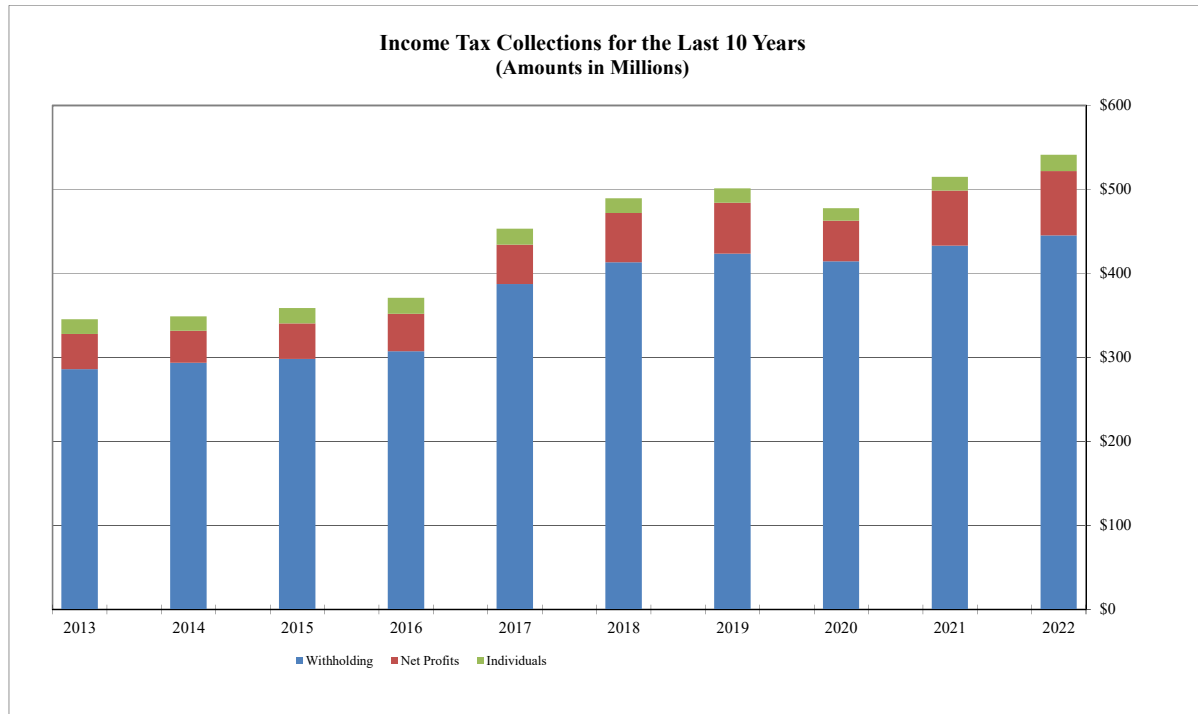
<u>2013</u>		
<u>Taxpayer</u>	<u>Real Property Assessed Valuation (1)</u>	<u>Percentage of Real Assessed Valuation</u>
Cleveland Electric Illuminating Co.	\$207,043,050	4.50 %
Cleveland Clinic Foundation	198,883,610	4.32
Cuyahoga County, Ohio	88,117,300	1.91
City of Cleveland, Ohio	81,985,740	1.78
Key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

(1) The amounts presented represent the assessed values upon which 2022 and 2013 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
2022	2.50%	\$ 541,130,412	\$ 445,131,348	82.26%	\$ 76,730,164	14.18%	\$ 19,268,900	3.56%
2021	2.50	515,026,273	432,797,541	84.04	65,636,165	12.74	16,592,567	3.22
2020	2.50	477,455,352	414,445,798	86.80	48,378,491	10.13	14,631,063	3.07
2019	2.50	501,323,695	423,375,271	84.45	60,595,378	12.09	17,353,046	3.46
2018	2.50	489,235,527	413,232,659	84.47	58,623,924	11.98	17,378,944	3.55
2017	2.00	453,091,275	387,201,556	85.46	46,757,836	10.32	19,131,883	4.22
2016	2.00	370,753,947	307,143,756	82.84	44,644,300	12.04	18,965,891	5.12
2015	2.00	358,677,459	298,318,465	83.17	41,948,933	11.70	18,410,061	5.13
2014	2.00	348,674,282	293,456,642	84.16	38,294,001	10.98	16,923,639	4.86
2013	2.00	345,255,736	285,891,566	82.81	41,929,164	12.14	17,435,006	5.05



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*

Year	Governmental Activities						
	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
2022	\$ 390,919,000	\$ -	\$ 49,047,000	\$ -	\$ 11,039,000	\$ 53,590,000	\$ 402,044,000
2021	368,333,000		55,156,000		16,360,000	61,865,000	419,089,000
2020	337,202,000		47,069,000		21,552,000	69,900,000	367,083,000
2019	318,912,000		49,122,000	488,000	26,630,000	77,750,000	361,740,000
2018	291,055,000		53,107,000	1,874,000	31,593,000	85,266,000	377,853,000
2017	230,353,000	835,000	56,968,000	4,363,000	36,346,000	92,506,000	329,359,000
2016	256,139,000	1,615,000	60,751,000	7,344,000	39,458,000	99,438,000	280,057,000
2015	247,235,000	2,345,000	64,438,000	11,354,000	43,910,000	106,095,000	289,810,000
2014	270,033,000	3,030,000	51,004,000	15,262,000	44,927,000	112,471,000	198,462,000
2013	297,178,000	3,670,000	53,202,000	19,185,000	48,421,000	118,581,000	129,551,000

Note:

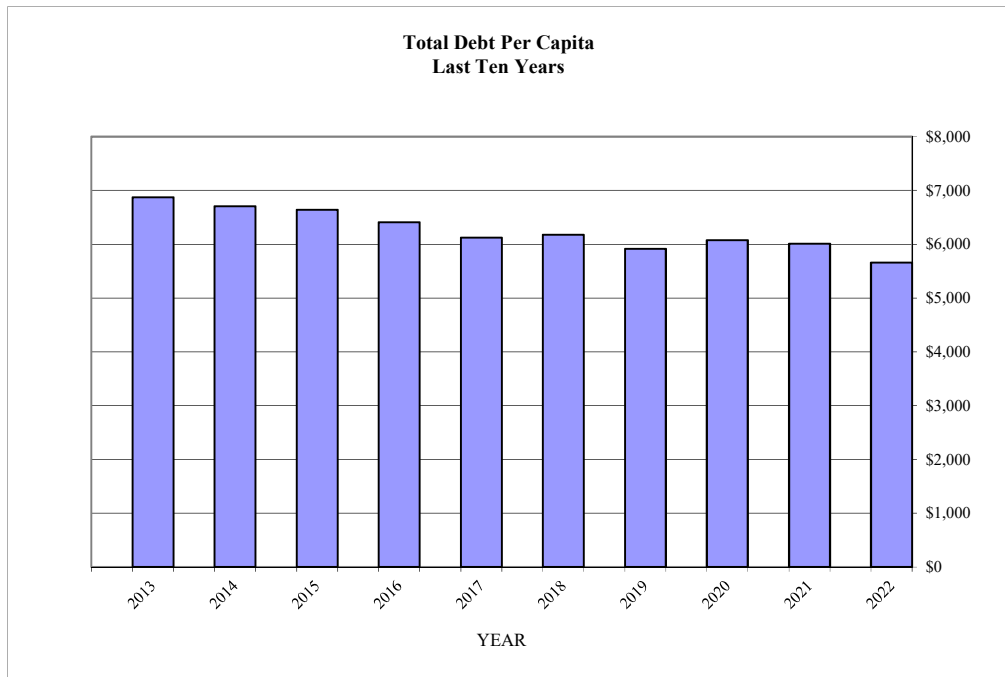
Population and Personal Income data are presented on page S21.

In 2014, this table was modified to include Note/Loans payable, as it is part of the Governmental Debt.

In 2018, this table recalculated all figures that had premiums and discounts. The premiums and discounts are now reflected in the type of debt.

Business-Type Activities

Annual Appropriation Bonds	Note / Loans Payable	Revenue Bonds	OWDA / OPWC Loans	Total Debt	Percentage of Personal Income	Per Capita
\$ 7,644,000	\$ 1,031,000	\$ 1,137,182,000	\$ 56,867,000	\$ 2,109,363,000	24.18%	\$ 5,661
8,018,000	1,109,000	1,244,403,000	65,110,000	2,239,443,000	26.78	6,010
8,372,000	1,187,000	1,339,827,000	72,254,000	2,264,446,000	26.89	6,077
8,705,000	1,266,000	1,429,751,000	72,750,000	2,347,114,000	29.45	5,915
9,018,000	1,024,000	1,525,350,000	75,545,000	2,451,685,000	32.79	6,178
9,315,000	1,344,000	1,584,033,000	83,478,000	2,428,900,000	34.00	6,121
9,592,000	1,671,000	1,696,483,000	91,316,000	2,543,864,000	36.56	6,411
9,854,000	2,240,000	1,758,793,000	99,220,000	2,635,294,000	38.09	6,641
10,100,000	2,801,000	1,845,740,000	106,815,000	2,660,645,000	39.46	6,705
10,331,000		1,931,909,000	114,372,000	2,726,400,000	40.87	6,871



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)			
2022	372,624	(a)	\$ 5,850,033	\$ 373,038	6.38 %	\$ 1,001.11
2021	372,624	(a)	5,163,670	354,499	6.87	951.36
2020	372,624	(a)	5,132,348	323,543	6.30	868.28
2019	396,815	(b)	5,263,291	305,732	5.81	770.46
2018	396,815	(b)	4,728,745	279,415	5.91	704.14
2017	396,815	(b)	4,628,326	225,338	4.87	567.87
2016	396,815	(b)	4,589,438	251,060	5.47	632.69
2015	396,815	(b)	4,948,114	244,111	4.93	615.18
2014	396,815	(b)	4,899,952	266,952	5.45	672.74
2013	396,815	(b)	4,868,768	293,752	6.03	740.27

Note:

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

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

Sources:

(1) U.S. Bureau of Census, Census of Population.

(a) 2020 Federal Census

(b) 2010 Federal Census

(2) Cuyahoga County Fiscal Officer's Office.

City of Cleveland, Ohio
Computation of Direct and Overlapping Governmental Activities Debt
December 31, 2022

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	\$ 390,920,000	100.00 %	\$ 390,920,000
Subordinated Income Tax Refunding Bonds	11,039,000	100.00	11,039,000
Subordinate Lien Income Tax Bonds	402,044,000	100.00	402,044,000
Non-Tax Revenue Bonds	49,047,000	100.00	49,047,000
Certificates of Participation	53,590,000	100.00	53,590,000
Annual Appropriation Bonds	7,644,000	100.00	7,644,000
Note/Loans Payable	<u>1,031,000</u>	100.00	<u>1,031,000</u>
<i>Total Direct Debt</i>	915,315,000		915,315,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds	210,971,176	96.99	204,620,944
Cuyahoga County			
General Obligation Bonds	240,795,000	16.88	40,646,196
Cuyahoga Community College	189,980,000	16.88	32,068,624
Berea School District	106,540,000	3.42	3,643,668
Shaker Heights School District	<u>27,455,000</u>	6.14	<u>1,685,737</u>
Total	<u>\$ 1,691,056,176</u>		<u>\$ 1,197,980,169</u>

(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

	2022	2021	2020	2019
Total Assessed Property Value	\$ 5,850,033,190	\$ 5,163,670,000	\$ 5,132,348,420	\$ 5,263,290,660
Overall Legal Debt Limit (10½% of Assessed Valuation)	614,253,485	542,185,350	538,896,584	552,645,519
Debt Outstanding:				
General Obligation Bonds	361,080,000	341,075,000	310,985,000	292,810,000
Revenue Bonds	1,075,213,000	1,168,768,000	1,248,613,000	1,352,593,000
Urban Renewal Bonds				
Subordinated Income Tax Refunding Bonds	10,640,000	15,575,000	20,265,000	24,730,000
Subordinate Lien Income Tax Bonds	375,010,000	388,590,000	339,850,000	327,260,000
OWDA/OPWC Loans	57,424,000	65,682,000	72,841,000	73,352,000
Non-tax Revenue Bonds	49,048,000	55,158,000	47,072,000	49,078,000
Annual Appropriation Bonds	7,725,000	8,110,000	8,475,000	8,820,000
Total Gross Indebtedness	1,936,140,000	2,042,958,000	2,048,101,000	2,128,643,000
Less:				
General Obligation Bonds	361,080,000	341,075,000	310,985,000	292,810,000
Revenue Bonds	1,075,213,000	1,168,768,000	1,248,613,000	1,352,593,000
Urban Renewal Bonds				
Subordinated Income Tax Refunding Bonds	10,640,000	15,575,000	20,265,000	24,730,000
Subordinate Lien Income Tax Bonds	375,010,000	388,590,000	339,850,000	327,260,000
OWDA/OPWC Loans	57,424,000	65,682,000	72,841,000	73,352,000
Non-tax Revenue Bonds	49,048,000	55,158,000	47,072,000	49,078,000
Annual Appropriation Bonds	7,725,000	8,110,000	8,475,000	8,820,000
General Obligation Bond Retirement Fund Balance	17,882,000	13,834,000	13,659,000	13,180,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	\$ 614,253,485	\$ 542,185,350	\$ 538,896,584	\$ 552,645,519
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)	\$ 321,751,826	\$ 284,001,850	\$ 282,279,163	\$ 289,480,986
Total Gross Indebtedness	1,936,140,000	2,042,958,000	2,048,101,000	2,128,643,000
Less:				
General Obligation Bonds	361,080,000	341,075,000	310,985,000	292,810,000
Revenue Bonds	1,075,213,000	1,168,768,000	1,248,613,000	1,352,593,000
Urban Renewal Bonds				
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Annual Appropriation Bonds	7,725,000	8,110,000	8,475,000	8,820,000
General Obligation Bond Retirement Fund Balance	17,882,000	13,834,000	13,659,000	13,180,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	\$ 321,751,826	\$ 284,001,850	\$ 282,279,163	\$ 289,480,986
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.

2018	2017	2016	2015	2014	2013
<u>\$4,728,745,440</u>	<u>\$4,628,325,790</u>	<u>\$4,589,437,780</u>	<u>\$4,948,113,550</u>	<u>\$4,899,952,220</u>	<u>\$4,868,767,980</u>
496,518,271	485,974,208	481,890,967	519,551,923	514,494,983	511,220,638
267,135,000	211,400,000	233,900,000	228,740,000	257,565,000	282,550,000
1,439,068,000	1,501,493,000	1,617,778,000	1,699,688,000	1,786,283,000	1,863,588,000
	835,000	1,615,000	2,345,000	3,030,000	3,670,000
28,975,000	32,960,000	35,275,000	38,885,000	43,650,000	46,915,000
339,690,000	296,285,000	258,160,000	265,995,000	188,335,000	124,490,000
75,560,000	83,478,000	91,316,000	99,220,000	106,815,000	114,372,000
52,971,000	56,705,000	60,328,000	63,829,000	50,203,000	53,108,000
9,145,000	9,455,000	9,745,000	10,020,000	10,280,000	10,525,000
<u>2,212,544,000</u>	<u>2,192,611,000</u>	<u>2,308,117,000</u>	<u>2,408,722,000</u>	<u>2,446,161,000</u>	<u>2,499,218,000</u>
267,135,000	211,400,000	233,900,000	228,740,000	257,565,000	282,550,000
1,439,068,000	1,501,493,000	1,617,778,000	1,699,688,000	1,786,283,000	1,863,588,000
	835,000	1,615,000	2,345,000	3,030,000	3,670,000
28,975,000	32,960,000	35,275,000	38,885,000	43,650,000	46,915,000
339,690,000	296,285,000	258,160,000	265,995,000	188,335,000	124,490,000
75,560,000	83,478,000	91,316,000	99,220,000	106,815,000	114,372,000
52,971,000	56,705,000	60,328,000	63,829,000	50,203,000	53,108,000
9,145,000	9,455,000	9,745,000	10,020,000	10,280,000	10,525,000
11,640,000	5,015,000	5,079,000	3,124,000	3,081,000	3,426,000
-	-	-	-	-	-
<u>\$ 496,518,271</u>	<u>\$ 485,974,208</u>	<u>\$ 481,890,967</u>	<u>\$ 519,551,923</u>	<u>\$ 514,494,983</u>	<u>\$ 511,220,638</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<u>\$ 260,080,999</u>	<u>\$ 254,557,918</u>	<u>\$ 252,419,078</u>	<u>\$ 272,146,245</u>	<u>\$ 269,497,372</u>	<u>\$ 267,782,239</u>
2,212,544,000	2,192,611,000	2,308,117,000	2,408,722,000	2,446,161,000	2,499,218,000
267,135,000	211,400,000	233,900,000	228,740,000	257,565,000	282,550,000
1,439,068,000	1,501,493,000	1,617,778,000	1,699,688,000	1,786,283,000	1,863,588,000
	835,000	1,615,000	2,345,000	3,030,000	3,670,000
28,975,000	32,960,000	35,275,000	38,885,000	43,650,000	46,915,000
339,690,000	296,285,000	258,160,000	265,995,000	188,335,000	124,490,000
75,560,000	83,478,000	91,316,000	99,220,000	106,815,000	114,372,000
52,971,000	56,705,000	60,328,000	63,829,000	50,203,000	53,108,000
9,145,000	9,455,000	9,745,000	10,020,000	10,280,000	10,525,000
11,640,000	5,015,000	5,079,000	3,124,000	3,081,000	3,426,000
-	-	-	-	-	-
<u>\$ 260,080,999</u>	<u>\$ 254,557,918</u>	<u>\$ 252,419,078</u>	<u>\$ 272,146,245</u>	<u>\$ 269,497,372</u>	<u>\$ 267,782,239</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

City of Cleveland, Ohio
Pledged Revenue Coverage
Airport Revenue Bonds
Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2022	\$ 172,821,000	\$ 81,326,000	\$ 91,495,000	\$ 43,535,000	\$ 19,080,451	1.46
2021	164,262,000	70,096,000	94,166,000	44,575,000	21,168,624	1.43
2020	172,662,000	75,896,000	96,766,000	44,250,000	22,338,666	1.45
2019	189,211,000	81,118,000	108,093,000	41,585,000	23,263,000	1.67
2018	185,477,000	81,551,000	103,926,000	39,970,000	28,633,914	1.51
2017	183,268,000	85,399,000	97,869,000	38,535,000	29,902,274	1.43
2016	178,723,000	81,501,000	97,222,000	39,765,000	29,907,925	1.40
2015	164,346,000	74,841,000	89,505,000	34,415,000	33,357,922	1.32
2014	165,780,000	72,101,000	93,679,000	33,155,000	34,568,497	1.38
2013	154,616,000	67,164,000	87,452,000	32,120,000	35,369,367	1.30

(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		Coverage
				Principal	Interest	
2022	\$ 200,561,000	\$ 172,627,000	\$ 27,934,000	\$ 9,485,000	\$ 6,396,266	1.76
2021	196,985,000	169,918,000	27,067,000	9,030,000	6,847,766	1.70
2020	186,957,000	162,529,000	24,428,000	3,740,000	6,142,349	2.47
2019	204,286,000	179,977,000	24,309,000	5,640,000	8,453,175	1.73
2018	212,383,000	181,141,000	31,242,000	7,705,000	8,569,901	1.92
2017	195,188,000	167,923,000	27,265,000	8,785,000	9,116,666	1.52
2016	193,194,000	166,591,000	26,603,000	8,055,000	9,859,269	1.49
2015	192,934,000	166,150,000	26,784,000	7,500,000	10,410,464	1.50
2014	181,877,000	154,115,000	27,762,000	10,770,000	8,061,556	1.47
2013	170,383,000	141,116,000	29,267,000	12,710,000	9,766,869	1.30

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

(2) Direct operating expenses are calculated in accordance with the bond 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 (4)		Coverage
				Principal	Interest (3)	
2022	\$ 326,271,000	\$ 188,983,000	\$ 137,288,000	\$ 28,800,000	\$ 12,681,617	3.31
2021	326,153,000	192,917,000	133,236,000	27,520,000	14,029,824	3.21
2020	330,316,000	189,864,000	140,452,000	17,995,000	14,572,634	4.31
2019	323,043,000	217,352,000	105,691,000	27,540,000	15,092,505	2.48
2018	315,296,000	197,901,000	117,395,000	30,640,000	16,950,832	2.47
2017	305,971,000	185,367,000	120,604,000	29,700,000	15,664,601	2.66
2016	311,882,000	162,618,000	149,264,000	44,720,000	15,100,291	2.50
2015	301,715,000	165,981,000	135,734,000	42,110,000	21,034,935	2.15
2014	304,182,000	153,559,000	150,623,000	41,200,000	26,822,980	2.21
2013	274,324,000	154,947,000	119,377,000	39,910,000	29,089,797	1.73

(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 was reduced by amount released from reserve fund at the start of year through 2019.

(4) Subordinate Lien Bonds are not included for purposes of the coverage calculation.

City of Cleveland, Ohio
Pledged Revenue Coverage
Water Pollution Control Revenue Bonds
Last Seven Years

Year (3)	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2022	\$ 33,235,000	\$ 21,699,000	\$ 11,536,000	\$ 660,000	\$ 1,471,750	5.41
2021	29,653,000	22,202,000	7,451,000	635,000	1,497,150	3.49
2020	29,608,000	21,890,000	7,718,000	610,000	1,521,550	3.62
2019	32,956,000	21,742,000	11,214,000	590,000	1,545,150	5.25
2018	30,443,000	20,136,000	10,307,000	570,000	1,562,250	4.83
2017	29,847,000	21,075,000	8,772,000	550,000	1,584,250	4.11
2016	28,861,000	19,010,000	9,851,000		928,547	10.61

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

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

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

City of Cleveland, Ohio

Principal Employers

2022 and 2013

2022		
Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	50,846	34.80%
University Hospitals	24,462	16.74
U.S. Office of Personnel Management	16,110	11.03
Cuyahoga County	7,201	4.93
The MetroHealth System	6,979	4.78
City of Cleveland	6,935	4.75
Cleveland Metropolitan School District	5,784	3.96
KeyCorp	5,729	3.92
Sherwin-Williams Co.	4,582	3.13
Case Western Reserve University	3,868	2.65
Total	132,496	90.69%
Total Employment within the City	146,100	

2013		
Employer	Employees	Percentage of Total City Employment
Cleveland Clinic	30,979	21.20%
University Hospitals	12,719	8.71
U.S. Office of Personnel Management	11,939	8.17
Cuyahoga County	7,544	5.16
Cleveland Metropolitan School District	6,875	4.71
City of Cleveland	6,825	4.67
MetroHealth System	5,396	3.69
KeyCorp	4,955	3.39
Case Western Reserve University	4,543	3.11
Sherwin-Williams Co.	3,221	2.21
Total	94,996	65.02%
Total Employment within the City	146,100	

Note:

Largest employers headquartered in the City ranked by FTE employees.

Source:

Number of employees from Crain's Cleveland:

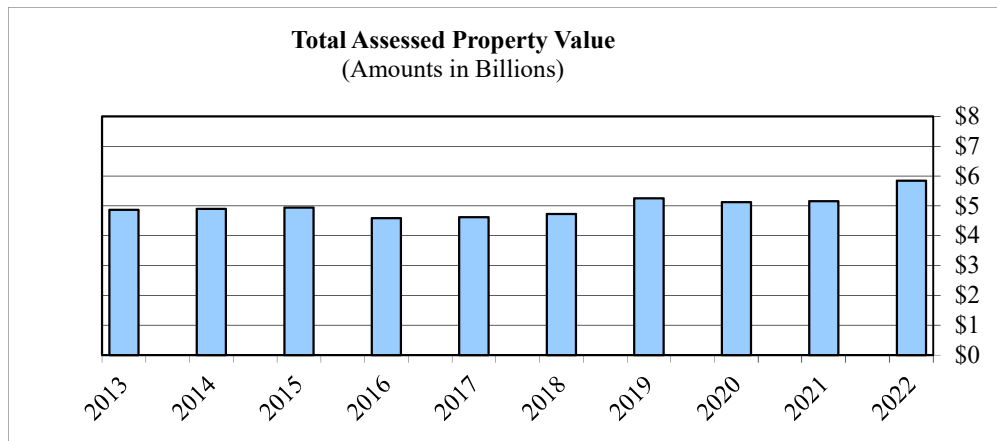
Book of Lists 2023, Largest Cuyahoga County Employers; FTEs as of 6/30/2022

Book of Lists 2014, Largest Cuyahoga County Employers; FTEs as of 6/30/2013

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City of Cleveland, Ohio
Demographic and Economic Statistics
Last Ten Years

Year	Population		Total Personal Income (5)	Personal Income Per Capita		Median Household Income		Median Age	
2022	372,624	(1)A	\$ 8,724,990,960	\$ 23,415	(14)	\$ 33,678	(14)	36.3	(14)
2021	372,624	(1)A	8,362,427,808	22,442	(13)	31,838	(13)	36.3	(1)
2020	372,624	(1)A	8,421,604,745	21,223	(12)	30,907	(12)	35.5	(1)
2019	396,815	(1)	7,970,029,275	20,085	(11)	29,008	(11)	35.7	(1)
2018	396,815	(1)	7,477,581,860	18,844	(10)	27,854	(10)	35.7	(1)
2017	396,815	(1)	7,143,860,445	18,003	(9)	26,583	(9)	35.7	(1)
2016	396,815	(1)	6,958,944,655	17,537	(8)	26,150	(8)	35.7	(1)
2015	396,815	(1)	6,918,866,340	17,436	(7)	26,179	(7)	35.7	(1)
2014	396,815	(1)	6,742,680,480	16,992	(6)	26,217	(6)	35.7	(1)
2013	396,815	(1)	6,671,253,780	16,812	(1)	26,556	(1)	35.7	(1)



- (1) Source: U. S. Census Bureau. 2010 Census, (1)A Population total was updated to reflect 2020 U.S. Census Bureau results.
- (2) Source: Ohio Department of Education Website: "<http://www.ode.state.oh.us/>".
- (3) Source: Ohio Labor Market Info, Website: "<http://ohiolmi.com/>".
- (4) Source: Cuyahoga County Auditor's Office.
- (5) Computation of per capita personal income multiplied by population.
- (6) Source: U. S. Census Bureau. 2013 dollars years 2009-2013.
- (7) Source: U. S. Census Bureau. 2014 dollars years 2010-2014.
- (8) Source: U. S. Census Bureau. 2015 dollars years 2011-2015.
- (9) Source: U. S. Census Bureau. 2016 dollars years 2012-2016.
- (10) Source: U. S. Census Bureau. 2017 dollars years 2013-2017.
- (11) Source: U. S. Census Bureau. 2018 dollars years 2014-2018.
- (12) Source: U. S. Census Bureau. 2019 dollars years 2015-2019.
- (13) Source: U. S. Census Bureau. 2020 dollars years 2016-2020.
- (14) Source: U. S. Census Bureau. 2021 dollars years 2017-2021.

Educational Attainment: Bachelor's Degree or Higher		School Enrollment (2)	City Unemployment Rate (3)	Average Sales Price of Residential Property (4)	Total Assessed Property Value (4)
					(Amounts in Thousands)
19.2%	(14)	34,890	6.0%	\$ 121,900	\$ 5,850,033
18.6	(13)	34,511	8.5	144,100	5,163,670
17.5	(12)	37,158	13.9	89,100	5,132,348
16.9	(11)	37,701	5.2	77,900	5,263,291
16.4	(10)	38,645	6.5	69,500	4,728,745
16.1	(9)	38,949	7.7	76,458	4,628,326
15.6	(8)	39,125	6.9	59,403	4,589,438
15.2	(7)	38,555	5.2	67,280	4,948,114
14.9	(6)	37,967	7.8	54,549	4,899,952
14.0	(1)	38,725	9.3	59,737	4,868,768



City of Cleveland, Ohio
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Years

Function/Program	2022	2021	2020	2019
General Government				
Council	66.50	62.00	61.00	64.00
Mayor's Office	17.00	6.00	19.50	19.50
Office of Capital Projects	57.00	58.00	59.50	61.50
Mayor's Office of Sustainability	8.00	7.00	10.00	8.00
Mayor's Office of Quality Control	11.00	10.00	12.00	11.50
Landmarks Commission	6.50	5.50	4.50	5.00
Building Standards and Appeals	4.50	3.00	3.00	3.00
Board of Zoning Appeals	4.50	4.00	4.50	4.50
Civil Service Commission	7.50	7.50	8.50	7.50
Community Relations Board	23.50	24.50	26.50	26.00
City Planning Commission	25.00	22.00	23.50	23.00
Equal Employment Opportunity	7.00	6.00	7.00	7.00
Prevention Intervention and Opportunity	10.00	12.00	5.00	
Court	380.00	384.00	410.00	436.50
Office of Budget Administration	6.00	7.00	7.00	7.00
Aging	21.00	20.50	25.00	25.50
Personnel and Human Resources	34.00	19.00	17.50	18.50
Law	78.50	74.00	74.00	78.00
Finance	228.50	245.00	252.50	264.00
Security of Persons and Property				
Administration	38.00	37.00	38.00	37.00
Police	1,599.50	1,817.00	1,934.00	2,013.00
Fire	721.00	740.00	681.00	718.00
EMS	281.00	280.00	279.00	305.00
Dog Pound	28.50	30.50	32.00	33.50
House of Corrections	2.00	2.00	1.50	1.00
Department of Justice Compliance	19.50	30.00	32.00	36.00
Public Health Services	121.00	124.00	118.00	139.50
Leisure Time Activities				
Recreation	203.00	194.00	200.00	230.50
Public Auditorium, Westside Market and Cleveland Stadium	57.00	57.50	59.00	64.00
Parking Facilities	33.50	33.50	33.00	37.50
Property Management	71.00	69.00	68.50	72.50
Parks Maintenance	127.00	139.00	143.00	145.00
Community Development	72.00	77.50	78.00	77.00
Building and Housing	123.00	135.00	146.00	148.00
Economic Development	20.00	19.00	22.00	24.00
Public Works				
Public Works Administration	28.00	31.00	32.00	32.00
Waste Collection and Disposal	227.00	213.50	206.50	217.50
Motor Vehicle Maintenance	73.00	76.00	75.00	75.00
Streets	293.00	265.00	263.00	266.00
Traffic Engineering	29.00	29.00	30.00	31.00
Port Control	316.50	317.50	366.50	408.00
Basic Utility Services				
Water	1,028.50	1,104.00	1,174.00	1,150.50
Cleveland Public Power	212.00	223.00	237.00	249.00
Water Pollution Control	128.00	136.00	134.50	140.00
Totals:	6,848.00	7,157.00	7,414.00	7,720.50

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

Source: City Payroll Department.

2018	2017	2016	2015	2014	2013
65.50	60.00	65.50	60.50	61.00	60.00
18.50	24.00	25.00	23.00	22.50	25.50
57.00	54.00	49.00	55.50	50.50	49.50
8.00	8.00				
9.50	10.50				
5.50	4.00	3.00	3.50	4.00	5.00
5.50	5.50	5.50	5.50	5.50	6.00
4.00	4.50	4.50	4.00	4.50	4.50
8.50	8.50	8.50	8.50	9.50	10.00
24.00	22.00	22.00	23.00	24.00	22.00
21.50	20.50	20.50	21.50	22.50	20.50
7.00	8.00	6.00	8.50	10.00	8.50
441.50	443.50	446.00	448.00	457.50	465.50
8.00	7.00	7.00	7.00	7.00	8.00
26.00	23.50	19.00	23.50	21.00	22.00
17.50	16.50	12.00	15.50	17.00	19.00
80.00	78.50	73.50	71.50	76.50	77.00
267.50	248.50	239.50	238.50	226.00	222.50
36.00	36.00	37.00	35.00	48.50	42.50
1,972.00	1,822.50	1,826.50	1,903.00	1,901.00	1,913.50
722.00	702.00	696.00	705.00	707.00	730.00
310.00	288.00	244.00	238.00	224.00	232.00
26.50	22.00	18.00	18.00	17.00	17.00
1.00	106.00	117.50	117.50	127.00	131.50
27.50	26.00	13.50	8.50		
138.50	127.50	135.00	139.00	138.00	133.00
230.00	222.00	203.00	202.50	200.50	191.50
61.50	53.50	53.00	55.00	54.50	54.00
40.50	37.50	40.00	42.50	40.00	40.50
71.50	70.50	64.50	67.50	73.50	72.50
140.00	138.00	132.00	128.00	133.00	130.00
71.50	62.00	61.50	63.00	74.00	76.00
142.00	129.00	119.00	109.00	115.00	117.00
24.00	23.00	26.00	26.00	25.00	29.00
36.00	32.00	34.00	36.00	38.00	37.00
199.50	206.50	179.50	171.00	192.50	199.50
79.00	76.00	70.00	72.00	66.00	68.00
270.00	263.00	252.00	257.00	249.00	248.00
33.00	32.00	29.00	30.00	29.00	29.00
387.50	392.50	393.50	410.00	383.00	392.00
1,126.50	1,067.50	980.00	1,013.00	1,008.00	1,042.50
253.00	242.00	248.00	244.00	266.00	316.00
133.00	116.00	123.00	121.00	134.50	135.00
<u>7,607.00</u>	<u>7,340.00</u>	<u>7,102.00</u>	<u>7,229.00</u>	<u>7,263.00</u>	<u>7,402.50</u>

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

Function/Program	2022	2021	2020	2019	2018
General Government					
<i>Council and Clerk</i>					
Number of ordinances passed	486	479	451	573	573
Number of resolutions adopted	492	346	293	575	543
Number of other actions (communications, tabled legislation, etc.)	311	325	242	313	365
Number of planning commission docket items	278	348	326	544	344
Zoning board of appeals docket items	237	206	207	324	290
<i>Finance Department</i>					
Number of payments issued	33,729	33,053	32,463	39,486	40,932
Total amount of payments	\$ 1,773,310,953	\$ 1,796,197,886	\$ 1,736,678,895	\$ 1,791,913,475	\$ 1,712,667,992
Interest earnings for fiscal year (cash basis)	\$ 33,146,696	\$ 1,174,985	\$ 9,479,564	\$ 34,234,237	\$ 26,062,457
Number of receiving warrants	31,772	29,566	26,342	31,786	37,061
Number of journal entries issued	166,127	158,025	154,009	194,878	206,659
Number of budget adjustments issued	7	2	2	2	3
Agency ratings - S&P Global (1)	AA+	AA+	AA+	AA+	AA+
Agency ratings - Moody's Financial Services (1)	Aa3	A1	A1	A1	A1
Health insurance costs vs. General Fund expenditures %	11%	19%	19%	16%	16%
General Fund receipts (in thousands)	\$ 673,235	\$ 649,107	\$ 581,864	\$ 648,273	\$ 623,090
General Fund expenditures (in thousands)	\$ 364,888	\$ 474,821	\$ 514,770	\$ 564,761	\$ 533,048
General Fund cash balances (in thousands)	\$ 349,704	\$ 315,276	\$ 203,399	\$ 190,621	\$ 173,275
<i>Income Tax Department</i>					
Number of individual returns	132,509	125,006	102,387	134,391	131,908
Number of business returns	32,692	31,865	16,381	23,373	28,396
Number of business withholding accounts	16,088	15,032	14,730	14,599	15,015
Amount of penalties and interest collected	\$ 2,788,887	\$ 2,619,579	\$ 1,598,475	\$ 2,366,212	\$ 2,169,049
Annual number of corporate withholding forms processed	219,230	190,445	147,777	168,213	166,191
Annual number of balance due statements forms processed	25,668	19,824	14,451	24,247	26,382
Annual number of estimated payment forms processed	31,786	25,476	22,317	28,329	28,448
Annual number of reconciliations of withholdings processed	15,531	13,047	2,429	12,461	12,898
<i>Engineer Contracted Services</i>					
Dollar amount of construction overseen by engineer (2)	\$ 29,061,947	\$ 36,777,103	\$ 40,005,457	\$ 26,128,469	\$ 18,489,204
<i>Municipal Court</i>					
Number of civil cases	13,534	12,775	11,868	20,360	19,599
Number of criminal cases	30,160	37,672	37,722	59,535	60,525
<i>Vital Statistics</i>					
<i>Certificates filed (3)</i>					
Number of births	18,634	19,101	18,406	18,993	18,765
Number of deaths	16,488	17,762	16,505	15,077	15,302
Number of fetal deaths	229	136	109	150	308
<i>Certificates issued (3)</i>					
Number of births	43,633	30,535	30,449	55,464	56,102
Number of deaths	69,198	62,475	32,805	63,979	65,338
<i>Civil Service</i>					
Number of police entry tests administered	4	4	1	2	3
Number of fire entry tests administered	1	1			1
Number of police promotional tests administered	3	3			1
Number of fire promotional tests administered	1				
Number of hires of police officers from certified lists	33	62	86	40	248
Number of hires of fire/medics from certified lists	39	84		55	40
Number of promotions from police certified lists	46		40	35	24
Number of promotions from fire certified lists			11	22	52

	2017	2016	2015	2014	2013
	621	526	621	582	642
	554	587	564	696	686
	330	353	399		
	283	310	127	232	267
	379	325	274	256	276
	37,683	37,602	37,931	37,689	37,257
\$	1,645,342,974	\$ 1,526,411,690	\$ 1,463,635,524	\$ 1,423,313,034	\$ 1,454,825,245
\$	11,609,282	\$ 4,638,092	\$ 1,669,023	\$ 2,004,466	\$ 2,922,320
	35,563	33,848	34,912	36,245	33,006
	201,067	189,424	260,377	206,253	176,343
	5	2	2	4	5
	AA+	AA	AA	AA	AA
	A1	A1	A1	A1	A1
	17%	18%	17%	15%	15%
\$	591,969	\$ 513,561	\$ 495,331	\$ 502,860	\$ 511,253
\$	508,535	\$ 483,971	\$ 481,730	\$ 487,584	\$ 485,912
\$	117,631	\$ 61,405	\$ 79,239	\$ 92,693	\$ 89,988
	158,124	174,471	181,382	181,811	188,767
	24,982	22,352	28,502	29,866	22,601
	14,640	13,867	13,863	13,857	13,914
\$	2,357,037	\$ 1,980,758	\$ 2,010,333	\$ 1,848,347	\$ 1,880,485
	159,442	156,603	153,640	149,291	143,976
	31,261	41,688	41,837	38,059	39,012
	35,319	40,598	39,577	42,027	40,932
	11,494	11,728	12,248	11,851	10,737
\$	26,721,178	\$ 59,585,941	\$ 104,493,079	\$ 52,004,000	\$ 30,424,253
	19,146	18,646	19,411	18,910	7,534
	64,371	64,050	78,238	103,098	109,740
	19,878	18,607	18,524	17,061	16,448
	15,158	14,832	14,349	13,509	13,460
	348	385	407	337	380
	58,805	58,611	58,513	55,753	57,935
	64,265	63,348	63,930	60,897	61,717
	1	1	1	1	1
	1			1	
				3	
	1			4	4
	52	56	45	103	47
		29	40	37	33
	44	30	48	4	36
		33	16	49	29

(Continued)

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

Function/Program	2022	2021	2020	2019	2018
Building Department Indicators					
Construction permits issued	14,852	14,613	13,533	19,947	17,173
Estimated value of construction	\$ 1,274,106,147	\$ 1,092,815,108	\$ 873,031,083	\$ 1,194,734,824	\$1,461,758,104
Number of other permits issued	1,146	1,010	1,134	2,026	2,235
Amount of revenue generated from permits	\$ 15,119,084	\$ 12,180,779	\$ 8,329,511	\$ 13,146,280	\$ 12,550,454
Number of contractor registrations issued	3,128	3,104	2,502	2,441	3,330
Annual apartment/rooming house license fees	\$ 4,840,181	\$ 4,564,031	\$ 4,293,764	\$ 2,339,748	\$ 2,307,275
Security of Persons and Property					
Police					
Number of traffic citations issued	27,046	32,302	28,042	41,747	41,095
Number of parking citations issued	26,827	20,777	17,075	24,017	26,970
Number of criminal arrests	7,351	9,257	9,217	12,790	15,584
Number of accident reports completed	16,777	16,525	15,237	17,282	17,982
Part 1 offenses (major offenses)	24,823	23,536	24,291	23,229	24,557
OVI arrests (5)	101	167	44	318	472
Prisoners	6,031	8,979	5,723	12,299	13,025
Motor vehicle accidents	16,777	16,525	15,237	17,282	17,982
Fatalities from motor vehicle accidents	45	73	74	54	46
Community diversion program youths	93	33	83	104	82
Fire					
Fire calls - incoming for services	72,629	74,657	65,724	70,005	70,213
Fires	2,103	2,057	2,228	1,896	2,078
Fires with loss	737	232	519	518	935
Fires with losses exceeding \$10K	283	77	200	168	284
Fire losses \$	\$ 20,543,044	\$ 4,765,800	\$ 8,664,535	\$ 8,541,535	\$ 14,374,870
Fire safety inspections	2,705	2,020	2,706	2,988	7,900
Number of times mutual aid given to fire				3	
EMS					
EMS calls - incoming for service	120,383	124,842	119,272	123,364	120,487
Ambulance billing collections (net)	\$ 15,007,500	\$ 15,718,538	\$ 13,189,469	\$ 16,250,754	\$ 14,470,837
Public Health and Welfare					
Number of health inspections					
Barber shops	174	187	168	109	165
Food	4,456	4,286	4,029	7,800	7,800
Hotels/motels	36	43	44	38	40
Mobile home parks					
Laundries	20	23	32	30	30
Nuisance	5,035	5,993	4,030	12,000	1,909
Pools	128	113	40	130	125
Schools	222	325	397	330	235
Day care inspections	166	158	186	183	181
Maternity inspections				1	1
Abortion inspections	4	4	4	3	3
Cemetery cremations	217	178	204	268	259

	2017	2016	2015	2014	2013
	17,865	16,125	15,038	14,002	15,760
\$	1,338,571,317	\$ 1,468,917,169	\$ 1,430,231,410	\$ 951,833,168	\$ 898,217,589
	2,871	2,820	3,274	4,560	4,632
\$	10,985,010	\$ 12,799,847	\$ 11,580,333	\$ 8,318,937	\$ 8,727,385
	3,261	3,202	3,262	2,395	2,357
\$	2,144,227	\$ 1,582,496	\$ 1,515,849	\$ 1,340,845	\$ 1,382,001
	45,734	49,084	64,565	89,835	111,271
	30,966	32,516	39,862	37,569	36,678
	18,975	19,670	24,308	31,633	33,742
	17,876	18,256	17,712	15,575	15,806
	31,163	34,158	29,048	33,975	37,125
	505	491	387	693	779
	12,536	14,214	17,284	21,201	23,935
	17,876	18,256	17,712	15,575	15,806
	61	56	48	21	32
	141	119	108	105	98
	71,663	70,988	68,983	64,357	61,728
	2,732	2,752	2,469	2,431	2,478
	1,489	1,035	1,591	1,441	1,403
	323	344	346	310	247
\$	19,714,210	\$ 15,495,855	\$ 18,625,607	\$ 16,936,874	\$ 9,634,925
	20,660	9,059	12,963	12,730	10,110
				5	2
	116,751	116,056	115,303	109,045	106,385
\$	14,633,032	\$ 13,157,301	\$ 10,348,422	\$ 12,214,724	\$ 11,589,324
	156	124	211	360	303
	7,200	7,041	7,356	7,187	7,796
	43	42	36	35	22
	38	77	54	68	81
	1,186	1,176	2,450	17,117	22,375
	127	114	165	147	132
	330	293	398	417	547
	180	181	187	194	188
	1	1		1	2
	4	4	4	4	5
	279	263	260	249	179

(Continued)

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

Function/Program	2022	2021	2020	2019	2018
Leisure Time Activities					
Recreation men and women leagues receipts	\$	\$	\$	-	\$ 14,585
Economic Development					
Grant amounts received (Amounts in Thousands) (4)	\$ 3,302	\$ 3,187	\$ 1,692	\$ 3,180	\$ 3,238
Public Works					
Street improvements - asphalt overlay (square yards)	282,444	413,567	406,698	401,772	422,485
Crackseal coating program (linear feet)	336,458	330,106	302,000	422,097	476,296
Street repair (curbs, aprons, berms, asphalt) (hours)	68,640	56,134	34,043	102,400	183,040
Guardrail repair (hours)	1,510	908	1,244	1,093	1,320
Paint striping					
Lane line (miles)	347	333	345	455	526
Crosswalks (each)	3,824	3,672	4,211	4,800	5,476
Arrows (each)	2,458	2,877	4,000	3,650	3,528
Street sweeper (hours)	7,464	9,582	11,310	1,904	1,120
Cold patch (hours)	3,018	4,122	5,893	10,693	5,760
Snow and ice removal regular hours	71,732	76,048	72,453	76,834	75,564
Snow and ice removal overtime hours	8,831	13,766	12,303	12,152	13,342
Leaf collection (hours)	4,438	4,545	4,720	432	1,200
Holiday lights setup (hours)					120
Equipment repair/body shop (hours)	6,240	6,240	4,200	4,421	3,960
Tons of snow melting salt purchased November-March	56,000	44,000	50,779	54,000	61,089
Cost of salt purchased	\$ 2,645,440	\$ 2,208,800	\$ 3,706,873	\$ 3,957,120	\$ 1,778,889
Refuse disposal per year (in tons) (6)	235,527	298,054	266,793	243,825	222,559
Refuse disposal costs per year (6)	\$ 8,188,107	\$ 8,462,138	\$ 6,988,485	\$ 6,542,835	\$ 5,612,889
Annual recycling tonnage (excluding leaf, and compost items)	2,977			23,743	19,152
Percentage of waste recycled	2.20%			8.87%	7.90%
Port Control					
Cleveland Hopkins Airport					
Landed weight (in thousands of pounds)	5,222,496	4,609,992	3,514,736	5,928,580	5,686,461
Total operations	101,314	91,605	71,141	126,999	116,333
Total passengers	8,693,866	7,283,896	4,122,517	10,040,817	9,642,729
Total enplaned passengers	4,348,607	3,646,410	2,059,668	5,023,316	4,836,580
Burke Lakefront Airport					
Total operations	52,877	48,831	39,000	50,022	46,765
Total passengers	1,473,771	151,225	105,453	174,382	229,172
Total enplaned passengers	70,883	76,175	53,598	86,408	113,843
Water Department					
Water rates per 1st 600 cubic feet of water used	\$ 21.85	\$ 21.85	\$ 21.85	\$ 20.57	\$ 19.26
Average number of water accounts billed monthly (7)	433,169	432,446	432,372	433,000	428,778
Total water collections annually (including P&I)	\$ 293,929,153	\$ 289,322,817	\$ 287,016,260	\$ 283,912,463	\$ 273,421,478
Payments to Cleveland for bulk water purchases	\$ 9,872,220	\$ 10,230,008	\$ 9,919,477	\$ 9,519,525	\$ 9,489,107
Wastewater Department					
Sewer and sanitary calls for service	4,684	4,540	5,193	3,906	4,810
After hours sewer calls (hours)	210	321	499	306	358
Electric Power					
KWH Sold	1,568,358,009	1,579,054,792	1,528,489,824	1,589,109,934	1,657,523,780
Average accounts billed per month	73,643	74,000	73,998	75,064	75,287
Receipts	\$ 192,471,698	\$ 196,598,920	\$ 188,350,724	\$ 208,987,691	\$ 212,797,846

- (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) 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.
- (5) 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.
- (6) Prior to 2015, Public Works reported the refuse disposal and it's cost as of August through July. Public Works provides calculations base on the calendar year.
- (7) Beginning in 2017, the Water Department switched to monthly billing for its customers.

	2017	2016	2015	2014	2013
\$	795	\$ 1,305	\$ 1,425	\$ 2,940	\$ 3,407
\$	4,310	\$ 10,107	\$ 8,244	\$ 12,856	\$ 3,045
	476,296	279,170	244,774	244,500	297,183
	318,415	252,160	320,785	662,225	
	106,080	118,560	136,993	152,214	138,034
	1,061	380	765	114	131
	630	629	485	640	672
	5,356	6,007	3,783	4,476	4,227
	3,695	3,853	3,664	3,684	3,928
	1,257	672	744	992	1,132
	7,680	6,400	12,960	11,376	9,143
	72,015	70,137	88,865	89,234	86,978
	7,843	16,244	14,876	18,791	19,212
	240				
	220	240	240	275	300
	1,643	2,060	2,110	2,200	2,215
	31,422	57,424	61,447	73,888	57,966
\$	918,490	\$ 3,037,155	\$ 3,147,313	\$ 2,538,951	\$ 1,972,003
	241,250	241,911	217,083	209,410	214,561
\$	5,660,667	\$ 5,552,840	\$ 5,729,541	\$ 5,466,793	\$ 5,258,741
	26,915	25,600	21,809	17,900	15,893
	10.04%	9.45%	9.54%	11.00%	13.00%
	5,455,096	5,117,105	5,118,972	4,773,831	5,732,142
	122,392	118,653	117,773	137,363	181,340
	9,140,445	8,422,676	8,100,073	7,609,404	9,072,045
	4,562,740	4,205,739	4,046,634	3,797,261	4,525,612
	50,789	53,495	63,603	66,862	68,665
	178,521	163,696	161,006	155,583	148,294
	89,051	81,934	80,724	77,984	74,385
\$	19.26	\$ 19.26	\$ 19.26	\$ 17.34	\$ 15.51
	430,478	138,816	139,823	139,460	139,201
\$	295,099,937	\$ 282,194,878	\$ 273,223,067	\$ 261,928,659	\$ 250,250,867
\$	9,979,059	\$ 21,309,226	\$ 21,889,987	\$ 21,810,862	\$ 20,194,830
	5,342	4,537	3,919	5,859	4,856
	270	180	438	381	227
	1,588,113,898	1,612,905,829	1,616,459,441	1,618,081,248	1,620,996,815
	73,363	73,340	73,661	73,746	74,208
\$	190,495,223	\$ 191,759,714	\$ 194,358,017	\$ 183,571,523	\$ 170,397,373

(Concluded)

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

Function/Program	2022	2021	2020	2019	2018
General Government					
Square footage occupied (4)	3,998,701	3,998,701	3,874,685	3,177,900	3,177,900
Administrative vehicles	35	35	35	35	35
Police					
Stations	5	5	5	5	5
Square footage of buildings (1)	770,169	770,169	770,169	770,169	756,846
Vehicles	958	952	945	921	924
Fire					
Stations	26	26	26	26	26
Square footage of buildings	311,655	311,655	311,655	311,655	311,655
Vehicles	134	132	132	126	126
EMS					
Stations (headquarters)	1	1	1	1	1
Square footage of buildings	52,776	52,776	52,776	52,776	52,776
Vehicles	72	70	69	68	66
Port Control (Hopkins)					
Runways	3	3	3	3	3
Terminal area (approximate square footage)	1,142,810	1,142,810	1,142,810	1,142,810	1,142,810
Gates (6)	58	58	58	58	58
Parking spaces (approximately)					
CLE Smart Park Garage (5)					
Long-term					
Short-term					
Surface	2,599	1,675	1,680	2,095	2,095
Total parking spaces	6,371	5,980	5,739	5,769	5,906
Vehicles	332	337	364	355	362
Other Public Works					
Streets (miles)	1,300	1,300	1,300	1,300	1,300
Service vehicles	2,557	2,428	2,428	2,433	2,249

2017	2016	2015	2014	2013
3,177,900	3,075,124	3,659,100	3,659,100	3,659,100
35	36	35	41	38
5	5	5	5	5
756,846	783,546	614,500	553,100	553,100
899	805	842	867	823
26	26	26	26	26
311,655	311,655	313,224	313,224	313,224
113	135	92	95	91
1	1	1	1	1
52,776	52,776	33,000	33,000	33,000
52	56	46	47	47
3	3	3	3	3
935,000	935,000	935,000	935,000	935,000
58	65	65	65	96
3,811	3,811	3,811	3,997	3,959
2,095	2,095	2,055	1,544	1,100
5,906	5,906	5,866	5,541	5,059
358	329	313	320	315
1,300	1,300	1,300	1,300	1,300
2,179	1,686	1,646	1,500	1,539

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

Function/Program	2022	2021	2020	2019	2018
Recreation					
Number of parks	168	168	168	168	168
Number of playgrounds	108	108	108	108	108
Number of baseball diamonds	111	130	130	130	130
Number of tennis courts	70	92	92	92	92
Number of basketball courts					
Full	88	96	96	96	96
Half	11	11	11	11	11
Number of soccer fields	9	5	5	5	4
Number of recreation centers	20	21	21	21	21
Number of pools					
Indoor	19	19	19	19	19
Outdoor	21	20	20	20	22
Number of aquatic playgrounds	45	25	25	25	25
Number of golf courses (3)	2	2	2	2	2
Number of ice rinks	1	1	1	1	1
Number of roller rinks	1	1	1	1	1
Number of fine arts centers	1	1	1	1	1
Number of greenhouses	1	1	1	1	1
Number of camps	1	1	1	1	1
Number of Historical Baseball Parks	1	1	1	1	1
Total park acreage	1,839	1,863	1,863	1,863	1,863
Vehicles	85	86	88	77	74
Wastewater					
Sanitary sewers (miles)	173	173	173	170	170
Storm sewers (miles)	214	214	214	199	199
Combined sewers (miles)	1,049	1,057	1,057	1,066	1,065
Vehicles	144	139	137	179	139
Electric Power					
Total Distribution lines (miles)	950	900	900	900	900
Total Transmission lines (miles)	40	50	50	50	50
Vehicles	88	84	80	78	43
Water Department					
Water lines (miles) (2)	3,917	3,928	3,933	3,945	3,878
Vehicles	785	774	761	722	719

- (1) Includes Dog Kennels and Inspection Garage.
- (2) These are calculated totals of all trunk mains [20" diameter and larger] (433 miles), distribution mains [16" and smaller] within the City of Cleveland (1,284 miles) plus distribution mains within certain suburbs with updated service agreements (2,161 miles) which transferred ownership of the distribution mains within those suburban boundaries to the City of Cleveland. Not included in these totals are the distribution mains in all master meter communities and any direct service suburban community who has not entered into a new service agreement.
- (3) In 2018, the City took back the operations of Highland Park Golf Course.
- (4) 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). In 2021, the new Frederick Douglass Rec Center, the fire training tower and the pool houses were added.
- (5) 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.
- (6) In 2014, the number of gates reflects physical gates. All prior years totals are the number of aircrafts that can be accommodated at any one time, including physical gates and parking positions.

2017	2016	2015	2014	2013
168	168	168	168	154
108	108	109	109	110
130	130	133	133	138
92	92	90	90	119
96	96	110	110	103
11	11	10	10	10
4	4	4	4	4
21	21	21	21	21
19	19	19	19	19
22	22	22	22	21
25	25	25	25	22
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1,863	1,863	1,863	1,863	1,489
80	91	85	86	91
170	170	170	170	170
199	199	199	199	199
1,065	1,065	1,065	1,065	1,065
152	117	110	104	108
900	900	900		
50	50	50		
79	265	217	221	216
3,544	3,315	3,300	3,139	3,051
748	740	596	675	658

(Concluded)

CITY OF CLEVELAND, OHIO

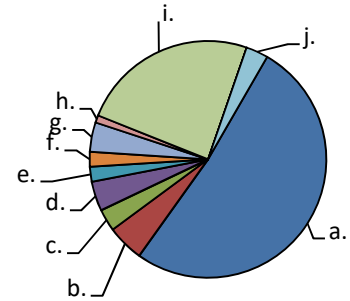
SCHEDULE OF STATISTICS-GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

REVENUE DOLLAR BY SOURCE

Where the money came from

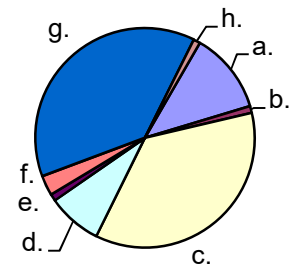
a. Income taxes	a. \$0.51
b. Property taxes	b. 0.05
c. State local government funds	c. 0.03
d. Other taxes	d. 0.04
e. Other shared revenues	e. 0.02
f. Licenses and permits	f. 0.02
g. Charges for services	g. 0.04
h. Fines, forfeits and settlements	h. 0.01
i. Grant Revenue	i. 0.24
j. Miscellaneous	j. 0.03
k. Investment Earnings	0.01
	\$1.00



EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

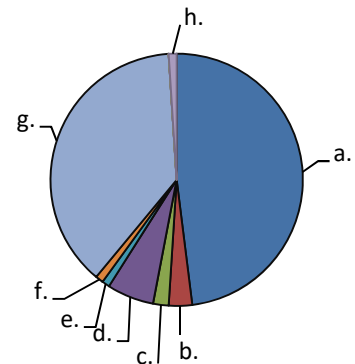
a. General Government	a. \$0.12
b. Public Health	b. 0.01
c. Public Safety	c. 0.36
d. Public Works	d. 0.08
e. Building and Housing	e. 0.01
f. Economic and Community Development and other	f. 0.03
g. Transfers out	g. 0.38
h. Capital Outlay	h. 0.01
	\$1.00



EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages and related benefits	a. \$0.48
b. Interdepartmental charges	b. 0.03
c. Utilities	c. 0.02
d. Contractual services	d. 0.06
e. Materials and supplies	e. 0.01
f. Maintenance	f. 0.01
g. Transfers out	g. 0.38
h. Claims/Refunds	h. 0.01
	\$1.00



SPECIAL THANKS TO:

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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, 2022**

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES DIVISION OF CLEVELAND PUBLIC POWER

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Department of Public Utilities
Division of Cleveland Public Power
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Public Utilities, Division of Cleveland Public Power:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Department of Public Utilities, Division of Cleveland Public Power of the City of Cleveland, Cuyahoga County, Ohio (the Division), as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department of Public Utilities, Division of Cleveland Public Power of the City of Cleveland as of December 31, 2022, and the changes in financial position and its cash flows thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Division, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements of the Department of Public Utilities, Division of Cleveland Public Power of the City of Cleveland, are intended to present the financial position, the changes in financial position, and cash flows, of only that portion of the business-type activities and the major fund of the City of Cleveland that is attributable to the transactions of the Department of Public Utilities, Division of Cleveland Public Power. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2022, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Division's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Cleveland Public Power (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2022. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 20.

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 42nd largest by customers served in the United States according to the American Public Power Association's statistics for 2021. The Division serves an area that is bound by the City limits and presently serves more than 73,000 customers.

The Division is one of the very few municipal electric companies in the United States that competes with an investor-owned utility, in this case FirstEnergy Corporation's Cleveland Electric Illuminating Company (CEI).

According to the 2020 census, the City's population is approximately 373,000 people. The Division has distribution facilities in about 60% of the geographical area of the City, primarily on the east side.

The Division obtains substantially all of its power and energy requirements through agreements with various regional utilities and other power suppliers for power delivered through CEI interconnections. The balance of the Division's power and energy requirements are satisfied with production from the Division's three combustion turbine generating units and various arrangements for the exchange of short-term power and energy through CEI's interconnections. To reduce its reliance on the wholesale market, the Division's long-term base load supply will include a mix of power provided by participation in American Municipal Power (AMP) Inc. hydroelectric projects, the Fremont Energy Center, the Prairie State Energy Campus project and the Blue Creek Wind project.

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

FINANCIAL HIGHLIGHTS

- The Division's net position was \$199,446,000 and \$189,389,000 at December 31, 2022 and 2021, respectively. Of these amounts, \$29,286,000 and \$18,418,000 are unrestricted net position at December 31, 2022 and 2021, respectively, which may be used to meet the Division's ongoing obligations to customers and creditors.
- Operating income decreased by \$3,501,000, primarily due to a \$5,135,000 increase in operations expense.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total long-term bonded debt decreased by \$9,485,000 for the year ended December 31, 2022. The decrease is due to scheduled payments to bondholders on the outstanding Series 2016 and Series 2018 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 20 - 25 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 27 – 54 of this report. Required supplementary information can be found on pages 55 - 58.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Division as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	(Amounts in Thousands)	
Assets:		
Current assets	99,054	101,359
Restricted assets	4,149	4,063
Noncurrent assets	4,083	2,177
Capital assets, net of accumulated depreciation	<u>323,686</u>	<u>333,957</u>
Total assets	430,972	441,556
Deferred outflows of resources	23,790	25,701
Liabilities:		
Current liabilities	27,647	26,053
Long-term obligations	<u>210,474</u>	<u>230,184</u>
Total liabilities	238,121	256,237
Deferred inflows of resources	17,195	21,631
Net Position:		
Net investment in capital assets	167,237	168,111
Restricted for capital projects	177	177
Restricted for debt service	2,746	2,683
Unrestricted	<u>29,286</u>	<u>18,418</u>
Total net position	199,446	189,389

Current assets: The Division's current assets decreased by \$2,305,000 in 2022. The decrease is mainly due to a decrease of \$6,911,000 in unrestricted cash and cash equivalents. The reduction is primarily attributed to an increase of \$4,410,000 in recoverable costs of purchases power, due to a slight underbilling of power costs passed on to customers. In addition, there was an increase in unbilled revenue and due from other City of Cleveland funds of \$457,000 and \$454,000, respectively. Both increases are mainly attributed to an increase in the Energy Adjustment Charge (EAC) compared to 2021.

Restricted assets: The Division's restricted assets increased by \$86,000. The increase is primarily due to an increase of \$63,000 in cash and cash equivalents in the debt service fund.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: The Division’s capital assets as of December 31, 2022, amounted to \$323,686,000 (net of accumulated depreciation). The total decrease in the Division’s net capital assets for the current year was \$10,271,000. A summary of the activity in the Division’s capital assets during the year ended December 31, 2022, is as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
	(Amounts in Thousands)			
Land	\$ 5,574	\$	\$	\$ 5,574
Land improvements	2,430	764		3,194
Utility plant	606,176	11,770	(8,692)	609,254
Buildings, structures and improvements	24,655	785		25,440
Furniture, fixtures, equipment and vehicles	92,510	2,265	(918)	93,857
Construction in progress	46,962	7,048	(8,304)	45,706
Total	778,307	22,632	(17,914)	783,025
Less: Accumulated depreciation	(444,350)	(19,092)	4,103	(459,339)
Capital assets, net	<u>\$ 333,957</u>	<u>\$ 3,540</u>	<u>\$ (13,811)</u>	<u>\$ 323,686</u>

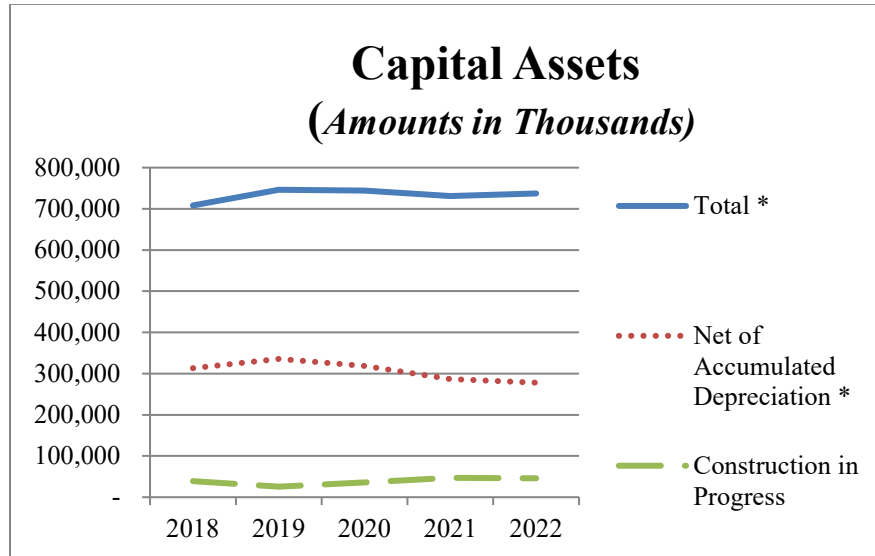
The principal additions to construction in progress during 2022 included the following:

- Southern Transmission Line
- Auto transformers
- Hayden substation
- General engineering services

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)



* Construction in Progress not included

Additional information on the Division’s capital assets, including commitments made for future capital expenditures, can be found in Note D – Capital Assets to the basic financial statements.

Deferred outflows of resources: There was a decrease of \$1,911,000 in deferred outflows of resources. Unamortized loss on debt refundings decreased by \$2,114,000 due to scheduled amortization. Deferred OPEB outflows decreased by \$1,156,000, mainly due to a \$1,070,000 decrease in change of assumptions regarding future economic and demographic factors. Deferred outflows of resources related to pension increased by \$1,359,000.

Current liabilities: The increase in current liabilities of \$1,594,000 is primarily due to a \$1,991,000 increase in accounts payable and a \$475,000 increase in current portion of long-term debt, due within one year. The accounts payable increase is primarily attributed a \$2,416,000 in purchased power costs due at year end, mainly payable to AMP. The increases were partially offset by a decrease of \$996,000 in current payable from restricted assets due to issuing the final payments to vendors on various construction projects.

Long-term obligations: The long-term obligations decrease of \$19,710,000 is mainly due to decreases of \$11,974,000 in revenue bonds payable and \$10,535,000 in net pension liability. The reduction in revenue bonds payable is due to scheduled debt payments and associated amortization, while the decrease in net pension liability is primarily due to investment returns exceeding expectations. These decreases were partially offset by an increase of \$3,073,000 in accreted interest payable.

At December 31, 2022, the Division had total bonded debt outstanding of \$161,568,000. All bonds are backed by the revenues generated by the Division.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The Division issued revenue bonds in the public capital markets in the late 1980’s and early 1990’s to finance a substantial expansion to its service territory. The Division also issued bonds in April 2008 for system expansion. In 2006, 2010, 2012, 2016, 2018 and 2020 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, 2022, is summarized in the following table (excluding unamortized discounts, premiums and accreted interest):

	Balance January 1, 2022	Debt Issued	Debt Retired	Balance December 31, 2022
	(Amounts in Thousands)			
Revenue Bonds:				
Revenue Bonds 2008 B-2	\$ 27,903	\$	\$	\$ 27,903
Revenue Bonds 2016	18,010		(5,710)	12,300
Revenue Bonds 2018	41,560		(3,775)	37,785
Revenue Bonds 2020	83,580			83,580
Total	\$ 171,053	\$ -	\$ (9,485)	\$ 161,568

The bond ratings for the Division’s outstanding revenue bonds are as follows:

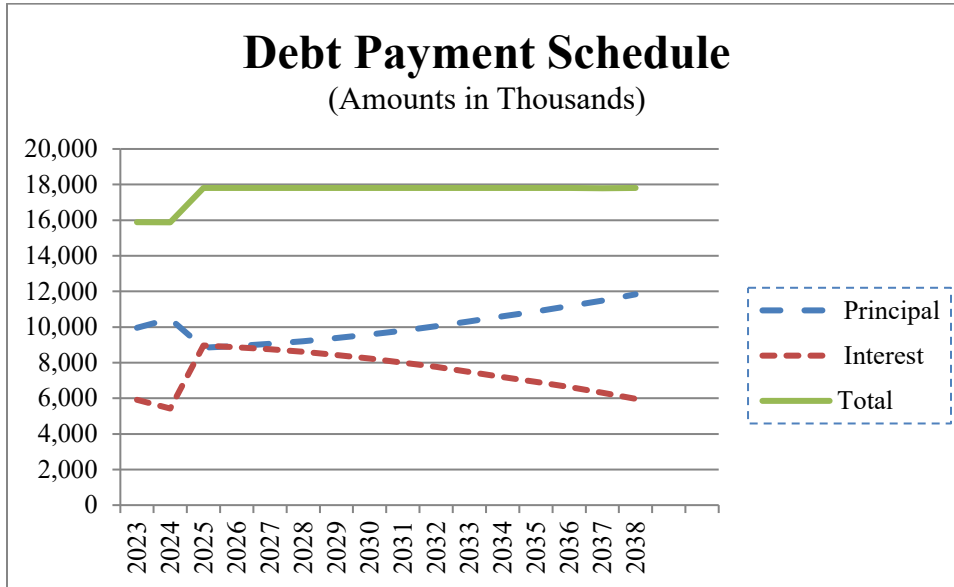
Moody’s Investors Service	S&P Global
A3	A-

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 2022 and 2021 was 176% and 170%, respectively. Additional information on the Division’s long-term debt can be found in Note B – Debt and Other Long-term Obligations to the basic financial statements on pages 31 - 35.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)



Net pension/OPEB liabilities/(assets): The net pension liability/(asset) is reported by the Division at December 31, 2022 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. For fiscal year 2019, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities/(assets) related to OPEB. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division’s actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability/(asset) and the net OPEB liability/(asset) to the reported net position and subtracting the net pension asset, OPEB asset and deferred outflows of resources related to pension and OPEB.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Division is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State Statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio Revised Code (ORC) permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Deferred inflows of resources: There was a \$4,436,000 decrease in deferred inflows of resources. Excess purchased power costs decreased by \$6,771,000 due to a slight under billing of customers along with increased purchased power costs. The decrease of \$2,902,000 in OPEB inflows is mainly due to a \$2,144,000 decrease in change of assumptions regarding future economic and demographic factors. These decreases were partially offset by a \$5,237,000 increase in pension inflows, primarily attributed to a \$4,357,000 increase in the net difference between projected and actual earnings on pension plan investments

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 \$199,446,000 and \$189,389,000 at December 31, 2022 and 2021, respectively.

Of the Division's net position at December 31, 2022, \$167,237,000 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, \$177,000 denotes funds restricted for use in capital projects and \$2,746,000 represents resources subject to debt service restrictions.

The remaining \$29,286,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Division had a net increase of \$10,057,000 in net position in 2022. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2022 and 2021:

	2022	2021
	(Amounts in Thousands)	
Operating revenues	\$ 199,816	\$ 196,958
Operating expenses	181,663	175,304
Operating income (loss)	18,153	21,654
Non-operating revenue (expense):		
Investment income	762	27
Interest expense	(11,526)	(11,826)
Amortization of bond premiums and discounts	2,014	2,159
Amortization of lease agreements	(263)	
Gain (loss) on disposal of assets	(5,090)	(5,465)
Other	6,007	5,992
Total non-operating revenue (expense), net	(8,096)	(9,113)
Increase (decrease) in net position	10,057	12,541
Net position, beginning of year	189,389	176,848
Net position, end of year	\$ 199,446	\$ 189,389

Operating revenues: In 2022, operating revenues increased by \$2,858,000, primarily due to an increase in the Energy Adjustment Charge in October of 2022.

Operating expenses: Purchased power costs increased by \$4,158,000, mainly due to instability in the power generation market related to the ongoing Ukraine/Russia conflict.

Operations expense increased by \$5,135,000 in 2022, primarily due to an increase of \$10,884,000 in OPEB expense, mainly attributed to changes in healthcare terms in 2020 that significantly reduced the 2021 expense amount. These increases were partially offset by decreases of \$2,977,000 in bad debt expense and \$3,171,000 decrease in pension expense. The reduction in bad debt is mainly attributed to the discontinuation of a moratorium on account shut-offs due to the Covid-19 pandemic.

Maintenance expense decreased by \$693,000 or 4.0%, primarily due to a \$1,205,000 decrease in payroll costs attributed to unfilled job openings.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

There was decrease in depreciation expense of \$2,241,000, primarily attributed to the final year of depreciation related to a large number of poles, wire, cables and assorted hardware in 2021.

Non-operating revenue: Other non-operating revenue increased by \$605,000, primarily attributed to investment income increasing by \$735,000, due to significantly higher interest rates. Amortization of bond premiums and discounts decreased \$145,000 due to scheduled amortization.

Non-operating expense: Other non-operating expenses decreased by \$412,000. Loss on disposal of assets decreased by \$375,000 due to the retirement of the Division's remaining incandescent streetlights bulbs with the more efficient LED technology. Interest expense decreased by \$300,000, due to scheduled debt service payments on long-term bonds. These decreases were offset by an increase in amortization of lease agreements, of \$263,000, due to the implementation of GASB Statement No. 87.

**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 affect the Division over the next several years.

Capacity Expansion Program

The Division's Capacity Expansion Program was designed to enhance electric system reliability, increase capacity by 80 MW, and provide opportunities for future load growth. The program has three major components: the Fourth Interconnect, a new 138 kV interconnection with the FirstEnergy transmission system that was energized in 2011; the Southern Project, which involves extending the southern 138 kV transmission system; and the Lake Road Project, which includes the expansion of the Lake Road 11.5 kV Substation and the 11.5 kV system downtown. In 2008, the Division issued the Series 2008B-1 Bonds to fund the Capacity Expansion Program. In 2020, two major projects were completed and energized, namely the expansion of the Lake Road 11.5 kV Substation and the 11.5 kV system downtown.

The Lake Road Project involved constructing a duct line and feeder cables to the 11th Street Substation, which was re-fed to increase capacity in the downtown area and along the corridor between the Lake Road and 11th Street substations. Additionally, a new step-up substation, the South Marginal Substation, was completed to provide capacity from the 11.5kV distribution system in downtown to a portion of the 13.8 kV distribution system located east and southeast of downtown. The South Marginal Substation will be energized when the Division's new Supervisory Control and Data Acquisition (SCADA) System is put into service in the second quarter of 2024.

The Division's completed overhead portion of the 138 kV Southern Project will be put into service by the second quarter of 2024 once regulatory standards are met. This project involved modifying the Ridge Road Substation to create a ring bus that supports the new 138 kV transmission loop, which runs from the Ridge Road Substation to the Pofok Substation. The Division successfully collaborated 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.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION’S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

Power Supply

The Division participates in a diverse mix of resources including coal-fired, natural gas-fueled, hydroelectric, bioenergy, solar and wind generation. Participation in many of these resources is through the Division’s membership in American Municipal Power (AMP) including: the Prairie State Energy Campus coal-fired generation project, AMP Hydro Phase 1 units (Cannelton/Smithland/Willow Island) and Phase 2 units (Meldahl/Greenup), AMP Fremont Energy Center (AFEC) combined cycle facility and the Blue Creek Wind Project. All five AMP hydroelectric projects are in commercial operation. Additionally, the Division has allocations of power from two New York Power Authority hydroelectric projects and several behind-the-meter resources including the Collinwood bioenergy generator, CV Kinsman solar, and Division-owned diesel generators. For 2022, about 23.2% 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).

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). AMP can procure these blocks 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 AMP Fremont Energy Center, AMP Hydro Phase 1/Phase 2 and Prairie State. The following sections describe these projects.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

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.

The Cannelton project is located on the Kentucky south shore of the Ohio River at the existing U.S. Army Corps of Engineers Cannelton Locks and Dam. The Cannelton project includes three 29.3 MW bulb-type generators with a combined capacity of approximately 88 MW. In addition to the powerhouse and other equipment, the project includes a 1,000-foot transmission line to the point of interconnection. The first unit of the Cannelton Project entered commercial operation in January 2016, the second unit entered commercial operation in March 2016 and the third entered commercial operation in June 2016.

The Smithland project is located at the existing U.S. Army Corps of Engineers Smithland Navigation Locks and Dam. The plant's configuration and equipment is similar to Cannelton's, but includes three 25.3 MW bulb-type generators with a total capacity of approximately 76 MW and a two mile transmission line to the point of interconnection. The Smithland Project entered commercial operation in summer of 2017.

The Willow Island project in West Virginia is located at the existing U.S. Army Corps of Engineers Willow Island Lock and Dam. The plant design and technology is similar to the other two projects but includes two 22 MW generators with a total capacity of approximately 44 MW. The project includes a 1.6-mile transmission line to the point of interconnection. Willow Island Project entered commercial operation in 2016.

Together these projects are expected to produce 208 MW, of which 35 MW is allocated to the Division. In March 2010, the Division executed agreements with AMP to participate in two additional AMP run-of-the-river hydroelectric projects (AMP Hydro Phase 2) on the Ohio River. The first is the Meldahl Project, a 105 MW three-unit hydroelectric generation facility located on the Kentucky side of the Ohio River. The Meldahl Project entered commercial operation in April 2016. The second project is the Greenup Project, an existing 70 MW plant majority-owned by the City of Hamilton, Ohio. The Division has contracted to receive 15 MW from the Meldahl-Greenup Projects, for a total of 50 MW (when combined with AMP Hydro Phase 1) from the five AMP hydroelectric projects.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION’S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

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 coalmine. 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
December 31, 2022
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$	63,262
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of \$8,661		9,759
Recoverable costs of purchased power		4,938
Unbilled revenue		7,331
Due from other City of Cleveland departments, divisions or funds		2,782
Materials and supplies		10,537
Prepaid expenses		445
		99,054
TOTAL CURRENT ASSETS		99,054

RESTRICTED ASSETS

Cash and cash equivalents		4,138
Accrued interest receivable		11
		4,149
TOTAL RESTRICTED ASSETS		4,149

NONCURRENT ASSETS

Net pension Asset		410
Net OPEB Asset		3,419
Right to use asset (net of accumulated depreciation)		254
		4,083
TOTAL NONCURRENT ASSETS		4,083

CAPITAL ASSETS

Land		5,574
Land improvements		3,194
Utility plant		609,254
Buildings, structures and improvements		25,440
Furniture, fixtures, equipment and vehicles		93,857
		737,319
Less: Accumulated depreciation		(459,339)
		277,980
Construction in progress		45,706
		323,686
CAPITAL ASSETS, NET		323,686
		430,972
TOTAL ASSETS		430,972

DEFERRED OUTFLOWS OF RESOURCES

Unamortized loss on debt refunding		19,699
Pension		4,065
OPEB		26
		23,790
TOTAL DEFERRED OUTFLOWS OF RESOURCES		23,790

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES DIVISION OF CLEVELAND PUBLIC POWER

STATEMENT OF NET POSITION

December 31, 2022

(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 12,631
Other accrued expenses	420
Customer deposits and other liabilities	337
Current portion of accrued wages and benefits	3,224
Due to other City of Cleveland departments, divisions or funds	78
Current portion of leases	254
Accrued interest payable	743
Current portion of long-term debt, due within one year	<u>9,960</u>
TOTAL CURRENT LIABILITIES	<u>27,647</u>

LONG-TERM OBLIGATIONS-excluding amounts due within one year

Accrued wages and benefits	542
Accreted interest payable	32,320
Revenue bonds	167,390
Net pension liability	9,644
Other	<u>578</u>
TOTAL LONG-TERM OBLIGATIONS	210,474
TOTAL LIABILITIES	<u>238,121</u>

DEFERRED INFLOWS OF RESOURCES

Pension	13,443
OPEB	<u>3,752</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,195</u>

NET POSITION

Net investment in capital assets	167,237
Restricted for capital projects	177
Restricted for debt service	2,746
Unrestricted	<u>29,286</u>
TOTAL NET POSITION	<u>199,446</u>

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, 2022
(Amounts in Thousands)**

OPERATING REVENUES

Charges for services	\$ 199,816
TOTAL OPERATING REVENUES	199,816

OPERATING EXPENSES

Purchased power	129,928
Operations	15,850
Maintenance	16,793
Depreciation	19,092
TOTAL OPERATING EXPENSES	181,663

OPERATING INCOME (LOSS) 18,153

NON-OPERATING REVENUE (EXPENSE)

Investment income	762
Interest expense	(11,526)
Amortization of bond premiums and discounts	2,014
Amortization of lease agreements	(263)
Gain (loss) on disposal of assets	(5,090)
Other	6,007
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(8,096)

INCREASE (DECREASE) IN NET POSITION 10,057

NET POSITION AT BEGINNING OF YEAR 189,389

NET POSITION END OF YEAR \$ 199,446

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, 2022

(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 190,871
Cash payments to suppliers for goods or services	(20,032)
Cash payments to employees for services	(17,808)
Cash payments for purchased power	(131,791)
Electric excise tax payments to custodial fund and other	<u>(4,779)</u>

**NET CASH PROVIDED BY (USED FOR)
OPERATING ACTIVITIES**

16,461

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Electric excise tax receipts	<u>5,935</u>
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**NET CASH PROVIDED BY (USED FOR) NONCAPITAL
FINANCING ACTIVITIES**

5,935

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(14,835)
Principal paid on long-term debt	(9,485)
Principal paid on lease obligations	(263)
Interest paid on long-term debt	<u>(6,396)</u>

**NET CASH PROVIDED BY (USED FOR) CAPITAL AND
RELATED FINANCING ACTIVITIES**

(30,979)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	<u>751</u>
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**NET CASH PROVIDED BY (USED FOR)
INVESTING ACTIVITIES**

751

**NET INCREASE (DECREASE) IN
CASH AND CASH EQUIVALENTS**

(7,832)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

75,232

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 67,400

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	\$ 18,153
Adjustments:	
Depreciation	19,092
(Increase) decrease in assets:	
Accounts receivable, net	163
Recoverable costs of purchased power	(4,410)
Unbilled revenue	(457)
Due from other City of Cleveland departments, divisions or funds	(454)
Materials and supplies, net	(382)
Prepaid expenses	(62)
Net pension asset	(410)
Net OPEB asset	(1,242)
(Increase) decrease in deferred outflows of resources:	
Pension	(1,359)
OPEB	1,156
Increase (decrease) in liabilities:	
Accounts payable	1,991
Other accrued expenses	(7)
Customer deposits and other liabilities	(87)
Accrued wages and benefits	(6)
Due to other City of Cleveland departments, divisions or funds	(20)
Other long-term liabilities	(227)
Net pension liability	(10,535)
Increase (decrease) in deferred inflows of resources:	
Excess purchased power costs	(6,771)
Pension	5,237
OPEB	(2,902)
TOTAL ADJUSTMENTS	(1,692)
NET CASH PROVIDED BY (USED FOR)	
OPERATING ACTIVITIES	\$ 16,461

See notes to financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Cleveland Public Power (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Public Utilities and is a part of the City's primary government. The Division was created for the purpose of supplying electrical services to customers within the City. The following is a summary of the more significant accounting policies.

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

In June of 2017, GASB Statement No. 87, *Leases*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As required, the Division has implemented GASB Statement No. 87 as of December 31, 2022.

In January of 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. As required, the Division has implemented GASB Statement No. 92 as of December 31, 2022.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Remaining unrestricted amount

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of electricity to residential, commercial and industrial customers based upon actual consumption. Electricity rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Inventory of Supplies: The Division's inventory is valued at average cost. Inventory costs are charged to operations when consumed.

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

Interfund Transactions: During the course of normal operations, the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year-end are generally reflected as due to or due from in the accompanying financial statements.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and investment activities.

The Division transfers electric excise tax revenue from billed customers on a monthly basis to a custodial fund in the City. Additional electric excise tax revenue from large customers is invoiced separately and deposited directly into a custodial fund in the City.

Leases: The Division follows the provisions of GASB Statement No. 87 *Leases*, which requires governmental entities to recognize their long-term lease agreements on the financial statements.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased.

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

The Division has invested funds in STAR Ohio during 2022. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pools Participants* for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

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

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets less any applicable salvage value 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

Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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

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

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid out within one year is reported as a long-term liability.

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B - DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2022, is as follows:

	Interest Rate	Original Issuance	2022
(Amounts in Thousands)			
Revenue Bonds:			
Series 2008 B-2, due through 2038	5.13%-5.40%	\$ 27,903	\$ 27,903
Series 2016, due through 2024	5.00%	42,025	12,300
Series 2018, due through 2038	5.00%	47,245	37,785
Series 2020, due through 2038	2.01-5.00%	83,580	83,580
		\$ 200,753	161,568
Less:			
Unamortized premium (discount)-current interest bonds (net)			15,782
Current portion			(9,960)
Total long-term debt			\$ 167,390

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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

Summary: Changes in long-term obligations for the year ended December 31, 2022, are as follows:

	Balance January 1, 2022 (as restated)	Increase	Decrease	Balance December 31, 2022	Due Within One Year
(Amounts in Thousands)					
Revenue Bonds:					
Series 2008 B-2, due through 2038	\$ 27,903	\$	\$	\$ 27,903	\$
Series 2016, due through 2024	18,010		(5,710)	12,300	6,005
Series 2018, due through 2038	41,560		(3,775)	37,785	3,955
Series 2020, due through 2038	83,580			83,580	
Total revenue bonds	171,053	-	(9,485)	161,568	9,960
Accrued wages and benefits	3,772	3,177	(3,183)	3,766	3,224
Leases	517		(263)	254	254
Net pension liability	20,179		(10,535)	9,644	
Total	<u>\$ 195,521</u>	<u>\$ 3,177</u>	<u>\$ (23,466)</u>	<u>\$ 175,232</u>	<u>\$ 13,438</u>

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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)					
2023	\$ 9,960	\$	5,922	\$	15,882
2024	10,455		5,424		15,879
2025	8,842		8,964		17,806
2026	8,939		8,870		17,809
2027	9,056		8,749		17,805
2028-2032	48,004		41,027		89,031
2033-2037	54,474		34,548		89,022
2038	11,838		5,973		17,811
	<u>\$ 161,568</u>	<u>\$</u>	<u>119,477</u>	<u>\$</u>	<u>281,045</u>

The City has pledged future power system revenues, net of specified operating expenses, to repay \$161,568,000 in Public Power System Revenue Bonds issued in various years since 2008. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 57% of net revenues. The total principal and interest remaining to be paid on the various Public Power System Revenue Bonds is \$281,045,000. Principal and interest paid for the current year and total net revenues were \$15,881,000 and \$27,934,000, respectively.

The Division has, at various times, defeased certain revenue bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements.

The Division had the following amounts of defeased debt outstanding at December 31, 2022.

Series 2014	\$76,885,000
Series 2016	\$2,265,000

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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

Revenue bonds are payable from the revenues derived from operations of the Public Power System, after the payment of all operating and maintenance expenses (net revenues). The bonds are collateralized by a pledge of and lien on such net revenues and the special funds described below.

On February 19, 2020, Public Power System Revenue Refunding Bonds, Series 2020, were issued in the amount of \$83,580,000. The \$63,110,000 Series 2020A Tax-Exempt Bonds were issued to advance refund \$65,325,000 of outstanding Series 2014 Public Power System Refunding Revenue Bonds. The \$20,470,000 Federally Taxable Series 2020B Bonds were issued to advance refund \$11,560,000 of outstanding Series 2014 Public Power System Refunding Revenue Bonds and \$6,510,000 of the outstanding Series 2016 Public Power System Refunding Revenue Bonds. Bond proceeds in the amount of \$97,525,417, along with \$1,697,178 from the debt service fund, were placed in an irrevocable escrow account to pay the principal and interest on the refunded bonds when due. As a result of this refunding, the City realized an economic gain (the difference between the present values of the old and new debt service) of \$11,897,000 or 14.3%.

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, 2022, the Division was in compliance with the terms and requirements of the bond indenture. The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds.

Debt Service Fund: Monthly deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund: Deposits will be made to this fund if the required amount in the debt service reserve fund at any time is less than the debt service reserve requirement. In the past, however, the Division has elected pursuant to provisions of the indenture governing the Division's bonds, to satisfy the bond reserve requirement with a surety bond in an aggregate amount at least equal to the bond reserve requirement. The Series 2016 Bonds, Series 2018 Bonds and Series 2020 Bonds are not secured by the debt service reserve fund.

Renewal and Replacement Fund: The balance in this fund is maintained at a minimum of \$1,000,000 and is to be applied against the cost of repair or replacement of capital assets in order to maintain the system.

Construction Fund: The proceeds from Series 1991, Series 1994 and Series 2008 Bonds of \$12,050,000, \$79,386,000 and \$72,608,000, respectively, were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. As of December 31, 2022, the Division did not have any outstanding commitments for future construction costs that will be funded by available bond proceeds. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding bonds to the extent that amounts in all other funds are insufficient. No payment needs to be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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

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, 2022, the Division's carrying amount of deposits totaled \$26,373,000 and the Division's bank balances totaled \$26,839,000. 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*, \$26,839,000 of the bank balances at December 31, 2022, was insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio Statute prohibits the use of reverse repurchase agreements.

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

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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE C - 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, 2022, include STAR Ohio 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 S&P Global. 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, 2022, which include those classified as cash and cash equivalents in the statement of net position in accordance with the provisions of GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Accounting*, since they have a maturity of three months or less:

Type of Investment	2022 Value	2022 Cost	Investment Maturities Less than One Year
(Amounts in Thousands)			
STAR Ohio	\$ 37,079	\$ 37,079	\$ 37,079
Money Market Mutual Funds	<u>3,948</u>	<u>3,948</u>	<u>3,948</u>
Total Investments	41,027	41,027	41,027
Total Deposits	<u>26,373</u>	<u>26,373</u>	<u>26,373</u>
Total Deposits and Investments	<u>\$ 67,400</u>	<u>\$ 67,400</u>	<u>\$ 67,400</u>

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, 2022, the investments in STAR Ohio and money market mutual funds are approximately 90.4% and 9.6%, respectively, of the Division's total investments

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2022, was as follows:

	January 1, 2022	Additions	Reductions	December 31, 2022
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	\$ 5,574	\$	\$	\$ 5,574
Construction in progress	<u>46,962</u>	<u>7,048</u>	<u>(8,304)</u>	<u>45,706</u>
Total capital assets, not being depreciated	52,536	7,048	(8,304)	51,280
Capital assets, being depreciated:				
Land improvements	2,430	764		3,194
Utility plant	606,176	11,770	(8,692)	609,254
Buildings, structures and improvements	24,655	785		25,440
Furniture, fixtures, equipment and vehicles	<u>92,510</u>	<u>2,265</u>	<u>(918)</u>	<u>93,857</u>
Total capital assets, being depreciated	725,771	15,584	(9,610)	731,745
Less: Accumulated depreciation	<u>(444,350)</u>	<u>(19,092)</u>	<u>4,103</u>	<u>(459,339)</u>
Total capital assets being depreciated, net	<u>281,421</u>	<u>(3,508)</u>	<u>(5,507)</u>	<u>272,406</u>
Capital assets, net	<u>\$ 333,957</u>	<u>\$ 3,540</u>	<u>\$ (13,811)</u>	<u>\$ 323,686</u>

Commitments: The Division has outstanding commitments of approximately \$18,120,000 for future capital expenditures at December 31, 2022. 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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset): The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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 liability/(asset) because it was created as a result of employment exchanges that already have occurred.

The net pension liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC limits the Division's obligation for this liability/(asset) 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/(asset). Resulting adjustments to the net pension liability/(asset) 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/(asset) on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees participate in OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Division's employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report 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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.0%.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2022, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was \$2,273,000 for 2022. All required payments have been made.

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability/(asset) for OPERS was measured as of December 31, 2021 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. Following is information related to the proportionate share and pension expense:

	Traditional	Combined
	(Amounts in Thousands)	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 9,644	\$ (410)
Proportion of the Net Pension Liability/(Asset)	0.110840%	0.103968%
Changes in Proportion	(0.013053)%	(0.015213)%
Pension Expense	\$ (2,729)	\$ (13)

At December 31, 2022, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional	Combined
	(Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between expected and actual economic experience	\$ 491	\$ 3
Change in Division's proportionate share and difference in employer contributions	40	31
Change in assumptions	1,206	21
Division's contributions subsequent to the measurement date	2,203	70
Total Deferred Outflows of Resources	\$ 3,940	\$ 125
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 211	\$ 46
Net difference between projected and actual earnings on pension plan investments	11,471	88
Change in Division's proportionate share and difference in employer contributions	1,615	12
Total Deferred Inflows of Resources	\$ 13,297	\$ 146

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

The \$2,273,000 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/(increase) of the net pension liability/(asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional	Combined	
Year Ending December 31:	(Amounts in Thousands)		
2023	\$	(2,629)	\$ (25)
2024		(4,409)	(35)
2025		(2,697)	(22)
2026		(1,825)	(16)
2027			1
Thereafter			6
Total	\$	(11,560)	\$ (91)

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/(asset) in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Wage Inflation	2.75%
Future Salary Increases, including inflation	
Traditional Plan	2.75%-10.75%
Combined	2.75%-8.25%
COLA or Ad Hoc COLA	2.75%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple
	through 2022, then 2.05%, simple
Investment Rate of Return	6.90%
Actuarial Cost Method	Individual Entry Age

**CITY OF CLEVELAND, OHIO
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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

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.

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	100.00 %	4.21 %

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability/(asset) was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Division’s Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate: The following table presents the Division’s proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.90%, as well as what the Division’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease	Current	Discount Rate	1% Increase
	5.90%		6.90%	7.90%
	(Amounts in Thousands)			
Division's proportionate share of the net pension liability/(asset):				
Traditional plan	\$ 25,426	\$	9,644	\$ (3,489)
Combined plan	(306)		(410)	(491)

NOTE F – DEFINED BENEFIT OPEB PLANS

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

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

The ORC limits the Division’s obligation for this liability/(asset) to annually required payments. The Division cannot control benefit terms or the manner in which OPEB are financed; however, the Division does receive the benefit of employees’ services in exchange for compensation including OPEB.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of OPEB as described in GASB Statement No. 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans in 2022. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

For the year ended December 31, 2022, OPERS did not allocate any employer contributions to the OPEB plan.

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability/(asset) was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	
	(Amounts in Thousands)	
Proportionate Share of the Net		
OPEB Liability/(Asset)	\$	(3,419)
Proportion of the Net OPEB Liability/(Asset):		0.109167%
Change in Proportionate Share		(0.013043%)
OPEB Expense	\$	(3,067)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2022, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
	(Amounts in Thousands)
Deferred Outflows of Resources	
Changes in Division's proportionate share and difference in employer contributions	\$ 26
Total Deferred Outflows of Resources	\$ 26
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 519
Net difference between projected and actual earnings on pension plan investments	1,630
Change in assumptions	1,384
Changes in proportion and differences between Division's contributions and proportionate share of contributions	219
Total Deferred Inflows of Resources	\$ 3,752

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	(Amounts in Thousands)
2023	\$ (2,303)
2024	(833)
2025	(356)
2026	(234)
Total	\$ (3,726)

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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	2.75%
Projected Salary Increases, including wage inflation	2.75% - 10.75%
Single Discount Rate:	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current Measurement Date	1.84%
Prior Measurement Date	2.00%
Health Care Cost Trend Rate:	
Current Measurement Date	5.50%, initial 3.50%, ultimate in 2034
Prior Measurement Date	8.50%, initial 3.50%, ultimate in 2035
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

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

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	<u>100.00 %</u>	3.45 %

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

Discount Rate: A single discount rate of 6.00% was used to measure the total OPEB liability/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Division’s Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate: The following table presents the Division’s proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.00%, as well as what the Division’s proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower 5.00% or one-percentage-point higher 7.00% than the current rate:

	1% Decrease 5.00%		Current Discount Rate 6.00%		1% Increase 7.00%
(Amounts in Thousands)					
Division's proportionate share of the net OPEB liability/(asset)	\$ (2,011)	\$	(3,419)	\$	(4,588)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease 2.50%		Current Health Care Cost Trend Rate Assumption 3.50%		1% Increase 4.50%
(Amounts in Thousands)					
Division's proportionate share of the net OPEB liability/(asset)	\$ (3,456)	\$	(3,419)	\$	(3,375)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE G – LEASES

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources (*based on contract provisions*). Under this Statement, a lessor is required to recognize a lease receivable and deferred inflow of resources while a lessee is required to recognize a lease payable and deferred outflow of resources for each contract whose terms meet the definition of a lease. This recognition is intended to enhance the relevance and consistency of information about governments' leasing activities.

Leases Scope: Per GASB Statement No. 87, a lease is defined as, “A contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.” A contract conveys control if the user of the underlying asset possesses both: the right to obtain present service capacity and the right to determine the nature and manner of its use. The transaction is “exchange-like” when both parties receive and sacrifice something of approximate equal value. Accounting treatment for leases required by the Statement applies to non-financial assets. Assets that are non-financial in nature including intangible assets, biological assets, inventory leases, supply contracts, and service concession arrangements are considered out of scope.

Accounting Treatment at Adoption: The Division of Cleveland Public Power (the “Division”) is a lessor and a lessee in various noncancellable leases. In accordance with the Standard, leases that commenced before the adoption date of January 1, 2022, are considered to have commenced on this date. All leases with base rent payments adjusted by an index or rate (e.g., Consumer Price Index) have measured their lease liabilities based upon the most recent adjustment as of January 1, 2022, unless otherwise noted.

Measurement of Lease Amounts as a Lessor

For all in-scope leasing arrangements, the Division’s lessees do not make fixed rent payments nor are any variable payments fixed in substance. Therefore, the Division does not recognize a lease receivable at inception. Variable inflows are recognized as they are received.

Measurement of Lease Amounts as a Lessee:

The Division recognizes a lease liability and an intangible right-to-use (RTU) asset at the beginning of a lease. Lease liabilities are measured based on net present value of the future lease payments at inception using the rate explicit in the contract, the rate implicit in the contract, or the Division’s incremental borrowing rate which is estimated using the Federal Home Loan Bank Community Development Advance (FHLB CDA)+ 2.00% plus any lease incentives from the lessor. The lease liability is also measured with the inclusion of amounts required to be paid by the lessee under residual value guarantees, exercise price of a purchase option, and lease termination penalties – these are included only if there is reasonable certainty in the requirement to make such payments.

The RTU asset is measured at inception by adding to the lease liability net amounts exchanged with the lessor at or before commencement of the lease term and initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE G – LEASES (Continued)

Other Conditions:

The Division assumes optional extension terms present in lease agreements will be exercised unless optional extension periods have undefined future payment terms - these terms are excluded in the calculation of lease term length unless otherwise noted. The Division did not incur expense related to residual value guarantees nor did the Division exercise a purchase option.

Short-term Leases:

For short-term lease contracts – defined as having a maximum possible term of 12 months or less - the Division recognizes expense based on the payment provisions of the lease contract.

Division as a Lessor:

General Description of Lessor Leasing Arrangements:

The Division leases communications sites to non-governmental lessees. These leases have term end dates ranging from November 12, 2038 to March 12, 2039. The lease payments are dependent upon the timing and number of equipment installations during the preceding period.

Variable Inflows:

Variable lease payments are excluded from the measurement of lease receivables. Such amounts are recognized in the period in which the lease receivable is incurred. For fiscal 2022, variable inflows amounted to \$64,000.

Division as a Lessee:

General Description of Lessee Leasing Arrangements:

The Division leases warehouse space from a non-governmental lessor. The lease has a term end date of August 31, 2024, and the annual lease payments are fixed for the term of the lease.

Outflows Recognized in FY22 from Leases:

For fiscal year 2022, lease and interest expense were \$263,000 and \$3,000, respectively.

Total Amount of Lease Assets and Accumulated Amortization:

For fiscal year 2022, the RTU asset and related accumulated amortization is \$517,000 and \$263,000, respectively.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE G – LEASES (Continued)

Schedule of Future Payments:

The table below represents the future expected minimum principal and interest amounts to be paid for the existing, in-scope GASB 87 lease:

CPP Maturity Schedule			
<i>(Amounts in Thousands)</i>			
	Principal	Interest	
2023	\$ 254	\$ 6	

NOTE H - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: The Division is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Division’s project share was 80,000 kilowatts (kW) of a total 771,281 kW, giving the City a 10.37% project share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. Prior to 2014, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel Corporation (Bechtel). As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The Division’s estimated share of the impaired costs at March 31, 2014, was \$13,813,694. The Division received a credit of \$6,447,719 related to their participation in the AMP Fremont Energy Center (AFEC) Project and another credit of \$3,617,994 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired costs balance of \$3,747,981. Because payment is now probable and reasonably estimable, the Division is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Division’s net impaired cost balance either positively or negatively. These amounts will be recorded as they become estimable.

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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE H - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

Since March 31, 2014, the Division has made payments of \$3,018,193 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 \$172,526 and interest expense incurred on AMP's line-of-credit of \$319,443. 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, 2022, of \$827,608. The Division does have a potential PHFU Liability of \$4,213,372 resulting in a net total potential liability of \$5,040,980, 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 7 years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Division intends to recover 50% of these costs from the customers through the Energy Adjustment Charge passed along to customer's monthly bills.

In addition, various claims are pending against the City involving the Division for personal injuries, property damage and other matters, which the City is responsible for. The City's management is of the opinion that ultimate resolution of such claims could result in a material adverse effect on the Division's financial position, results of operations or cash flows. This amount is indeterminable at this time.

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 2022.

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is reported as part of accounts payable on the statement of net position and is immaterial.

**CITY OF CLEVELAND, OHIO
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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE I - 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, 2022, are as follows:

	(Amounts in Thousands)	
Telephone Exchange	\$	3,649
Utilities Administration and Fiscal Control		2,445
City Administration		1,802
Motor Vehicle Maintenance		516
Division of Water		430

NOTE J - 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 \$1,231,000 for the year ended December 31, 2022.

NOTE K - 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 remitted \$5,236,000 for this tax in 2022, of which \$13,830 was paid to the State. Ordinance No. 779-2021, passed October 25, 2021, directed that 100% of the proceeds go to the Division in 2022 and 2023.

**CITY OF CLEVELAND
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Required Supplementary Information

**Schedule of the Division's Proportionate Share of the Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Nine Years (1), (2)**

	Division's Proportion of the Net Pension Liability/ (Asset)	Division's Share of the Net Pension Liability/ (Asset)	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
(Amounts in Thousands)					
Traditional:					
2014	0.136385 %	\$ 16,054	\$ 15,462	103.83%	86.36%
2015	0.136385	16,397	17,067	96.07	86.45
2016	0.139410	23,597	17,775	132.75	81.08
2017	0.124709	29,488	16,542	178.26	77.55
2018	0.125259	21,587	16,769	128.73	84.66
2019	0.122549	36,152	17,543	206.08	74.70
2020	0.121120	26,253	18,200	144.25	82.17
2021	0.123986	20,179	18,729	107.74	86.88
2022	0.110840	9,644	17,579	54.86	92.62
Combined:					
2022	0.103968	(410)	17,579	(2.33)	169.88

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

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%. There were no changes in assumptions in 2020 and 2021. For 2022, the most significant changes of assumptions that affected the total pension liability/(asset) since the prior measurement date was the assumed rate of return and discount rate were reduced from 7.2% down to 6.9%.

In 2022, the Division presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

**CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER**

Required Supplementary Information (Continued)

**Schedule of Contributions - Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Ten Years (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2013	\$ 2,010	\$ (2,010)	-	\$ 15,462	13.00%
2014	2,048	(2,048)	-	17,067	12.00
2015	2,133	(2,133)	-	17,775	12.00
2016	1,985	(1,985)	-	16,542	12.00
2017	2,180	(2,180)	-	16,769	13.00
2018	2,456	(2,456)	-	17,543	14.00
2019	2,548	(2,548)	-	18,200	14.00
2020	2,622	(2,622)	-	18,729	14.00
2021	2,461	(2,461)	-	17,579	14.00
2022	2,273	(2,273)	-	16,236	14.00

(1) Represents Division's calendar year.

**CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER**

Required Supplementary Information (Continued)

**Schedule of the Division's Proportionate Share of the Net OPEB Liability/(Asset)
Ohio Public Employees Retirement System
Last Six Years (1), (2)**

Division's Proportion of the Net OPEB Liability/(Asset)	Division's Proportionate Share of the Net OPEB Liability/(Asset)	Division's Covered Payroll	Division's Proportional Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	
(Amounts in Thousands)					
2017	0.122500 %	\$ 12,374	\$ 16,542	74.80%	54.04%
2018	0.123223	13,762	16,769	82.07	54.14
2019	0.121120	16,597	17,543	94.61	46.33
2020	0.119447	17,316	18,200	95.14	47.80
2021	0.122210	(2,177)	18,729	(11.62)	115.57
2022	0.109167	(3,419)	17,579	(19.45)	128.23

- (1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.
- (2) Information prior to 2017 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.50% initial to 10.0% initial. In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030. In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset. In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

**CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER**

Required Supplementary Information (Continued)

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

	Contributions in Relation to the	Contractually	Contribution	Division's	Contributions	
Contractually	Contractually	Required	Deficiency	Covered	as a Percentage	
Required	Required	Contributions	(Excess)	Payroll	of Covered	
Contributions	Contributions	(Excess)	Payroll	Payroll	Payroll	
(Amounts in Thousands)						
2016	\$	331	\$ (331)	\$ -	\$ 16,542	2.00%
2017		168	(168)	-	16,769	1.00
2018		-	-	-	17,543	0.00
2019		-	-	-	18,200	0.00
2020		-	-	-	18,729	0.00
2021		-	-	-	17,579	0.00
2022		-	-	-	16,236	0.00

- (1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Directed Plan.
- (3) Represents Division's calendar year. Information prior to 2016 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO



**DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2022**

CITY OF CLEVELAND, OHIO

**DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Department of Public Utilities
Division of Water
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Public Utilities, Division of Water:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Department of Public Utilities, Division of Water of the City of Cleveland, Cuyahoga County, Ohio (the Division), as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department of Public Utilities, Division of Water of the City of Cleveland as of December 31, 2022, and the changes in financial position and its cash flows thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Division, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements of the Department of Public Utilities, Division of Water of the City of Cleveland, are intended to present the financial position, the changes in financial position, and cash flows, of only that portion of the business-type activities and the major fund of the City of Cleveland that is attributable to the transactions of the Department of Public Utilities, Division of Water. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2022, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Division's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2022. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 18.

The Division services not only the City, but also 69 direct service communities, seven master meter communities and three emergency standby communities. They provide water to approximately 433,000 city and suburban accounts in the Cleveland metropolitan area. They also sell water to master meter communities that operate their own distribution systems and they provide billing and payment services for the Northeast Ohio Regional Sewer District and other communities.

During 2022, the Division provided services to approximately 117,000 accounts located within Cleveland and approximately 316,000 accounts located in direct service communities. Water provided to each master meter community is metered at community's boundary. Consumers within the City of Cleveland accounted for 23.64% of the Division's metered sales revenue, while the direct service communities accounted for 72.26% and master meter and emergency communities accounted for 4.10% of metered sales revenue.

The Division, along with the Division of Utilities Fiscal Control (UFC), provides a complete array of processing services including billing, payment processing, mailing delinquency notices, terminating water service on delinquent accounts and distributing the money collected to the communities.

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

FINANCIAL HIGHLIGHTS

- The Division's net position was \$1,746,629,000 and \$1,670,514,000 at December 31, 2022 and 2021, respectively. Of these amounts, \$410,900,000 and \$367,394,000 are unrestricted net position at December 31, 2022 and 2021, respectively and may be used to meet the Division's ongoing obligations to customers and creditors.
- The Division's overall net position increased by \$76,115,000 during 2022. The increase is primarily attributed to operating income of \$84,060,000.
- The total long-term revenue bonds and loans payable of the Division decreased by \$42,778,000 due to scheduled principal payments on the bonds and loans which was offset slightly by \$590,000 incurred as a result of a new Ohio Water Development Authority (OWDA) loan.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Water.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 18 – 23 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 25 – 54 of this report. Required supplementary information can be found on pages 55 – 58.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

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, 2022 and 2021:

	2022	2021
	(Amounts in Thousands)	
Assets:		
Current assets	\$ 520,873	\$ 496,183
Restricted assets	48,181	47,012
Noncurrent assets	15,424	7,375
Capital assets	1,706,242	1,723,717
Total assets	2,290,720	2,274,287
Deferred outflows of resources	34,002	35,218
 Liabilities:		
Current liabilities	87,593	83,370
Long-term obligations	432,321	505,289
Total liabilities	519,914	588,659
Deferred inflows of resources	58,179	50,332
 Net Position:		
Net investment in capital assets	1,291,552	1,259,910
Restricted for debt service	44,177	43,210
Unrestricted	410,900	367,394
Total Net Position	1,746,629	1,670,514

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Current Assets: The Division had an increase in current assets of \$24,690,000, primarily due to an increase of \$24,953,000 in unrestricted cash and cash equivalents and investments. The main reason for the increase was a \$16,821,000 decrease in capital outlays. In addition, cash payments to suppliers for goods and services decreased \$4,774,000 and cash payments to employees decreased by \$5,096,000 due to unfulfilled positions.

Restricted Assets: The Division's restricted assets increased by \$1,169,000, primarily attributable to an increase of \$967,000 in the debt service fund. The increase is attributed to an increase of \$1,565,000 in scheduled bond principal payments in 2023.

Noncurrent Assets: An increase of \$8,049,000 in noncurrent assets was primarily credited to a \$5,249,000 increase in net Other Post-Employment Benefits (OPEB) asset.

Capital Assets: The Division's capital assets, as of December 31, 2022, amounted to \$1,706,242,000 (net of accumulated depreciation). The total net decrease in the Division's capital assets was \$17,475,000. A summary of the activity in the Division's capital assets during December 31, 2022, is as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
	(Amounts in Thousands)			
Land	\$ 5,731	\$	\$	\$ 5,731
Land improvements	17,931	160		18,091
Utility plant	2,045,726	40,688	(16,165)	2,070,249
Buildings, structures and improvements	265,873	17,345		283,218
Furniture, fixtures, equipment and vehicles	613,050	15,521	(19,326)	609,245
Construction in progress	217,138	47,695	(64,710)	200,123
Total	3,165,449	121,409	(100,201)	3,186,657
Less: Accumulated depreciation	(1,441,732)	(69,011)	30,328	(1,480,415)
Capital assets, net	\$ 1,723,717	\$ 52,398	\$ (69,873)	\$ 1,706,242

Construction in progress had additions and reductions of \$47,695,000 and \$64,710,000, respectively, resulting in a net decrease of \$17,015,000. The reduction is related to assets being placed into service. Major additions to construction in progress included suburban water mains, the East 185th Street rehabilitation, Nottingham sedimentation basins and the Richfield pump station.

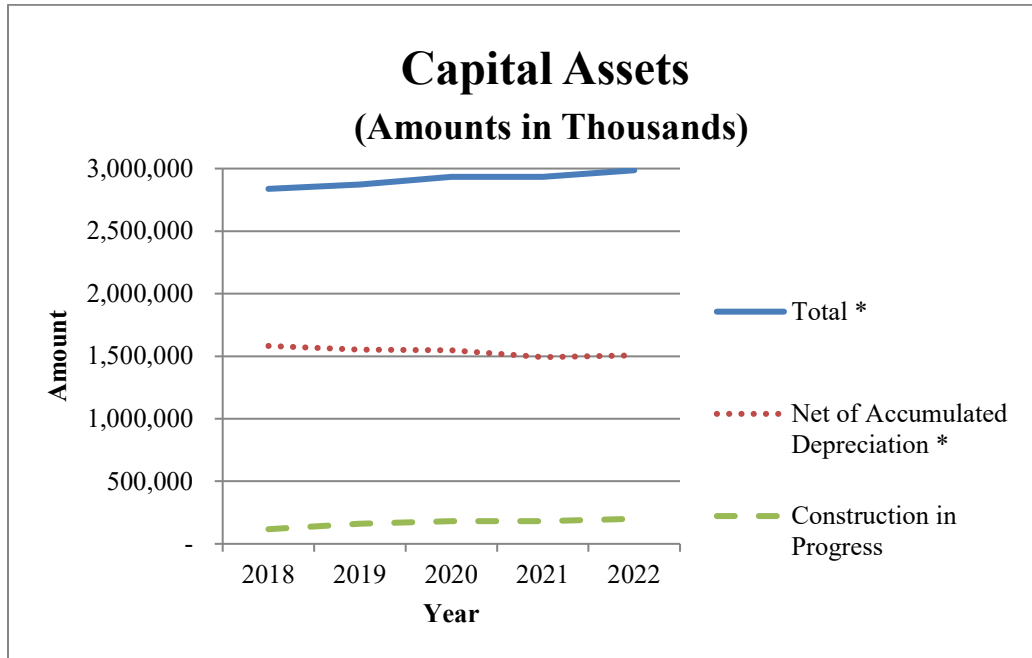
Major projects still under construction chiefly consist of suburban water main renewals, Nottingham sedimentation basins, plant enhancement programs and general engineering services.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D – Capital Assets to the basic financial statements.



* Construction in Progress not included

Current Liabilities: In 2022, total current liabilities increased by \$4,223,000. The most significant component of the change was an increase in accounts payable of \$2,585,000, primarily attributed to increased construction-related activity at year end. The current portion of long-term debt, due within one year increased by \$1,837,000, primarily due to scheduled bond payment obligations. This was partially offset by a decrease in accrued interest payable of \$853,000, due to continued principal payments on long-term debt.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Obligations: In 2022, the most significant factor contributing to the Division's net decrease in long-term obligations of \$72,968,000 is primarily due to a decrease of \$51,920,000 in revenue bonds and OWDA loans payable. The reduction is due to scheduled principal payments and bond premium amortization. Net pension liability decreased by \$22,292,000, mainly due to investment returns exceeding expectations. The decreases were partially offset by a \$1,302,000 increase in lease liability due to the implementation of GASB Statement No. 87.

Deferred Inflows of Resources: The Division's deferred inflows of resources increased by \$7,847,000 in 2022. Pension inflows increased by \$17,160,000, primarily due to a \$18,281,000 increase in net difference between projected and actual earnings on pension plan investments. OPEB inflows decreased by \$9,313,000, primarily due to a \$6,839,000 decrease in change in assumptions about future economic or demographic factors.

Net Pension/OPEB Liabilities/(Assets): The net pension liability/(asset) is reported by the Division at December 31, 2022 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. In 2018, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other OPEB. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division's actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and the net OPEB asset and deferred outflows of resources related to pension and OPEB.

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

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

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

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and OPEB. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Division is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State Statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio Revised Code (ORC) permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

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

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Debt: At the end of 2022, the Division had total long-term debt outstanding of \$412,570,000. 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, 2022, is summarized below (excluding unamortized discounts and premiums):

	Balance January 1, 2022	Debt Issued	Debt Retired	Balance December 31, 2022
(Amounts in Thousands)				
Water Revenue Bonds:				
Series X 2012	\$ 1,285	\$	\$ (1,285)	\$ -
Series Y 2015	33,885		(5,275)	28,610
Series BB 2017	15,715			15,715
Series CC 2017	42,880		(6,380)	36,500
Series DD 2019	76,075		(14,225)	61,850
Series EE 2020	15,720		(140)	15,580
Series FF 2020	70,270			70,270
Series GG 2020	98,960		(215)	98,745
Second Lien Series A 2012	7,385		(7,385)	-
Second Lien Series B 2017	42,495			42,495
Ohio Water Development Authority Loans	50,678	590	(8,463)	42,805
Total	\$ 455,348	\$ 590	\$ (43,368)	\$ 412,570

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

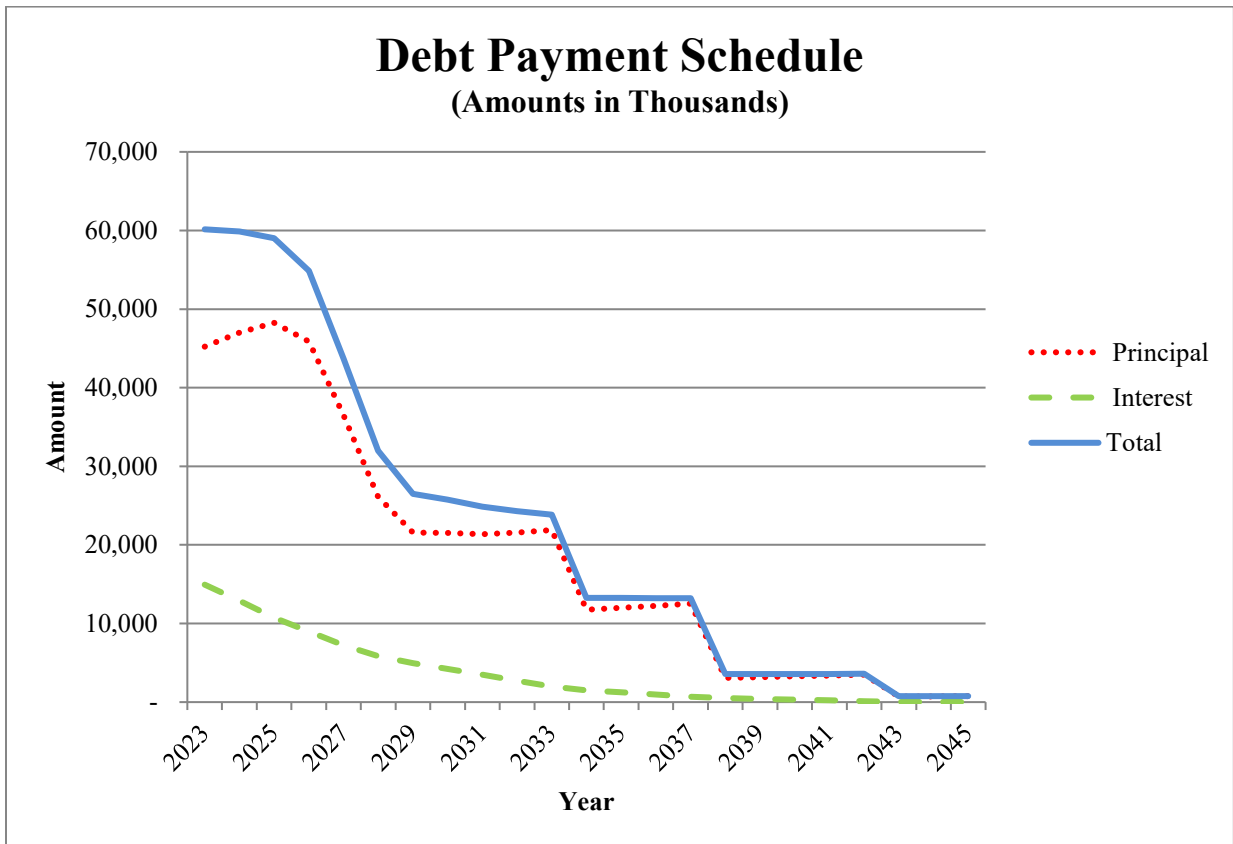
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds as of December 31, 2022, are as follows:

	Moody's Investors Services	S&P Global
Waterworks Revenue Bonds	Aa2	AA+
Second Lien Water Revenue Bonds	Aa3	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 2022 and 2021 was 331% and 321%, respectively.



**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Debt service on the Division's bonded debt is expected to minimally impact its operations.

Additional information on the Division's long-term debt can be found in Note B – Debt and Other Long-Term Obligations on pages 29 – 33.

Deferred Outflows of Resources: The Division's deferred outflows of resources decreased by \$1,216,000. OPEB outflows decreased \$3,915,000, primarily due to a reduction of \$3,625,000 in changes in assumptions about future economic or demographic factors. Unamortized loss on debt refunding decreased by \$2,319,000 due to scheduled amortization. Pension outflows increased by \$5,018,000.

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 \$1,746,629,000 and \$1,670,514,000 at December 31, 2022 and 2021, respectively.

Of the Division's net position, \$1,291,552,000 at December 31, 2022, 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, \$44,177,000 at December 31, 2022, represents resources that are subject to external restrictions. These funds are set aside for the payment of revenue bonds.

The remaining balance of unrestricted net position, \$410,900,000 at December 31, 2022, may be used to meet the Division's ongoing obligations to customers and creditors.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Division's net position increased during 2022 by \$76,115,000. The following table identifies the key elements of the Division's results of operations for the years ended December 31, 2022 and 2021:

	2022	2021
	(Amounts in Thousands)	
Operating revenues	\$ 319,745	\$ 325,793
Operating expenses	235,685	212,448
Operating income (loss)	84,060	113,345
Non-operating revenue (expense):		
Investment income	6,527	360
Interest expense	(18,469)	(20,428)
Amortization of bond premiums and discounts	7,305	8,547
Amortization of right to use asset	(108)	
Gain (loss) on disposal of capital assets	(5,163)	(291)
Other	54	40
Total non-operating revenue (expense), net	(9,854)	(11,772)
Income (loss) before capital and other contributions	74,206	101,573
Capital and other contributions	1,909	291
Change in net position	76,115	101,864
Beginning net position	1,670,514	1,568,650
Ending net position	\$ 1,746,629	\$ 1,670,514

Operating Revenue: In 2022, total operating revenues of the Division decreased by \$6,048,000 or 1.9%. The reduction is primarily attributed to a slight decrease in metered consumption and the loss of revenue associated with a transition fee charged to a suburban municipality that ended in 2021. In addition, there was a decrease of \$2,842,000 in ancillary revenue, primarily due to not receiving a Workers' Compensation refund in 2022.

Operating Expenses: The overall increase in operating expenses of \$23,237,000 in 2022 was mainly attributed to a \$25,658,000 increase in operations expense. OPEB expense increased by \$31,859,000, primarily related to changes in healthcare terms in 2020 that significantly impacted the 2021 expense amount. Payroll and benefit costs (excluding pension/OPEB) decreased by \$2,163,000 due to unfulfilled vacancies. Utilities costs decreased by \$1,717,000, mainly due to a decrease of \$1,351,000 in sewage-related costs.

There was a \$2,112,000 decrease in maintenance expense. Payroll and benefits costs (excluding pension/OPEB) decreased by \$2,184,000 due to unfulfilled positions, partially offset by an increase of \$727,000 in maintenance costs related to motor vehicles.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Non-Operating Revenue: Investment income increased by \$6,167,000, primarily due to a significant rise in interest rates. Amortization of bond premiums decreased by \$1,242,000 due to scheduled amortizations.

Non-Operating Expense: Interest expense decreased \$1,959,000 in 2022 due to scheduled principal payments on bonds and loans. Loss on disposal of capital assets increased by \$4,872,000 compared to 2021, primarily due to the retirement of various water equalization tanks due to obsolescence.

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, 2022

(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 406,822
Restricted cash and cash equivalents	5,321
Investments	29,034
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of \$18,021	55,556
Unbilled revenue	9,926
Accrued interest receivable	21
Due from other City of Cleveland departments, divisions or funds	2,662
Materials and supplies - at average cost	8,972
Prepaid expenses	2,559
	<hr/>
TOTAL CURRENT ASSETS	520,873

RESTRICTED ASSETS

Cash and cash equivalents	48,043
Accrued interest receivable	138
	<hr/>
TOTAL RESTRICTED ASSETS	48,181

NONCURRENT ASSETS

Net pension asset	1,512
Net OPEB asset	12,624
Right to use asset (net of accumulated amortization)	1,288
	<hr/>
	15,424

CAPITAL ASSETS

Land	5,731
Land improvements	18,091
Utility plant	2,070,249
Buildings, structures and improvements	283,218
Furniture, fixtures, equipment and vehicles	609,245
	<hr/>
	2,986,534
Less: Accumulated depreciation	<hr/>
	(1,480,415)
	1,506,119
Construction in progress	200,123
	<hr/>
	1,706,242
	<hr/>
CAPITAL ASSETS, NET	1,706,242
TOTAL ASSETS	2,290,720

DEFERRED OUTFLOWS OF RESOURCES

Unamortized loss on bond refunding	18,983
Pension	14,930
OPEB	89
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,002

DIVISION OF WATER
STATEMENT OF NET POSITION
December 31, 2022
(Amounts in Thousands)

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION**

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	14,970
Customer deposits and other liabilities		3,140
Accrued wages and benefits		9,644
Due to other City of Cleveland departments, divisions or funds		1,860
Accrued interest payable		7,409
Current portion of leases		44
Payable from restricted assets		5,321
Current portion of long-term debt, due within one year		45,205
TOTAL CURRENT LIABILITIES		87,593

LONG-TERM OBLIGATIONS-excluding amounts due within one year:

Revenue bonds		359,552
Accrued wages and benefits		1,793
Leases		1,302
OWDA loans		34,070
Net pension liability		35,604
TOTAL LONG-TERM OBLIGATIONS		432,321

TOTAL LIABILITIES 519,914

DEFERRED INFLOWS OF RESOURCES

Pension		44,953
OPEB		13,226
TOTAL DEFERRED INFLOWS OF RESOURCES		58,179

NET POSITION

Net investment in capital assets		1,291,552
Restricted for debt service		44,177
Unrestricted		410,900
TOTAL NET POSITION		1,746,629

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, 2022
(Amounts in Thousands)

OPERATING REVENUES

Charges for services		\$ 319,745
	TOTAL OPERATING REVENUES	<u>319,745</u>

OPERATING EXPENSES

Operations		96,546
Maintenance		70,128
Depreciation		<u>69,011</u>
	TOTAL OPERATING EXPENSES	<u>235,685</u>

OPERATING INCOME (LOSS) 84,060

NON-OPERATING REVENUE (EXPENSE)

Investment income		6,527
Interest expense		(18,469)
Amortization of bond premiums and discounts		7,305
Amortization of right to use asset		(108)
Gain (loss) on disposal of assets		(5,163)
Other		<u>54</u>
	TOTAL NON-OPERATING REVENUE (EXPENSE), NET	<u>(9,854)</u>

INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS 74,206

Capital and other contributions		<u>1,909</u>
	INCREASE (DECREASE) IN NET POSITION	76,115

NET POSITION, BEGINNING OF YEAR 1,670,514

NET POSITION, END OF YEAR \$ 1,746,629

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, 2022 (Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 294,352
Cash payments to suppliers for goods or services	(100,858)
Cash payments to employees for services	(81,819)
Cash received from fees for services	<u>22,508</u>

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES 134,183

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from loans	588
Acquisition and construction of capital assets	(57,073)
Principal paid on long-term debt	(43,368)
Principal paid on long-term lease agreements	(50)
Interest paid on long-term debt	(16,943)
Interest paid on long-term lease agreements	(58)
Capital grant proceeds	<u>1,909</u>

**NET CASH PROVIDED BY (USED FOR) CAPITAL AND
RELATED FINANCING ACTIVITIES** (114,995)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment securities	(319,135)
Proceeds from sale and maturity of investment securities	288,949
Interest received on investments	<u>7,521</u>

**NET CASH PROVIDED BY
(USED FOR) INVESTING ACTIVITIES** (22,665)

**NET INCREASE (DECREASE) IN
CASH AND CASH EQUIVALENTS** (3,477)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>463,663</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 460,186</u></u>

DIVISION OF WATER
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	\$	84,060
Adjustments		
Depreciation		69,011
(Increase) decrease in assets:		
Accounts receivable, net		(119)
Unbilled revenue		442
Due from other City of Cleveland departments, divisions or funds		(88)
Materials and supplies, net		(1,524)
Prepaid expenses		1,145
Net pension asset		(1,512)
Net OPEB asset		(5,249)
(Increase) decrease in deferred outflows of resources:		
Pension		(5,018)
OPEB		3,915
Increase (decrease) in liabilities:		
Accounts payable		2,585
Customer deposits and other liabilities		425
Accrued wages and benefits		256
Due to other City of Cleveland departments, divisions or funds		299
Net pension liability		(22,292)
Increase (decrease) in deferred inflows of resources:		
Pension		17,160
OPEB		(9,313)
TOTAL ADJUSTMENTS		<u>50,123</u>
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES	\$	<u><u>134,183</u></u>

**SCHEDULE OF NONCASH CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Accounts payable related to capital assets	\$	5,321
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See notes to financial statements.

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**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water (the Division) is reported as an Enterprise Fund of the City of Cleveland’s Department of Public Utilities and is a part of the City of Cleveland’s (the City) primary government. The Division was created for the purpose of supplying water services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

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

In June of 2017, GASB Statement No. 87, *Leases*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As required, the Division has implemented GASB Statement No. 87 as of December 31, 2022.

In January of 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. As required, the Division has implemented GASB Statement No. 92 as of December 31, 2022.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of water to residential, commercial and industrial customers based upon actual water consumption and from a fixed charge based upon meter size. Water rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

Inventory of Supplies: The Division's inventory is valued at average cost. Inventory costs are charged to operations when consumed.

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

Interfund Transactions: During the course of normal operations the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investment activities.

Leases: The Division follows the provisions of GASB Statement No. 87 *Leases*, which requires governmental entities to recognize their long-term lease agreements on the financial statements.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

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

The Division has invested funds in the STAR Ohio during 2022. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets less any applicable salvage value 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

Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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.

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

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

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

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

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2022, is as follows:

	<u>Interest Rate</u>	<u>Original Issuance</u>	<u>2022</u>
<u>(Amounts in Thousands)</u>			
Water Revenue Bonds:			
Series Y 2015 due through 2028	4.00% - 5.00%	\$ 116,205	\$ 28,610
Series BB 2017 due through 2032	5.00%	15,760	15,715
Series CC 2017 due through 2028	5.00%	54,730	36,500
Series DD 2019 due through 2033	2.00% - 5.00%	97,160	61,850
Series EE 2020 due through 2042	1.32% - 3.21%	15,815	15,580
Series FF 2020 due through 2033	5.00%	70,270	70,270
Series GG 2020 due through 2037	0.45% - 2.28%	99,145	98,745
Second Lien Series B 2017 due through 2027	5.00%	43,095	42,495
Ohio Water Development Authority Loans payable annually through 2045, direct borrowing	0.00% - 3.00%	157,996	42,805
		<u>\$ 670,176</u>	<u>412,570</u>
Adjustments:			
Unamortized discount and premium			26,257
Current portion			<u>(45,205)</u>
Total Long-Term Debt			<u>\$ 393,622</u>

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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

Summary: Changes in long-term obligations for the year ended December 31, 2022, are as follows:

	Balance January 1, 2022 (as restated)	Increase	Decrease	Balance December 31, 2022	Due Within One Year
(Amounts in Thousands)					
Water Revenue Bonds:					
Series X 2012 due through 2022	\$ 1,285	\$	\$ (1,285)	\$ -	\$
Series Y 2015 due through 2028	33,885		(5,275)	28,610	5,535
Series BB 2017 due through 2032	15,715			15,715	1,240
Series CC 2017 due through 2028	42,880		(6,380)	36,500	6,710
Series DD 2019 due through 2033	76,075		(14,225)	61,850	14,950
Series EE 2020 due through 2042	15,720		(140)	15,580	145
Series FF 2020 due through 2033	70,270			70,270	
Series GG 2020 due through 2037	98,960		(215)	98,745	220
Second Lien Series A 2012 due through 2022	7,385		(7,385)	-	
Second Lien Series B 2017 due through 2027	42,495			42,495	7,670
Ohio Water Development Authority Loans payable annually through 2045, direct borrowing	50,678	590	(8,463)	42,805	8,735
Total revenue bonds/loans	455,348	590	(43,368)	412,570	45,205
Accrued wages and benefits	11,181	9,586	(9,330)	11,437	9,644
Net pension liability	57,896		(22,292)	35,604	
Leases	1,396		(50)	1,346	44
Total	\$ 525,821	\$ 10,176	\$ (75,040)	\$ 460,957	\$ 54,893

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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:

	Bonds Principal	OWDA Loans (Direct Borrowing) Principal	Interest	Total
	(Amounts in Thousands)			
2023	\$ 36,470	\$ 8,735	\$ 14,943	\$ 60,148
2024	38,395	8,601	12,886	59,882
2025	39,805	8,452	10,756	59,013
2026	40,470	5,413	8,967	54,850
2027	31,625	4,874	7,218	43,717
2028-2032	102,430	9,703	21,262	133,395
2033-2037	67,485	2,935	6,393	76,813
2038-2042	13,085	3,307	1,554	17,946
2043-2045	2,182	93	2,275	2,275
Total	\$ 369,765	\$ 54,202	\$ 84,072	\$ 508,039

The above schedule of minimum principal and interest payments on long-term debt includes the amortization on eleven loans provided to the City by the Ohio Water Development Authority (OWDA).

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant items(s) for each of the eleven loans. From the information received, the City prepared a detailed amortization schedule for each loan based upon the amount expected to be financed. However, the amortization schedule is tentative and is adjusted if and when, OWDA revises the amount to be financed.

Further, OWDA requires the City to begin making semi-annual payments for each loan based on the agreed upon initial repayment date, regardless of whether the City has received all loan proceeds or has completed the project(s).

In 2022, the Division expended \$590,000 on the Richfield Water Tower project which is funded by a 2.4% OWDA loan in the amount of \$11,986,653 maturing in January 2046. Payments on this loan begin July 1, 2026 and are included in the debt service schedule above.

At December 31, 2022, the amount financed on the eleven loan projects, less principal payments made, totaled \$54,202,000 and is reflected in the debt service payment schedule. However, the total of the actual loan balances received by the Division was \$42,805,000 as reflected on the schedules of long-term debt outstanding and changes in long-term debt obligations as of December 31, 2022. The difference of \$11,397,000 will be received or accrued in future years as the funds are drawn down.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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

The Division has, from time to time, defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements.

The Division had the following amount of defeased debt outstanding at December 31, 2022:

Series Y, 2015	\$76,060,000
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In 1996, the City authorized the adoption of the eighth supplemental indenture to amend and restate the existing indenture, subject to the receipt of consent of the requisite number of bondholders. With the issuance of the Series J bonds, the City reached the 66.7% consent required to enact the Amended and Restated Indenture. Effective October 5, 2001, all outstanding bonds and any future bonds were 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, 2022, 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.

**CITY OF CLEVELAND, OHIO
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DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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

Debt Service Reserve Fund: Deposits will be made to this fund if the amount in the debt service fund reserve at any time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the revenue bonds secured by the reserve fund and represented the maximum annual debt service requirement of these bonds. However, not all series of bonds are covered by the reserve fund. Currently, there were no series of bonds covered by a reserve fund.

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.

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 \$369,765,000 in various Senior Lien Water Revenue Bonds and Subordinate Lien Bonds issued in various years since 2015. 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 37.0% of net revenues. The total principal and interest remaining to be paid on the various Senior and Subordinate Lien Water Revenue Bonds is \$447,414,000. Amounts deposited for principal and interest in the current year on the Senior Lien Bonds and total net revenues were \$41,482,000 and \$137,288,000, respectively.

**CITY OF CLEVELAND, OHIO
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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE C – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division’s deposits at December 31, 2022, totaled \$13,265,000 and the Division’s bank balances were \$11,930,000 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*, \$11,930,000 of the bank balances at December 31, 2022, was insured or collateralized with securities held by the City or by its agent in the City’s name.

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

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City’s investment policies are governed by state Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers and are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the City, apart from the assets of the depository institution. Ohio Statute prohibits the use of reverse repurchase agreements.

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

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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, 2022:

Type of Investment	Fair Value	Fair Value Measurement Using Level 1
(Amounts in Thousands)		
U.S. Treasury Notes	\$ 29,034	\$ 29,034
Total Investments	<u>\$ 29,034</u>	<u>\$ 29,034</u>

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, 2022, include STAR Ohio and money market mutual funds. Investments in the U.S. Treasury Notes carry a Moody’s rating of Aaa. Investments in STAR Ohio, Government Obligations Fund and the First American Government Obligations Fund carry a rating of AAAM, which is the highest money market fund rating given by S & P Global. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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, 2022, which include those classified as cash and cash equivalents in the statement of net position in accordance with the provisions of GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Accounting*, since they have a maturity of three months or less:

Type of Investment	2022 Value	2022 Cost	Investment Maturities	
			Less than One Year	1 - 5 Years
(Amounts in Thousands)				
U.S. Treasury Notes	\$ 29,034	\$ 30,186	\$ 9,614	\$ 19,420
STAR Ohio	392,411	392,411	392,411	
Money Market Mutual Funds	<u>54,510</u>	<u>54,510</u>	<u>54,510</u>	
Total Investments	475,955	477,107	456,535	19,420
Total Deposits	<u>13,265</u>	<u>13,265</u>	<u>13,265</u>	
Total Deposits and Investments	<u>\$ 489,220</u>	<u>\$ 490,372</u>	<u>\$ 469,800</u>	<u>\$ 19,420</u>

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, 2022, the investments in US. Treasury Notes, STAR Ohio and money market mutual funds are approximately 6.1%, 82.4% and 11.5%, respectively, of the Division’s total investments.

**CITY OF CLEVELAND, OHIO
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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE D – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
	(Amounts in Thousands)			
Capital assets, not being depreciated				
Land	\$ 5,731	\$	\$	\$ 5,731
Construction in progress	217,138	47,695	(64,710)	200,123
Total capital assets, not being depreciated	222,869	47,695	(64,710)	205,854
Capital assets, being depreciated				
Land improvements	17,931	160		18,091
Utility plant	2,045,726	40,688	(16,165)	2,070,249
Buildings, structures and improvements	265,873	17,345		283,218
Furniture, fixtures, equipment and vehicles	613,050	15,521	(19,326)	609,245
Total capital assets, being depreciated	2,942,580	73,714	(35,491)	2,980,803
Less: Accumulated depreciation	(1,441,732)	(69,011)	30,328	(1,480,415)
Total capital assets being depreciated, net	1,500,848	4,703	(5,163)	1,500,388
Capital assets, net	<u>\$ 1,723,717</u>	<u>\$ 52,398</u>	<u>\$ (69,873)</u>	<u>\$ 1,706,242</u>

Commitments: The Division has outstanding commitments at December 31, 2022, of approximately \$211,033,000 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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset): The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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 liability/(asset) because it was created as a result of employment exchanges that already have occurred.

The net pension liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State Statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability/(asset). Resulting adjustments to the net pension liability/(asset) 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/(asset) on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees participate in OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Division's employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual COLA to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS’ Annual Comprehensive Financial Report 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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.0%.

**CITY OF CLEVELAND, OHIO
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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2022, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division’s contractually required contribution was \$8,395,000 for 2022. All required payments have been made.

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability/(asset) for OPERS was measured as of December 31, 2021 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. Following is information related to the proportionate share and pension expense:

	OPERS	
	Traditional	Combined
	(Amounts in Thousands)	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 35,604	\$ (1,512)
Proportion of the Net Pension Liability/(Asset)	0.409225%	0.383853%
Changes in Proportion	(0.010411)%	(0.019824)%
Pension Expense	\$ (6,753)	\$ (57)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2022, the Division’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional	Combined
	(Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between expected and actual economic experience	\$ 1,815	\$ 9
Changes in assumptions	4,452	76
Change in Division’s proportionate share and difference in employer contributions	136	47
Division’s contributions subsequent to the measurement date	8,135	260
Total Deferred Outflows of Resources	\$ 14,538	\$ 392
 Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 781	\$ 169
Net difference between projected and actual earnings on pension plan investments	42,350	324
Change in Division’s proportionate share and difference in employer contributions	1,288	41
Total Deferred Inflows of Resources	\$ 44,419	\$ 534

The \$8,395,000 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/(increase) of the net pension liability/(asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional	Combined
	(Amounts in Thousands)	
Year Ending December 31:		
2023	\$ (6,384)	\$ (101)
2024	(14,937)	(139)
2025	(9,958)	(91)
2026	(6,737)	(67)
2027		(7)
Thereafter		3
Total	\$ (38,016)	\$ (402)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/(asset) in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Wage Inflation	2.75%
Future Salary Increases, including inflation	
Traditional Plan	2.75% – 10.75%
Combined Plan	2.75% – 8.25%
COLA or Ad Hoc COLA	2.75%, simple
	Pre 1/7/2013 retirees: 3.00%, simple
	Post 1/7/2013 retirees: 3.00%, simple
	Through 2022, then 2.05%, simple
Investment Rate of Return	6.90%
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	100.00 %	4.21 %

Discount Rate: The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Division’s Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate: The following table presents the Division’s proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.9%, as well as what the Division’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9%) or one-percentage-point higher (7.9%) than the current rate:

	1% Decrease	Current	1% Increase
	5.9%	Discount Rate 6.9%	7.9%
(Amounts in Thousands)			
Division’s proportionate share of the net pension liability/ (asset)			
Traditional Plan	\$ 93,872	\$ 35,604	\$ (12,882)
Combined Plan	(1,129)	(1,512)	(1,812)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS

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

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

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

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

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

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

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

**CITY OF CLEVELAND, OHIO
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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of OPEB as described in GASB Statement No. 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans in 2022. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

For the year ended December 31, 2022, OPERS did not allocate any employer contributions to the OPEB plan.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability/(asset) was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	
	(Amounts in Thousands)	
Proportionate Share of the Net OPEB Liability/(Asset)	\$	(12,624)
Proportion of Net OPEB Liability/(Asset):		0.403050%
Change in Proportion Share		(0.010887%)
OPEB Expense	\$	(10,904)

At December 31, 2022, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	
	(Amounts in Thousands)	
Deferred Outflows of Resources		
Change in Division's proportionate share and difference in employer contributions	\$	89
Total Deferred Outflows of Resources	\$	89
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$	1,915
Net difference between projected and actual earnings on OPEB plan investments		6,018
Change in assumptions		5,110
Change in Division's proportionate share and difference in employer contributions		183
Total Deferred Inflows of Resources	\$	13,226

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	
	(Amounts in Thousands)	
2023	\$	(8,097)
2024		(2,861)
2025		(1,315)
2026		(864)
Total	\$	(13,137)

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date as of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	2.75%
Projected Salary Increases, including inflation	2.75% to 10.75%
Single Discount Rate:	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current Measurement Date	1.84%
Prior Measurement Date	2.00%
Health Care Cost Trend Rate:	
Current Measurement Date	5.50%, initial 3.50% ultimate in 2034
Prior Measurement Date	8.50%, initial 3.50% ultimate in 2035
Actuarial Cost Method	Individual Entry Age

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	100.00 %	3.45 %

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

Discount Rate: A single discount rate of 6.00% was used to measure the total OPEB liability/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the Division’s Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate: The following table presents the Division’s proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.00%, as well as what the Division’s proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower 5.00% or one-percentage-point higher 7.00% than the current rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
	(Amounts in Thousands)		
Division’s proportionate share of the net OPEB liability/(asset)	\$ (7,424)	\$ (12,624)	\$ (16,940)

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

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuarial projected premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current	Discount Rate	1% Increase
	2.50%	3.50%	3.50%	4.50%
	(Amounts in Thousands)			
Division’s proportionate share of the net OPEB liability/(asset)	\$ (12,761)	\$ (12,624)		\$ (12,462)

NOTE G – LEASES

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources (*based on contract provisions*). Under this Statement, a lessor is required to recognize a lease receivable and deferred inflow of resources while a lessee is required to recognize a lease liability and deferred outflow of resources for each contract whose terms meet the definition of a lease. This recognition is intended to enhance the relevance and consistency of information about governments’ leasing activities.

Leases Scope:

GASB 87 - Scope

Per GASB Statement No. 87, a lease is defined as, “A contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.” A contract conveys control if the user of the underlying asset possesses both: the right to obtain present service capacity and the right to determine the nature and manner of its use. The transaction is “exchange-like” when both parties receive and sacrifice something of approximate equal value.

Accounting treatment for leases required by the Statement applies to non-financial assets. Assets that are non-financial in nature including intangible assets, biological assets, inventory leases, supply contracts, and service concession arrangements are considered out of scope.

Accounting Treatment at Adoption: The Division is a lessee in all non-cancellable leases. In accordance with the GASB Statement No. 87, leases that commenced before the adoption date of January 1, 2022, are considered to have commenced on this date. All leases with base rent payments adjusted by an index or rate (e.g., Consumer Price Index) have measured their liabilities based upon the most recent adjustment as of January 1, 2022, unless otherwise noted.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE G – LEASES (Continued)

Measurement of Lease Amounts as a Lessee:

The Division recognizes a lease liability and an intangible right-to-use (RTU) asset at the beginning of a lease. Lease liabilities are measured based on net present value of the future lease payments at inception using the rate explicit in the contract, the rate implicit in the contract, or the Division's incremental borrowing rate which is estimated using the Federal Home Loan Bank Community Development Advance (FHLB CDA) rate + 2.00% plus any lease incentives from the lessor. The lease liability is also measured with the inclusion of amounts required to be paid by the lessee under residual value guarantees, exercise price of a purchase option, and lease termination penalties – these are included only if there is reasonable certainty in the requirement to make such payments.

The RTU asset is measured at inception by adding to the lease liability net amounts exchanged with the lessor at or before commencement of the lease term and initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Other Conditions:

The Division assumes optional extension terms present in lease agreements will be exercised unless optional extension periods have undefined future payment terms - these terms are excluded in the calculation of lease term length unless otherwise noted. The Division did not incur expense related to residual value guarantees nor did the Division exercise a purchase option.

Short-term Leases:

For short-term lease contracts – defined as having a maximum possible term of 12 months or less - the Division recognizes expense based on the payment provisions of the lease contract.

Division as a Lessee:

General Description of Lessee Leasing Arrangements:

The Division leases communications sites from various non-governmental and governmental lessors. These leases have term end dates ranging from September 8, 2023 to November 30, 2045. The leases require fixed rent payments that escalate on the basis of CPI or a fixed percentage year-over-year.

Outflows Recognized in FY22 from Leases:

For fiscal year 2022, the Division recognized \$108,000 and \$63,000 for lease expense and interest expense, respectively.

Total Amount of Lease Assets and Accumulated Amortization:

For fiscal year 2022, the amount of RTU assets and related accumulated amortization were \$1,396,000 and \$108,000, respectively.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE G – LEASES (Continued)

Schedule of Future Payments:

The table below represents the future expected minimum principal and interest amounts to be paid for the existing, in-scope GASB 87 leases:

Water Maturity Schedule (Amounts in Thousands)				
<u>Year Ending December 31:</u>	<u>Principal</u>		<u>Interest</u>	
2023	\$	44	\$	61
2024		43		60
2025		47		57
2026		50		55
2027		53		53
2028 - 2032		317		223
2033 - 2037		374		144
2038 - 2042		366		50
2043 - 2047		52		3

Variable Outflows:

Variable outflows not fixed in substance are excluded from the measurement of the lease liability and are recognized as lease expenses in the period in which the obligation for those payments is incurred. For fiscal year 2022, the Division recognized \$4,000 for variable outflows related to a prior period rent payment shortfall.

NOTE H – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters, which the City is responsible for. The City’s management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division’s financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2022.

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers’ compensation retrospective rating program.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE H – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE I – 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 \$2,258,000 in 2022. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately \$1,813,000 in 2022.

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, 2022 was as follows:

		(Amounts in Thousands)
Electricity Purchases	\$	16,695
Utilities Administration and Utilities Fiscal Control		9,781
City Administration		4,752
Motor Vehicle Maintenance		3,891
Telephone Exchange		494

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE J – CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately \$4,867,000 for December 31, 2022.

NOTE K – SUBSEQUENT EVENTS

The Division was the recipient of multiple loan awards from the OWDA beginning in 2023. They comprise both a principal forgiveness portion totaling \$13,463,000 and a loan repayment portion totaling \$12,027,000. The loan repayment term is for 20 years at a 0% interest rate and the first repayment is due on January 1, 2024.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

Required Supplementary Information

**Schedule of the Division's Proportionate Share of the Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Nine Years (1), (2)**

	Division's Proportion of the Net Pension Liability/ (Asset)	Division's Proportionate Share of the Net Pension Liability/ (Asset)	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
(Amounts in Thousands)					
Traditional:					
2014	0.411161 %	\$ 48,397	\$ 46,600	103.86 %	86.36 %
2015	0.411161	49,432	51,458	96.06	86.45
2016	0.396321	69,902	50,533	138.33	81.08
2017	0.379883	87,844	50,392	174.32	77.25
2018	0.395659	62,889	52,731	119.26	84.66
2019	0.407826	111,359	58,257	191.15	74.70
2020	0.403071	78,470	60,729	129.21	82.17
2021	0.419953	57,896	63,193	91.62	86.88
2022	0.409225	35,604	64,879	54.88	92.62
Combined:					
2022	0.383853	(1,512)	64,879	(2.33)	169.88

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

Note to Schedule:

Change in assumptions. There were not changes in the methods or assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes in assumptions that affected the total pension liability since the prior measurement date: (a) a reduction of the discount rate from 8.0% to 7.5%, (b) for defined benefit investments, decreasing the wage inflation rate from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumption in 2018. For 2019, the following was the most significant change that affected the total pension since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% to 7.2%. There were no changes in assumptions in 2020 and 2021. For 2022, the most significant changes of assumptions that affected the total pension liability/(asset) since the prior measurement date was the assumed rate of return and discount rate were reduced from 7.2% down to 6.9%.

In 2022, the Division presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

Required Supplementary Information (Continued)

**Schedule of Contributions - Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Ten Years (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2013	\$ 6,058	\$ (6,058)	-	\$ 46,600	13.00 %
2014	6,175	(6,175)	-	51,458	12.00
2015	6,064	(6,064)	-	50,533	12.00
2016	6,047	(6,047)	-	50,392	12.00
2017	6,855	(6,855)	-	52,731	13.00
2018	8,156	(8,156)	-	58,257	14.00
2019	8,502	(8,502)	-	60,729	14.00
2020	8,847	(8,847)	-	63,193	14.00
2021	9,083	(9,083)	-	64,879	14.00
2022	8,395	(8,395)	-	59,964	14.00

(1) Represents Division's calendar year.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

Required Supplementary Information (Continued)

**Schedule of the Division's Proportionate Share of the Net OPEB Liability / (Asset)
Ohio Public Employees Retirement System
Last Six Years (1), (2)**

Division's Proportion of the Net OPEB Liability / (Asset)	Division's Proportionate Share of the Net OPEB Liability / (Asset)	Division's Covered Payroll	Division's Proportionate Share of the Net OPEB Liability / (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability / (Asset)	
(Amounts in Thousands)					
2017	0.373155 % \$	37,690 \$	50,392	74.79 %	54.04 %
2018	0.389228	42,077	52,731	79.80	54.14
2019	0.403070	51,511	58,257	88.42	46.33
2020	0.397503	53,900	60,729	88.75	47.80
2021	0.413937	(7,375)	63,193	(11.67)	115.57
2022	0.403050	(12,624)	64,879	(19.46)	128.23

- (1) Information presented for each year was determined as of the Division's measurement date, which is the prior year-end.
- (2) Information prior to 2017 was not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.5% initial to 10.0% initial. In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030. In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset. In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

Required Supplementary Information (Continued)

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2016	\$ 1,008	\$ (1,008)	\$ -	\$ 50,392	2.00 %
2017	527	(527)	-	52,731	1.00
2018	-	-	-	58,257	0.00
2019	-	-	-	60,729	0.00
2020	-	-	-	63,193	0.00
2021	-	-	-	64,879	0.00
2022	-	-	-	59,964	0.00

- (1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Plan.
- (3) Represents Division's calendar year. Information prior to 2016 was not available. The Division will present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO



**DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2022**

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Department of Public Utilities
Division of Water Pollution Control
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Public Utilities, Division of Water Pollution Control:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Department of Public Utilities, Division of Water Pollution Control of the City of Cleveland, Cuyahoga County, Ohio (the Division), as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department of Public Utilities, Division of Water Pollution Control of the City of Cleveland as of December 31, 2022, and the changes in financial position and its cash flows thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Division, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements of the Department of Public Utilities, Division of Water Pollution Control of the City of Cleveland, are intended to present the financial position, the changes in financial position, and cash flows, of only that portion of the business-type activities and the major fund of the City of Cleveland that is attributable to the transactions of the Department of Public Utilities, Division of Water Pollution Control. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2022, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Division's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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**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, 2022. Please read this information in conjunction with the Division’s basic financial statements and footnotes that begin on page 18.

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 (NEORS) and transferred the operation of all wastewater treatment plants and interceptors to the NEORS 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 1,436 miles of sewer lines with attendant catch basins and includes 11 pump/lift stations. The Division is also responsible for the cleaning of 43,000 catch basins and for maintaining two storm detention basins.

The Division currently has approximately 117,000 customer accounts in the City, of which 96.0% are residential and 4.0% commercial. Also, in 2022 the Division’s sewers transported 1,517,635 Mcf’s (thousand cubic feet) of water.

The Division acts as a custodian of billings and receipts for 17 other agencies including the NEORS, other municipalities and HomeServe USA’s residential service line protection plan. Accounts are billed monthly and payments collected each month are remitted to the appropriate agency by the 15th of the subsequent month.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by \$134,069,000 and \$126,412,000 at December 31, 2022 and 2021, respectively. Of these amounts, \$41,090,000 and \$34,127,000 are unrestricted net position at December 31, 2022 and 2021, respectively and may be used to meet the Division’s ongoing obligations to customers and creditors.
- The Division’s net position rose by \$7,657,000 in 2022, primarily due to operating income of \$8,284,000.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Division’s total debt decreased in 2022 by \$1,030,000 due to payments on the Division’s Ohio Water Development Authority (OWDA) loan and Ohio Public Works Commission loan along with payment of principal on the Division’s revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division’s basic financial statements. The accompanying financial statements present financial information for the City’s Division of Water 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 18 - 23 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25 - 51 of this report. Required supplementary information can be found on pages 52 - 55 of this report.

**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

Provided below are the statements of net position information for the Division as of December 31, 2022 and December 31, 2021:

	<u>2022</u>	<u>2021</u>
	(Amounts in Thousands)	
Assets:		
Current assets	\$ 230,070	\$ 218,528
Restricted assets	3,422	3,339
Noncurrent assets	1,701	878
Capital assets, net	<u>135,630</u>	<u>136,253</u>
Total assets	370,823	358,998
Deferred outflows of resources	<u>1,806</u>	<u>1,667</u>
Liabilities:		
Current liabilities	181,658	173,890
Long-term obligations	<u>49,977</u>	<u>54,371</u>
Total liabilities	231,635	228,261
Deferred inflows of resources	<u>6,925</u>	<u>5,992</u>
Net position:		
Net investment in capital assets	90,267	89,592
Restricted for capital projects		20
Restricted for debt service	2,712	2,673
Unrestricted	<u>41,090</u>	<u>34,127</u>
Total net position	<u><u>134,069</u></u>	<u><u>126,412</u></u>

Current assets: The Division’s current assets increased by \$11,542,000. Net accounts receivable increased by \$9,428,000, primarily due to an increase of \$8,653,000 in the custodial portion of the balance. Unrestricted cash and cash equivalents increased by \$2,777,000, mainly due to a \$3,266,000 increase in operating cash and cash equivalents, primarily due to a rate increase.

Restricted assets: The Division’s restricted assets increased by \$83,000, primarily due to an increase of \$39,000 in debt service funds.

**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)

Capital assets: At December 31, 2022, net capital assets amounted to \$135,630,000. A summary of the activity in the Division’s capital assets during the year ended December 31, 2022, is as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
(Amounts in Thousands)				
Land	\$ 295	\$	\$	\$ 295
Land improvements	243	46		289
Utility plant	225,048	8,769	(147)	233,670
Buildings, structures and improvements	11,475	62		11,537
Furniture, fixture, equipment and vehicles	14,470	1,400	(173)	15,697
Construction in progress	21,678	4,746	(9,858)	16,566
Total	273,209	15,023	(10,178)	278,054
Less: Accumulated depreciation	(136,956)	(5,720)	252	(142,424)
Capital assets, net	\$ 136,253	\$ 9,303	\$ (9,926)	\$ 135,630

In 2022, the principal outlays for construction in progress included emergency sewer installations, rehabilitations and re-linings of sewers, project management, and the East 85th Street rehabilitation.

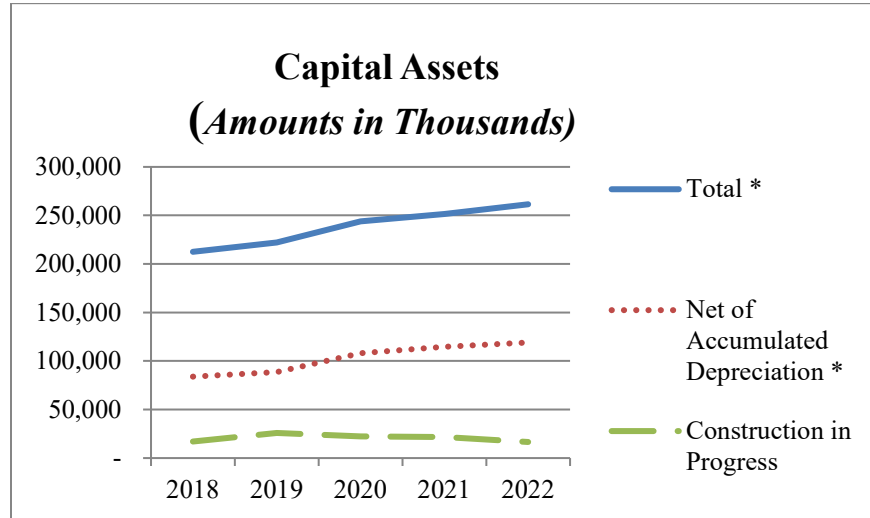
The major capital additions for the year included:

- East 85th Street rehabilitation
- East 37th Street pump station
- Muriel Avenue rehabilitation
- Motor vehicles

**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 – Capital Assets.

Deferred outflows of resources: Deferred outflows of resources increased by \$139,000 in 2022. Pension deferred outflows increased by \$605,000. OPEB deferred outflows decreased by \$466,000, mainly due to a \$432,000 decrease in changes in assumptions about future economic or demographic factors.

Current liabilities: Current liabilities increased by \$7,768,000 in 2022, mainly due to an increase in amounts due for billings on behalf of others of \$8,155,000. The growth is primarily attributed to steadily rising account balances associated with the NEORS.

Net pension/Other Postemployment Benefits (OPEB) liabilities/(asset): The net pension liability/(asset) is reported by the Division at December 31, 2022 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In 2018, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities/(assets) related to OPEB. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division’s actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset, net OPEB asset and deferred outflows of resources related to pension and OPEB.

**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)

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the Division, part of a bargained-for benefit to the employee and should accordingly be reported by the Division as a liability/(asset) since they received the benefit of the exchange. However, the Division is not responsible for certain key factors affecting the balance of these liabilities/(assets). In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State Statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio Revised Code (ORC) permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability/(asset) of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**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)

Most long-term liabilities/(assets) 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/(asset) or the net OPEB liability/(asset). As previously explained, changes in benefits, contribution rates and return on investments affect the balance of these liabilities/(assets), but are outside the control of the Division. In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability/(asset) and the net OPEB liability/(asset) are satisfied, these liabilities/(assets) are separately identified within the long-term liability/(asset) section of the statement of net position.

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

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

Long-term debt: At the end of 2022, the Division had total debt outstanding of \$42,837,000 associated with its issuance of revenue bonds, one Ohio Public Works Commission (OPWC) construction loan and one OWDA loan. The revenue bonds are backed by the net revenues of the Division. The loans are payable from revenues generated by the Division but do not have a lien on the revenues.

The activity in the Division’s debt obligations outstanding during the year ended December 31, 2022 is summarized below:

	Balance January 1, 2022	Debt Issued	Debt Retired	Balance December 31, 2022
(Amounts in Thousands)				
Water Pollution Control				
Revenue Bonds, Series 2016	\$ 29,435	\$	\$ (660)	\$ 28,775
Ohio Water Development				
Authority Loan (OWDA)	14,410		(353)	14,057
Ohio Public Works				
Commission Loans (OPWC)	22	_____	(17)	5
Total	\$ 43,867	\$	\$ (1,030)	\$ 42,837

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

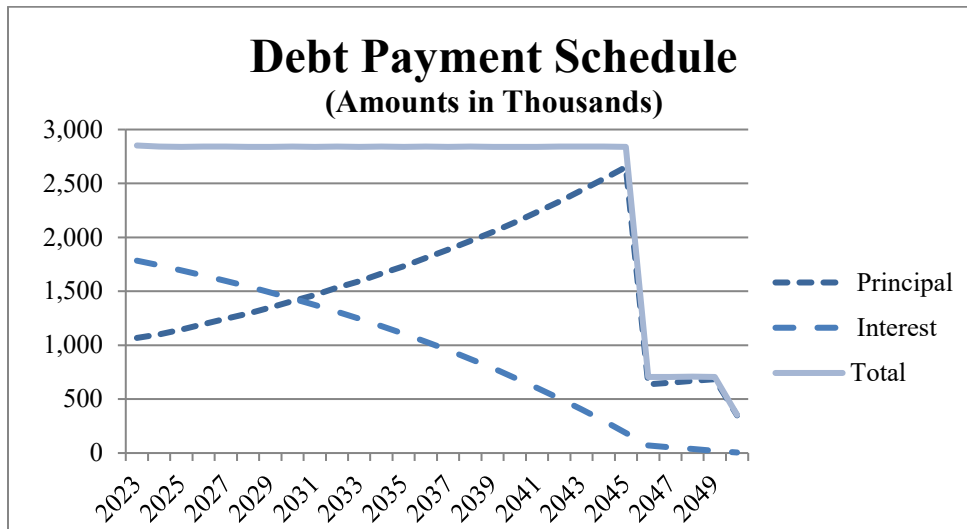
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bonds ratings for the Division’s outstanding revenue bonds as of December 31, 2022, are as follows:

	Moody’s Investors Service	S&P Global
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, creditors and investors. The Division’s revenue bond coverage for 2022 and 2021 was 541% and 349%, respectively.



Additional information on the Division’s long-term debt can be found in Note B – Long-term Obligations on pages 29 - 33.

Deferred inflows of resources: Deferred inflows of resources increased by \$933,000 in 2022. Pension deferred inflows increased by \$2,033,000, mainly due to a \$2,231,000 increase in the net difference between projected and actual earnings on plan investments. OPEB deferred inflows decreased by \$1,100,000, primarily due to a \$807,000 decrease in changes in assumptions about future economic or demographic factors.

**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)

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 \$134,069,000 and \$126,412,000 at December 31, 2022 and 2021, respectively.

The largest portion of the Division's net position, \$90,267,000 at December 31, 2022, 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, \$2,712,000 at December 31, 2022, 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, \$41,090,000 at December 31, 2022, is unrestricted and may be used to meet the Division's ongoing obligations to customers and creditors.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

During 2022, the Division's operations increased its net position by \$7,657,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2022 and 2021:

	2022	2021
	(Amounts in Thousands)	
Operating revenues	\$ 32,559	\$ 29,625
Operating expenses	<u>24,275</u>	<u>21,198</u>
Operating income (loss)	<u>8,284</u>	<u>8,427</u>
Non-operating revenue (expense):		
Investment income	676	28
Interest expense	(1,821)	(1,844)
Amortization of bond premiums and discounts	260	265
Gain (loss) on the disposal of assets	(68)	(20)
Other	<u>14</u>	<u>12</u>
Total non-operating revenue (expense), net	<u>(939)</u>	<u>(1,559)</u>
Income (loss) before capital and other contributions	7,345	6,868
Capital and other contributions	<u>312</u>	<u>5,104</u>
Change in net position	7,657	11,972
Net position, beginning of year	<u>126,412</u>	<u>114,440</u>
Net position, end of year	<u>\$ 134,069</u>	<u>\$ 126,412</u>

Operating revenues: Operating revenues amounted to \$32,559,000 in 2022, which was an increase of \$2,934,000 from the previous year. The increase is primarily attributed to a 12.0% increase in rates per MCF.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

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

Operating expenses: In 2022, total operating expenses increased by \$3,077,000. Operations expense increased by \$1,830,000, primarily due to a \$4,052,000 increase in OPEB expense. This increase was partially offset by a decrease of \$686,000 in contractual services due to a \$752,000 decrease in a contract related to a sewer system evaluation survey. In addition, there was a \$350,000 decrease in bad debt expense, mainly due to the discontinuation of a moratorium on account shut-offs due to the Covid-19 pandemic.

Maintenance costs increased by \$769,000, mainly due to a \$525,000 increase in salary and benefit costs, chiefly due to negotiated pay raises.

Depreciation expense increased by \$478,000 due to several large construction projects assets being placed into service in 2022.

Non-operating revenues: From 2021 to 2022, non-operating revenues increased by \$645,000. This increase is primarily related to an increase in interest revenue of \$648,000, due to significantly higher interest rates.

Non-operating expenses: From 2021 to 2022, non-operating expenses increased by \$25,000. The growth is attributed to a \$48,000 increase in loss on disposal of capital assets, offset by a \$23,000 decrease in interest expense due to scheduled payments on bond principal.

Capital and other contributions: The Division was the recipient of a grant totaling \$312,000 provided by the NEORSF to address water quality and quantity issues associated with sewer infrastructure that adversely impact human health and the environment through cost-effective sewer infrastructure projects.

ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2022
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$	84,480
Restricted cash and cash equivalents		912
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of \$3,554		141,306
Unbilled revenue		1,922
Accrued interest receivable		55
Due from other governments		360
Due from other City of Cleveland departments, divisions or funds		37
Materials and supplies		916
Prepaid expenses		82
		82
TOTAL CURRENT ASSETS		230,070

RESTRICTED ASSETS

Cash and cash equivalents		3,413
Accrued interest receivable		9
		9
TOTAL RESTRICTED ASSETS		3,422

NONCURRENT ASSETS

Net pension asset		182
Net OPEB asset		1,519
		1,519
		1,701

CAPITAL ASSETS

Land		295
Land improvements		289
Utility plant		233,670
Buildings, structures and improvements		11,537
Furniture, fixtures, equipment and vehicles		15,697
		261,488
Less: Accumulated depreciation		(142,424)
		119,064
Construction in progress		16,566
		16,566
CAPITAL ASSETS, NET		135,630
TOTAL ASSETS		370,823

DEFERRED OUTFLOWS OF RESOURCES

Pension		1,795
OPEB		11
		11
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,806

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION

December 31, 2022
(Amounts in Thousands)

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION**

CURRENT LIABILITIES

Accounts payable	\$	2,006
Customer deposits and other liabilities		192
Payable from restricted assets		912
Accrued wages and benefits		1,309
Due to other City of Cleveland departments, divisions or funds		2,668
Amounts due for billing on behalf of others		173,328
Accrued interest payable		180
Current portion of long-term debt, due within one year		1,063
TOTAL CURRENT LIABILITIES		181,658

LONG-TERM OBLIGATIONS-excluding amounts due within one year:

OWDA loans		13,694
Accrued wages and benefits		357
Revenue bonds		31,642
Net pension liability		4,284
TOTAL LONG-TERM OBLIGATIONS		49,977
TOTAL LIABILITIES		231,635

DEFERRED INFLOWS OF RESOURCES

Pension		5,342
OPEB		1,583
TOTAL DEFERRED INFLOWS OF RESOURCES		6,925

NET POSITION

Net investment in capital assets		90,267
Restricted for debt service		2,712
Unrestricted		41,090
TOTAL NET POSITION		134,069

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, 2022

(Amounts in Thousands)

OPERATING REVENUES

Charges for services	\$ 32,559
TOTAL OPERATING REVENUES	<u>32,559</u>

OPERATING EXPENSES

Operations	8,138
Maintenance	10,417
Depreciation	<u>5,720</u>
TOTAL OPERATING EXPENSES	<u>24,275</u>

OPERATING INCOME (LOSS) 8,284

NON-OPERATING REVENUE (EXPENSE)

Investment income	676
Interest expense	(1,821)
Amortization of bond premiums and discounts	260
Gain (loss) on disposal of assets	(68)
Other	<u>14</u>
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	<u>(939)</u>

INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS 7,345

Capital and other contributions	<u>312</u>
INCREASE (DECREASE) IN NET POSITION	7,657

NET POSITION, BEGINNING OF YEAR 126,412

NET POSITION, END OF YEAR \$ 134,069

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, 2022

(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 30,207
Cash payments to suppliers for goods or services	(10,151)
Cash payments to employees for services	(10,204)
Cash receipts on behalf of other communities	441,706
Cash payments on behalf of other communities	(442,139)
Other	<u>492</u>

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES 9,911

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(6,027)
Principal paid on long-term debt	(1,030)
Interest paid on long-term debt	(1,826)
Capital grant proceeds	<u>334</u>

**NET CASH PROVIDED BY (USED FOR) CAPITAL AND
RELATED FINANCING ACTIVITIES** (8,549)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	<u>613</u>
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**NET CASH PROVIDED BY
(USED FOR) INVESTING ACTIVITIES** 613

**NET INCREASE (DECREASE) IN
CASH AND CASH EQUIVALENTS** 1,975

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 86,830

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 88,805

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	\$	8,284
Adjustments		
Depreciation		5,720
(Increase) decrease in assets:		
Accounts receivable, net		(9,428)
Accrued and unbilled revenue		(90)
Due from other City of Cleveland departments, divisions or funds		11
Materials and supplies, net		(82)
Prepaid expenses		(20)
Net pension asset		(182)
Net OPEB asset		(641)
(Increase) decrease in deferred outflows of resources:		
Pension		(605)
OPEB		466
Increase (decrease) in liabilities:		
Accounts payable		609
Customer deposits and other liabilities		13
Accrued wages and benefits		(192)
Due to other City of Cleveland departments, divisions or funds		75
Amounts due for billings on behalf of others		8,155
Net pension liability		(3,115)
Increase (decrease) in deferred inflows of resources:		
Pension		2,033
OPEB		(1,100)
TOTAL ADJUSTMENTS		<u>1,627</u>
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES	\$	<u><u>9,911</u></u>

**SCHEDULE OF NONCASH CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Accounts payable related to capital assets	\$	912
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See notes to financial statements.

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**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying sewer services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

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

In June of 2017, GASB Statement No. 87, *Leases*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As required, the Division has implemented GASB Statement No. 87 as of December 31, 2022.

In January of 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. As required, the Division has implemented GASB Statement No. 92 as of December 31, 2022.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of sewer services to residential, commercial and industrial customers based upon actual water consumption. Sewer rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Inventory of Supplies: The Division's inventory is valued at average cost. Inventory costs are charged to operations when consumed.

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

Interfund Transactions: During the course of normal operations the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Leases: The Division follows the provisions of GASB Statement No. 87, *Leases*, which requires governmental entities to recognize their long-term lease agreements on the financial statements.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables: The Division's share of the accounts receivable balance is \$13,992,000, net of allowance for doubtful accounts of \$3,554,000. The remaining net accounts receivable balance of \$127,314,000 belongs to the Northeast Ohio Regional Sewer District (NEORS), other municipalities in the Greater Cleveland Region and to HomeServe USA, and is offset by corresponding amounts in due for billings on behalf of others.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased.

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

The Division has invested funds in STAR Ohio during 2022. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets less any applicable salvage value over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than \$5,000 for furniture, fixtures, equipment and vehicles and \$10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Building, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

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 assets 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

Compensated Absences: The 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.

Amounts Due for Billing on Behalf of Others: The Division includes custodial balances in both its accounts receivable and unrestricted cash and cash equivalents balances. The total amount of these balances comprises the balance in amounts due for billing on behalf of others.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B - LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2022 as follows:

		Original		
	Interest Rate	Issuance	2022	
(Amounts in Thousands)				
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	5.00%	\$ 32,390	\$ 28,775	
Ohio Water Development Authority (OWDA) Loans payable annually through 2050, direct borrowing	2.47%	14,924	14,057	
Ohio Public Works Commission (OPWC) Loans payable annually through 2023, direct borrowing	0.00%	<u>224</u>	<u>5</u>	
		<u>\$ 47,538</u>	42,837	
Less:				
Unamortized discount and premium			3,562	
Current portion			<u>(1,063)</u>	
Total Long-Term Debt			<u>\$ 45,336</u>	

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2022, are as follows:

	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022	Due Within One Year
(Amounts in Thousands)					
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	\$ 29,435	\$	\$ (660)	\$ 28,775	\$ 695
Ohio Water Development Authority (OWDA) Loans payable annually through 2050, direct borrowing	14,410		(353)	14,057	363
Ohio Public Works Commission (OPWC) Loans payable annually through 2023, direct borrowing	<u>22</u>		<u>(17)</u>	<u>5</u>	<u>5</u>
Total bonds and loans	<u>43,867</u>	<u>-</u>	<u>(1,030)</u>	<u>42,837</u>	<u>1,063</u>
Accrued wages and benefits	1,858	1,353	(1,545)	1,666	1,309
Net pension liability	<u>7,399</u>		<u>(3,115)</u>	<u>4,284</u>	
Total	<u>\$ 53,124</u>	<u>\$ 1,353</u>	<u>\$ (5,690)</u>	<u>\$ 48,787</u>	<u>\$ 2,372</u>

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Bond Principal	OPWC (Direct Borrowing) Principal	OWDA (Direct Borrowing) Principal	Interest	Total
(Amounts in Thousands)					
2023	\$ 695	\$ 5	\$ 363	\$ 1,784	\$ 2,847
2024	730		371	1,740	2,841
2025	765		380	1,693	2,838
2026	805		389	1,646	2,840
2027	845		401	1,597	2,843
2028-2032	4,900		2,152	7,152	14,204
2033-2037	6,250		2,434	5,517	14,201
2038-2042	7,975		2,751	3,472	14,198
2043-2047	5,810		3,111	1,016	9,937
2048-2050	<u> </u>	<u> </u>	<u>1,705</u>	<u>64</u>	<u>1,769</u>
Total	<u>\$ 28,775</u>	<u>\$ 5</u>	<u>\$ 14,057</u>	<u>\$ 25,681</u>	<u>\$ 68,518</u>

The above schedule of minimum principal and interest payments on long-term debt includes the amortization on one OPWC loan and one OWDA loan provided to the City.

On January 31, 2019, the Ohio Water Development Authority approved a loan for phase one of the E. 185th Street and Marcella Rd relief sewer. The total loan amount is \$14,925,000 and repayment began on January 1, 2021.

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant terms of the new loan. From the information received, the City prepared a detailed amortization schedule for the loan based upon the amount expected to be financed, regardless of whether the City has received all of the loan proceeds. At December 31, 2022, the amount financed on this loan, which is reflected in the amortization schedule, equaled the actual loan balance shown in the long-term debt outstanding.

The Ohio Public Works Commission Loan and the Ohio Water Development Authority Loan are being paid from the revenues derived from operations of the Division.

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

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B - LONG-TERM OBLIGATIONS (Continued)

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

The indenture requires that the City will at all times prescribe, charge and collect such rates, rental and other charges for the use of the services of the system and will restrict the operating expenses of the system in such a way that the net revenues available for debt service in each fiscal year shall be not less than the greater of i) 120.0% of debt service on all bonds then outstanding and payable during the fiscal year or ii) 100.0% of the sum of (a) debt service on all bonds then outstanding payable during that fiscal year, (b) all required deposits to the debt service reserve fund during that fiscal year, (c) all required deposits to the subordinated debt service fund and to any reserve fund securing subordinated indebtedness during the fiscal year, (d) all required deposits to the contingency fund during the fiscal year and (e) debt service payable on any other obligations payable from the balance subfund and deposits to any reserve funds securing such other obligations. As of December 31, 2022, 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.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B - LONG-TERM OBLIGATIONS (Continued)

The City has pledged future water pollution control revenues to repay \$28,775,000 in Water Pollution Control Revenue Bonds issued in 2016. Proceeds from the bonds were used to pay capital costs relating to the acquisition, construction and improvement of the system. The bonds are payable from water pollution control net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 19.0% of net revenues.

The total bond principal and interest remaining to be paid on the Water Pollution Control Revenue Bonds is \$49,062,000. Principal and interest funded in the current year and total net revenues (including other available funds) were \$2,132,000 and \$11,536,000 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.

In addition, the Division had one OPWC loan award as of December 31, 2022. The loan related project is for a storm water detention basin project at Kerruish Park. The loan is 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, 2022, totaled \$13,316,000 and the Division's bank balances were approximately \$15,750,000. 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*, \$15,750,000 of the bank balances at December 31, 2022, was insured or collateralized with securities held by the City or by its agent in the City's name.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE C – DEPOSIT AND INVESTMENTS (Continued)

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110.0% of the carrying value of the deposits being secured.

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio Statute prohibits the use of reverse repurchase agreements.

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

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

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

Credit Risk: The Division's investments as of December 31, 2022 include STAR Ohio and money market mutual funds. The Division maintains the highest ratings for their investments. Investments in STAR Ohio, Federated Government Obligation Funds and the Government Obligations Fund carry a rating of AAAM, which is the highest money market fund rating given by S&P Global. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE C – DEPOSIT AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to minimize the concentration of credit risk. The Division had the following investments at December 31, 2022, which include those classified as cash and cash equivalents in the statement of net position in accordance with the provisions of GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Accounting*, since they have a maturity of three months or less:

Type of Investment	2022 Value	2022 Cost	Investment Maturities Less than One Year
(Amounts in Thousands)			
STAR Ohio	\$ 32,840	\$ 32,840	\$ 32,840
Money Market Mutual Funds	42,649	42,649	42,649
Total Investments	75,489	75,489	75,489
Total Deposits	13,316	13,316	13,316
Total Deposits and Investments	\$ 88,805	\$ 88,805	\$ 88,805

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, 2022, the investments in STAR Ohio and money market mutual funds are 43.5% and 56.5%, respectively, of the Division's total investments.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	\$ 295	\$	\$	\$ 295
Construction in progress	21,678	4,746	(9,858)	16,566
Total capital assets, not being depreciated	21,973	4,746	(9,858)	16,861
Capital assets, being depreciated:				
Land improvements	243	46		289
Utility plant	225,048	8,769	(147)	233,670
Buildings, structures and improvements	11,475	62		11,537
Furniture, fixtures, equipment and vehicles	14,470	1,400	(173)	15,697
Total capital assets, being depreciated	251,236	10,277	(320)	261,193
Less: Accumulated depreciation	(136,956)	(5,720)	252	(142,424)
Total capital assets being depreciated, net	114,280	4,557	(68)	118,769
Capital assets, net	\$ 136,253	\$ 9,303	\$ (9,926)	\$ 135,630

Commitments: The Division had outstanding commitments of approximately \$13,826,000 for future capital expenses at December 31, 2022. 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.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset): The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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 liability/(asset) because it was created as a result of employment exchanges that already have occurred.

The net pension liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 68 assumes the liability/(asset) 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/(asset). Resulting adjustments to the net pension liability/(asset) 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/(asset) on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees participate in OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Division's employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments (COLA) to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report 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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.0%.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer. For 2022, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls. The Division’s contractually required contribution was \$1,010,000 for 2022. All required payments have been made.

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability/(asset) for OPERS was measured as of December 31, 2021, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Division’s proportion of the net pension liability/(asset) 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	
	<u>Traditional</u>	<u>Combined</u>
	(Amounts in Thousands)	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 4,284	\$ (182)
Proportion of the Net Pension Liability/(Asset)	0.049240%	0.046187%
Change in proportion	(0.000716%)	(0.001869%)
Pension Expense	\$ (765)	\$ (7)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2022, the Division’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	
	Traditional	Combined
	(Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between expected and actual economic experience	\$ 218	\$ 1
Change in assumptions	536	9
Change in Division's proportionate share and difference in employer contributions	16	5
Division's contributions subsequent to the measurement date	979	31
Total Deferred Outflows of Resources	\$ 1,749	\$ 46
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 94	\$ 20
Net difference between projected and actual earnings on pension plan investments	5,096	39
Change in Division's proportionate share and difference in employer contributions	88	5
Total Deferred Inflows of Resources	\$ 5,278	\$ 64

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

The \$1,010,000 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/(increase) of the net pension liability/(asset) in the year ending December 31, 2023. 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	
	<u>Traditional</u>	<u>Combined</u>
	(Amounts in Thousands)	
Year Ending December 31:		
2023	\$ (721)	\$ (12)
2024	(1,778)	(17)
2025	(1,198)	(11)
2026	(811)	(8)
2027	(1)	(1)
Total	<u>\$ (4,508)</u>	<u>\$ (49)</u>

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/(asset) in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Wage Inflation	2.75%
Future Salary Increases, including inflation	
Traditional Plan	2.75% - 10.75%
Combined Plan	2.75% - 8.25%
COLA or Ad Hoc COLA	2.75%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3% simple
	through 2022, then 2.05%, simple
Investment Rate of Return	6.90%
Actuarial Cost Method	Individual Entry Age

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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.

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	<u>100.00 %</u>	4.21 %

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the Division’s Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate: The following table presents the Division’s proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.90%, as well as what the Division’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
(Amounts in Thousands)			
Division's proportionate share of the net pension liability/(asset)			
Traditional Plan	\$ 11,295	\$ 4,284	\$ (1,550)
Combined Plan	(136)	(182)	(218)

NOTE F – DEFINED BENEFIT OPEB PLANS

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

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

The ORC limits the Division’s obligation for this liability/(asset) to annually required payments. The Division cannot control benefit terms or the manner in which OPEB are financed; however, the Division does receive the benefit of employees’ services in exchange for compensation including OPEB.

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

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of OPEB as described in GASB Statement No. 75. See OPERS’ Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans in 2022. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

For the year ended December 31, 2022, OPERS did not allocate any employer contributions to the OPEB plan.

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability/(asset) was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS
		(Amounts in Thousands)
Proportionate share of the Net OPEB Liability/(Asset)	\$	(1,519)
Proportion of the Net OPEB Liability/(Asset)		0.048497%
Change in Proportion Share		(0.000781%)
OPEB Expense	\$	(1,306)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2022, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	(Amounts in Thousands)
Change in Division's proportionate share and difference in employer contributions	\$ 11
Total Deferred Outflows of Resources	\$ 11
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 231
Net difference between projected and actual earnings on OPEB plan investments	724
Change in assumptions	615
Change in Division's proportionate share and difference in employer contributions	13
Total Deferred Inflows of Resources	\$ 1,583

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	(Amounts in Thousands)
2023	\$ (969)
2024	(341)
2025	(158)
2026	(104)
Total	\$ (1,572)

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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	2.75%
Projected Salary Increases, including wage inflation	2.75% to 10.75%
Single Discount Rate:	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current Measurement Date	1.84%
Prior Measurement Date	2.00%
Health Care Cost Trend Rate:	
Current Measurement Date	5.50%, initial 3.50%, ultimate in 2034
Prior Measurement Date	8.50%, initial 3.50%, ultimate in 2035
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	<u>100.00 %</u>	3.45 %

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

Discount Rate: A single discount rate of 6.00% was used to measure the total OPEB liability/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Division’s Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate: The following table presents the Division’s proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of (6.00%), as well as what the Division’s proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current	Discount Rate	1% Increase
	5.00%	6.00%	6.00%	7.00%
	(Amounts in Thousands)			
Division's proportionate share of the net OPEB liability/(asset)	\$ (893)	\$ (1,519)	\$ (1,519)	\$ (2,038)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuarial projected premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Cost Trend Rate	Assumption	1% Increase
	2.50%	3.50%	3.50%	4.50%
	(Amounts in Thousands)			
Division's proportionate share of the net OPEB liability/(asset)	\$ (1,535)	\$ (1,519)	\$ (1,519)	\$ (1,500)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters, which the City is responsible for. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2022.

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides sewer services to the City, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City, which by ordinance are provided free sewer services.

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, 2022, was as follows:

	(Amounts in Thousands)
Division of Water	\$ 3,113
Utilities Administration and Utilities Fiscal Control	1,358
City Administration	1,094
Motor Vehicle Maintenance	488
Electricity purchases	151

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE H - RELATED PARTY TRANSACTIONS (Continued)

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 \$2,258,000 in 2022.

NOTE I - CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately \$23,000 for the year ended December 31, 2022.

NOTE J – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the Division to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the Division would be responsible to address any public safety issues associated with their sewage treatment system and the permit would specify the procedures required to dispose of all or part of the sewage treatment system. At this time, the Division does not have an approved permit from Ohio EPA to dispose of all or part of their sewage treatment system. Due to the lack of specific legal requirements for retiring the sewage treatment system, the Division has determined that the amount of the Asset Retirement Obligation cannot be reasonably estimated.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

Required Supplementary Information

**Schedule of the Division's Proportionate Share of the Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Nine Years (1), (2)**

Division's Proportion of the Net Pension Liability/ (Asset)	Division's Proportionate Share of the Net Pension Liability/ (Asset)	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
(Amounts in Thousands)				
Traditional:				
2014	0.054153 %	\$ 6,375	\$ 6,138	103.86 %
2015	0.054153	6,511	6,783	95.99
2016	0.047798	8,979	6,092	147.39
2017	0.047965	11,245	6,367	176.61
2018	0.049706	8,110	6,585	123.16
2019	0.048216	13,840	6,850	202.04
2020	0.047654	9,849	7,443	132.33
2021	0.049994	7,399	7,657	96.63
2022	0.049240	4,284	7,800	54.92
Combined:				
2022	0.046187	(182)	7,800	(2.33)

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

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%. There were no changes in assumptions in 2020 and 2021. For 2022, the most significant changes of assumptions that affected the total pension liability/(asset) since the prior measurement date was the assumed rate of return and discount rate were reduced from 7.2% down to 6.9%.

In 2022, the Division presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

**CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

Required Supplementary Information (Continued)

**Schedule of Contributions - Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Ten Years (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2013	\$ 798	\$ (798)	\$ -	\$ 6,138	13.00 %
2014	814	(814)	-	6,783	12.00
2015	731	(731)	-	6,092	12.00
2016	764	(764)	-	6,367	12.00
2017	856	(856)	-	6,585	13.00
2018	959	(959)	-	6,850	14.00
2019	1,042	(1,042)	-	7,443	14.00
2020	1,072	(1,072)	-	7,657	14.00
2021	1,092	(1,092)	-	7,800	14.00
2022	1,010	(1,010)	-	7,214	14.00

(1) Represents Division's calendar year.

**CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

Required Supplementary Information (Continued)

**Schedule of the Division's Proportionate Share of the Net OPEB Liability/(Asset)
Ohio Public Employees Retirement System
Last Six Years (1), (2)**

Division's Proportion of the Net OPEB Liability/(Asset)	Division's Proportionate Share of the Net OPEB Liability/(Asset)	Division's Covered Payroll	Division's Proportional Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)
(Amounts in Thousands)				
2017	0.047116 %	\$ 4,758	\$ 6,367	74.73 %
2018	0.048898	5,310	6,585	80.64
2019	0.047654	6,425	6,850	93.80
2020	0.046995	6,715	7,443	90.22
2021	0.049278	(878)	7,657	(11.47)
2022	0.048497	(1,519)	7,800	(19.47)

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

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

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.5% initial to 10.0% initial. In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030. In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend changed from 10.5% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset. In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

**CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

Required Supplementary Information (Continued)

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

	Contributions in Relation to the	Contributions	Division's	Contributions
Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	as a Percentage of Covered Payroll
(Amounts in Thousands)				
2016	\$ 127	\$ (127)	\$ 6,367	2.00 %
2017	66	(66)	6,585	1.00
2018	-	-	6,850	0.00
2019	-	-	7,443	0.00
2020	-	-	7,657	0.00
2021	-	-	7,800	0.00
2022	-	-	7,214	0.00

- (1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (2) The OPEB plan includes the members of the Traditional Plan, the Combined Plan and the Member-Directed Plan.
- (3) Represents Division's calendar year. Information prior to 2016 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO



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

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2022**

CITY OF CLEVELAND, OHIO

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

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Department of Port Control
Divisions of Cleveland Hopkins International
and Burke Lakefront Airports
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland, Cuyahoga County, Ohio (the Divisions), as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland as of December 31, 2022, and the changes in financial position and its cash flows thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Divisions, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland are intended to present the financial position, the changes in financial position, and cash flows, of only that portion of the business-type activities and the major fund of the City of Cleveland that is attributable to the transactions of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2022, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Divisions' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Divisions' basic financial statements. The Schedule of Airport Revenues and Operating Expenses As Defined in the Airline Use Agreements, the Schedule of Passenger Facility Revenue and Interest and the Schedule of Expenditures of Passenger Facility Charges (the schedules), as required by the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration are presented for purposes of additional analysis and are 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 basic financial statements. The 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland’s (the City) Department of Port Control, Divisions of Cleveland Hopkins International (CLE) and Burke Lakefront (BKL) Airports (the Divisions), we offer readers of the Divisions’ financial statements this narrative overview and analysis of the financial activities of the Divisions for the year ended December 31, 2022. Please read this information in conjunction with the Divisions’ basic financial statements and notes that begin on page 18.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airports of the City. The Divisions operate a major public airport and a reliever airport serving not only the City, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2022, the Divisions were served by nine scheduled United States (U.S.) based airlines, one foreign based airlines, ten regional U.S. based airlines, two regularly scheduled charters and five U.S. based all – cargo airlines. There were 41,000 scheduled landings with landed weight amounting to 5,222,496,000 pounds. There were approximately 4,349,000 passengers enplaned at Cleveland Hopkins International Airport and 71,000 passengers enplaned at Burke Lakefront Airport during 2022.

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 \$428,252,000 and \$419,841,000 at December 31, 2022 and 2021, respectively. Of these amounts, \$140,450,000 and \$137,850,000 (unrestricted net position) at December 31, 2022 and 2021, respectively, may be used to meet the Divisions’ ongoing obligations to customers and creditors.
- The Divisions’ total net position increased by \$8,411,000 in 2022.
- Additions to infrastructure totaled \$58,726,000 in 2022.
- The major capital projects during 2022 were the Jetway Refurbishments, Cooling Chiller Replacement, CLE Ground Transportation Center Upgrades, and Hotel Road Improvement.
- The Divisions’ total bonded debt decreased by \$44,575,000 in 2022. This was the result of the regularly scheduled principal payments made on the Divisions’ outstanding bonds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Divisions are considered an Enterprise Fund because the operations of the Divisions are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Divisions, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Divisions can be found on pages 18-23 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25-56 of this report. The required supplementary information can be found on pages 57-60 of this report. The Schedule of Airport Revenues and Operating Expenses as Defined in the Airline Use Agreement can be found on page 61 of this report. The Schedule of Passenger Facility Revenue and Interest Report can be found on page 63 and the Schedule of Expenditures of Passenger Facility Charges can be found on page 64. The Notes to Schedules of Revenue, Interest, and Expenditure of Passenger Facility Charges can be found on page 65. The Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Program and on Internal Control Over Compliance in Accordance with 14 CFR Part 158 can be found on pages 67-69 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2022 and 2021:

	2022	Restated 2021
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	\$ 156,714	\$ 159,419
Restricted assets	228,633	219,280
Non-current assets	5,110	2,809
Capital assets, net	650,825	701,863
Total assets	1,041,282	1,083,371
Deferred outflows of resources	18,635	20,634
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	100,242	105,209
Long-term obligations	502,078	559,781
Total liabilities	602,320	664,990
Deferred inflows of resources	29,345	19,174
Net position:		
Net investment in capital assets	145,542	139,714
Restricted for debt service	121,693	122,710
Restricted for capital projects	21	21
Restricted for passenger facility charges	20,546	19,546
Unrestricted	140,450	137,850
Total net position	\$ 428,252	\$ 419,841

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets and Deferred Outflow of Resources: Total assets and deferred outflows of resources decreased \$44,088,000 or 4.0% in 2022. The changes are primarily due to a decrease in capital assets. Current assets decreased \$2,705,000 as a result of decreases in both unbilled revenue and due from other governments offset by an increase in leases receivable. The decrease in unbilled revenue and due from other governments is a result of timing of billings. Leases receivable increased as a result of the GASB Statement No. 87 application. Deferred outflows of resources related to pension and OPEB decreased resulting from changes in assumptions.

Capital Assets: The Divisions' capital assets as of December 31, 2022 amounted to \$650,825,000 (net of accumulated depreciation), which is a decrease of 7.3%. These capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; vehicles; and construction in progress. There was an increase in infrastructure of \$58,726,000 due to items being removed from construction in progress and placed into service.

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2022 is as follows:

	Restated Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
(Amounts in Thousands)				
Land	\$ 166,882	\$	\$	\$ 166,882
Land improvements	102,540	147		102,687
Buildings, structures and improvements	396,366	3,208		399,574
Furniture, fixtures and equipment	99,778	2,008	(263)	101,523
Infrastructure	1,020,249	58,726		1,078,975
Vehicles	22,083	252	(129)	22,206
Total	1,807,898	64,341	(392)	1,871,847
Less: Accumulated depreciation	(1,201,510)	(56,530)	392	(1,257,648)
Total	606,388	7,811	-	614,199
Construction in progress	95,475	4,744	(63,593)	36,626
Capital assets, net	<u>\$ 701,863</u>	<u>\$ 12,555</u>	<u>\$ (63,593)</u>	<u>\$ 650,825</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2022 affecting the Divisions' capital assets included the following:

- **CLE Ground Transportation Center Upgrades Project:** This is a design-build project consisting of designing and constructing a new ground transportation center at the north end of the terminal, directly adjacent to the existing terminal. The project includes demolition and removal of existing pavement and other obstructions in the project area. The new facility includes canopies and all major upgrades including underground utilities, electrical, mechanical, plumbing, fire protection, architectural, landscaping, signage and any other necessary systems. Work began in 2020 and was mostly completed in 2021 and 2022. The ground transportation center will be completed by end of 2023.
- **North Airfield Improvements Projects:** This project will look to eliminate two CLE airfield safety-related hot spot locations as determined by the Federal Aviation Administration (FAA) Runway Safety Action Team. This project will provide geometric upgrades to current FAA standards and eliminate direct aircraft access into the runway environment in an effort to greatly enhance safety. There are four construction phases to this project. Phase I was related to the design of the project. Phase II occurred in 2018, focusing on areas on the west side of the airfield only. This phase includes the removal of Taxiway C, which will allow for easier underground utility installation in this area plus enhance safety on the airfield with fewer paved areas. Phase III commenced in 2019, includes removal and replacement of a new Taxiway A, construction of new Taxiways J3, J4, along with a new midfield access road. It also includes removal of Taxiways R, C, and L1. Phase III was substantially completed in 2020. Phase IV took place and was substantially completed in 2021. Final work was completed in 2022.
- **Cooling Chiller Replacement:** The purpose of this project is to replace the existing aging Main Terminal Chilled Water Units and associated piping with newer more efficient units and updated automated controls. Additional work performed on this project is the replacement of an existing non-functional cooling tower and associated chiller unit on the Ramp Level of Concourse C located between Gates C-8 and C-10. Work began with the replacement of the cooling tower and removal of the existing chiller unit on Concourse C starting in January of 2021 and ending in August of 2021. Replacement of the Main Terminal Chillers started in November of 2021 and was mostly completed in 2022.
- **Hotel Road Improvement:** This project includes removal and grading of concrete as well as performing concrete work and adding catch basins as well as re-directing the road to allow access back to the airport. This project started in 2020 and was substantially completed in 2022.

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 2022, total liabilities decreased \$62,670,000 or 9.4%. Current liabilities decreased \$4,967,000 or 4.7% as a result of a decrease in accounts payable and current portion of long-term debt. Long-term liabilities decreased \$57,703,000 or 10.3% due to a decrease in revenue bonds payable and net pension liability.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net Pension/OPEB Liabilities/(Assets): The net pension liability is reported by the Divisions at December 31, 2022 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In 2018, the Divisions adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Divisions' actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset, net OPEB asset and deferred outflows of resources related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and OPEB. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Divisions are not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State Statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio Revised Code (the ORC) permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Long-Term Debt: At December 31, 2022 and 2021, the Divisions had \$515,105,000 and \$559,680,000 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, 2022 is summarized below:

	Balance January 1, 2022	Debt Issued	Debt Retired	Balance December 31, 2022
(Amounts in Thousands)				
Airport System Revenue Bonds:				
Series 2007	\$ 3,635	\$	\$ (840)	\$ 2,795
Series 2011	10,025		(7,960)	2,065
Series 2016	131,750		(15,165)	116,585
Series 2018	92,040		(8,840)	83,200
Series 2019	322,230		(11,770)	310,460
Total	\$ 559,680	\$ -	\$ (44,575)	\$ 515,105

The bond ratings from Moody’s Investors Service, S&P Global Ratings and Fitch Ratings are as follows:

Moody’s Investors Service	S&P Global Ratings	Fitch Ratings
A2	A	A-

On August 11, 2022, S&P Global Ratings upgraded its rating on the Divisions’ revenue bonds from A- to A (stable). This upgrade was the result of the increasing activity in the airline industry as it comes out of the COVID-19 pandemic.

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 2022 was 146%.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net Position: Net position serves as a useful indicator of an entity's financial position. In the case of the Divisions, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$428,252,000 and \$419,841,000 at December 31, 2022 and 2021, respectively. Of the Divisions' net position at December 31, 2022 and 2021, \$145,542,000 and \$139,714,000, 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, 2022 and 2021, the restricted net position amounted to \$142,260,000 and \$142,277,000, respectively. The restricted net position included amounts set aside in various fund accounts for capital projects and for payment of revenue bonds, which are limited by the bond indentures and passenger facility charges imposed and collected at CLE based on an approved FAA application. Passenger facility charges are restricted for designated capital projects and approved debt service. The remaining balance of unrestricted net position, \$140,450,000 and \$137,850,000 for December 31, 2022 and 2021, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Divisions' net position increased by \$8,411,000 in 2022. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2022 and 2021:

	2022	Restated 2021
	(Amounts in Thousands)	
Operating revenues:		
Landing fees, terminal and concourse rentals	\$ 54,557	\$ 62,581
Concessions	55,825	42,388
Utility sales and other	7,505	6,139
Total operating revenues	117,887	111,108
Operating expenses	128,018	110,723
Operating income (loss)	(10,131)	385
Non-operating revenue (expense):		
Passenger facility charges revenue	17,535	15,337
Non-operating revenue (expense)	(4,172)	(3,560)
Gain (loss) on disposal of capital asset		370
Investment income (loss)	5,463	156
Interest expense	(19,080)	(21,169)
Amortization of bond discounts/premiums and loss on debt refundings	1,737	2,002
Total non-operating revenue (expense), net	1,483	(6,864)
Capital and other contributions	17,059	34,103
Change in net position	8,411	27,624
Net position, beginning of year (as restated)	419,841	392,217
Net position, end of year	\$ 428,252	\$ 419,841

Operating Revenues: Operating revenues for 2022 were \$117,887,000. There was a loss on landing fee revenue. This loss was related to the Divisions having a payable to the airlines at year-end. Scheduled terminal rentals accounted for \$50,633,000 or 43.0% of total operating revenues. Parking revenues increased \$9,891,000 or 36.9% from 2021 due to an increase in demand for services and the reopening of one of the parking lots. Parking revenues amounted to \$36,673,000 or 31.1% of total operating revenues for 2022. The fourth largest airport revenue source, rental cars, accounted for 10.1% of total operating revenues. The increases of operating revenues are due to increased passengers and flights.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Operating Expenses: Total operating expenses for 2022 increased \$17,295,000 or 15.6%. The increase is primarily due to an increase in employee benefits of \$10,485,000. This is a result of the net pension and OPEB expenses. The Net OPEB expense component of salaries, wages and benefits increased due to changes in assumptions. Another component is contractual services, which increased \$8,745,000 mostly related to security and increased parking services.

Non-Operating Revenue: Non-operating revenues increased \$6,870,000. The main factor that attributed to this change was the increase in investment income of \$5,307,000 due to increased interest rates.

Non-Operating Expenses: Non-operating expenses decreased \$1,477,000. This decrease is attributed to decreased interest expenses related to debt service.

Capital and Other Contributions: In 2022 and 2021, the Divisions received \$17,059,000 and \$34,103,000 respectively, in Airport Rescue, CARES Act, Airport Coronavirus Response Grant Program (CRRSA), Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer and Canine Grants.

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

The recovery in air travel continued in 2022. The leisure market segment has lead the industry exceeding 2019 levels. The business market continued to lag and has yet to fully recover. As in most industries, maintaining airline staffing levels posed the largest challenge, restricting airline seat capacity. Despite the challenges, non-airline revenues increased during 2022.

With new airlines and new destinations, it is anticipated that there will be increased passenger traffic. In 2022, Alaska Airlines inaugurated the Cleveland to Seattle service. In 2023, Aer Lingus will be offering non-stop services from Cleveland to Dublin. Frontier Airlines began offering non-stop services from Cleveland to Puerto Rico, which began in the spring of 2023.

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, 2022

(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	132,369
Restricted cash and cash equivalents		3,959
Receivables:		
Accounts-net of allowance for doubtful accounts of \$1,316		379
Leases receivable		7,235
Unbilled revenue		2,343
Accrued interest receivable		9
Total receivables		9,966
Prepaid expenses		1,148
Due from other funds		3
Due from other governments		6,605
Materials and supplies-at cost		2,664
TOTAL CURRENT ASSETS		156,714

RESTRICTED ASSETS

Cash and cash equivalents		226,002
Accrued interest receivable		492
Accrued passenger facility charges		2,139
TOTAL RESTRICTED ASSETS		228,633

NON-CURRENT ASSETS

Net pension asset		547
Net OPEB asset		4,563
TOTAL NON-CURRENT ASSETS		5,110

CAPITAL ASSETS

Land		166,882
Land improvements		102,687
Buildings, structures and improvements		399,574
Furniture, fixtures and equipment		101,523
Infrastructure		1,078,975
Vehicles		22,206
		1,871,847
Less: Accumulated depreciation		(1,257,648)
		614,199
Construction in progress		36,626
CAPITAL ASSETS, NET		650,825
TOTAL ASSETS		1,041,282

DEFERRED OUTFLOWS OF RESOURCES

Loss on refunding		13,187
Pension		5,414
OPEB		34
TOTAL DEFERRED OUTFLOWS OF RESOURCES		18,635

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

STATEMENT OF NET POSITION

DECEMBER 31, 2022

(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt, due within one year	\$ 43,535	
Accounts payable	6,408	
Landing fee settlement payable to airlines	26,933	
Due to other funds	711	
Current portion of accrued wages and benefits	3,629	
Accrued interest payable	9,540	
Accrued property taxes	5,527	
Construction fund payable from restricted assets	3,959	
TOTAL CURRENT LIABILITIES	100,242	

LONG-TERM OBLIGATIONS - excluding amounts due within one year

Revenue bonds	487,938	
Net pension liability	12,869	
Accrued wages and benefits	1,271	
TOTAL LONG-TERM OBLIGATIONS	502,078	

TOTAL LIABILITIES 602,320

DEFERRED INFLOWS OF RESOURCES

Leases	7,166	
Pension	17,262	
OPEB	4,917	
TOTAL DEFERRED INFLOWS OF RESOURCES	29,345	

NET POSITION

Net investment in capital assets	145,542	
Restricted for debt service	121,693	
Restricted for capital projects	21	
Restricted for passenger facility charges	20,546	
Unrestricted	140,450	
TOTAL NET POSITION	\$ 428,252	

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, 2022
(Amounts in Thousands)**

OPERATING REVENUES

Landing fees, terminal rentals, and concourse rentals:	
Scheduled airlines	\$ 37,159
Other	17,398
	54,557
Concessions	55,825
Utility sales and other	7,505
TOTAL OPERATING REVENUES	117,887

OPERATING EXPENSES

Operations	68,272
Maintenance	3,216
Depreciation	56,530
TOTAL OPERATING EXPENSES	128,018

OPERATING INCOME (LOSS) (10,131)

NON-OPERATING REVENUE (EXPENSE)

Passenger facility charges revenue	17,535
Non-operating revenue (expense)	(4,172)
Investment income (loss)	5,463
Interest expense	(19,080)
Amortization of bond discounts/premiums and loss on debt refundings	1,737
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	1,483

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS (8,648)

Capital and other contributions	17,059
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INCREASE (DECREASE) IN NET POSITION	8,411
NET POSITION, BEGINNING OF YEAR (as restated)	419,841
NET POSITION, END OF YEAR	\$ 428,252

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, 2022
(Amounts in Thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 118,776	
Cash payments to suppliers for goods and services	(50,178)	
Cash payments to employees for services	(30,231)	
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	38,367	

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(10,449)	
Cash receipts for passenger facility charges	17,479	
Principal paid on long-term debt	(44,575)	
Interest paid on long-term debt	(20,124)	
Capital grant proceeds	22,108	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(35,561)	

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	4,965	
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	4,965	

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	7,771	
Cash and cash equivalents, beginning of year	354,559	
Cash and cash equivalents, end of year	\$ 362,330	

**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, 2022
(Amounts in Thousands)**

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

OPERATING INCOME (LOSS)	\$ (10,131)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	56,530
Changes in assets:	
Accounts receivables	653
Leases receivable	(7,235)
Unbilled revenue	3,084
Prepaid expenses	(345)
Materials and supplies, at cost	470
Net pension asset	(547)
Net OPEB asset	(1,754)
Changes in deferred outflows of resources:	
Pension	(1,816)
OPEB	1,492
Changes in liabilities:	
Accounts payable	(2,506)
Due to other City of Cleveland departments, divisions or funds	(49)
Accrued wages and benefits	347
Landing fee adjustment	(796)
Accrued property taxes	1,017
Net pension liability	(10,218)
Changes in deferred inflows of resources:	
Leases	7,166
Pension	6,674
OPEB	(3,669)
TOTAL ADJUSTMENTS	48,498
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 38,367

Schedule of Noncash Capital and Related Financing Activities:

Accounts payable related to capital assets	\$ 3,959
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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**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In June of 2017, GASB Statement No. 87, *Leases*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As required, the Divisions have implemented GASB Statement No. 87 as of December 31, 2022.

In January of 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. As required, the Divisions have implemented GASB Statement No. 92 as of December 31, 2022.

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

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Amount restricted for passenger facility charges
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Divisions is included in these notes.

Basis of Accounting: The Divisions' financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized when incurred.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows: The Divisions utilize the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and all investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Divisions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

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

The Divisions have invested funds in STAR Ohio during 2022. 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 measure their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

Inventory of Supplies: The Divisions' inventory is valued at cost using the first in/first out method. Inventory costs are charged to operations when consumed.

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

Interfund Transactions: During the course of normal operations, the Divisions' have numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

Restricted for Passenger Facility Charges: These assets are for passenger facility charges imposed and collected at CLE based on an approved FAA application. These are restricted for designated capital projects or debt service.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets less any applicable salvage value 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

Bond Issuance Costs, Discounts/Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resource and is amortized over the shorter of the defeased bond or the newly issued bond.

Compensated Absences: The Divisions accrue for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position.

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

Environmental Expenses: Environmental expenses consist of costs incurred for remediation efforts to airport property. Environmental expenses that relate to current operations are expensed or capitalized, as appropriate. Environmental expenses that relate to existing conditions caused by past operations and which do not contribute to future revenues are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Non-Operating Revenues (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).

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2022 is as follows:

	Interest Rate	Original Issuance	2022
(Amounts in Thousands)			
Airport System Revenue Bonds:			
Series 2007, due through 2027	5.00%	\$ 11,255	\$ 2,795
Series 2011, due through 2024	4.00%-5.00%	74,385	2,065
Series 2016, due through 2031	5.00%	144,355	116,585
Series 2018, due through 2048	3.50%-5.00%	109,685	83,200
Series 2019, due through 2033	2.23%-5.00%	341,675	310,460
		\$ 681,355	515,105
Unamortized (discount) premium			16,368
Current portion (due within one year)			(43,535)
Total Long-Term Debt			\$ 487,938

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

Summary: Changes in long-term obligations for the year ended December 31, 2022 are as follows:

	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022	Due Within One Year
(Amounts in Thousands)					
Airport System Revenue Bonds:					
Series 2007	\$ 3,635	\$	\$ (840)	\$ 2,795	\$ 885
Series 2011	10,025		(7,960)	2,065	1,015
Series 2016	131,750		(15,165)	116,585	20,260
Series 2018	92,040		(8,840)	83,200	8,920
Series 2019	<u>322,230</u>		<u>(11,770)</u>	<u>310,460</u>	<u>12,455</u>
Total revenue bonds	559,680	-	(44,575)	515,105	43,535
Accrued wages and benefits	4,553	3,739	(3,392)	4,900	3,629
Net pension liability	<u>23,087</u>		<u>(10,218)</u>	<u>12,869</u>	
Total	<u>\$ 587,320</u>	<u>\$ 3,739</u>	<u>\$ (58,185)</u>	<u>\$ 532,874</u>	<u>\$ 47,164</u>

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

Minimum principal and interest payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
(Amounts in Thousands)			
2023	\$ 43,535	\$ 18,070	\$ 61,605
2024	45,760	15,995	61,755
2025	47,550	14,073	61,623
2026	49,235	12,314	61,549
2027	51,025	10,460	61,485
2028-2032	236,850	25,332	262,182
2033-2037	12,670	7,823	20,493
2038-2042	11,250	5,461	16,711
2043-2047	14,000	2,614	16,614
2048	<u>3,230</u>	<u>80</u>	<u>3,310</u>
Total	<u>\$ 515,105</u>	<u>\$ 112,222</u>	<u>\$ 627,327</u>

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, 2022, the Divisions were in compliance with the terms and requirements of the bond indenture.

The indenture, as amended, requires, among other things, that the Divisions (1) make equal monthly deposits to the Bond Service Fund to have sufficient assets available to meet debt service requirements on the next payment date; (2) maintain the Bond Service Reserve Fund equal in amount to the maximum annual debt service to be paid in any year; and (3) as long as any revenue bonds are outstanding, charge such rates, fees and charges for use of the airport system to produce in each year, together with other available funds, net revenues (as defined) at least equal to the greater of (a) 116.0% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125.0% of the annual debt service due in such year on all outstanding bonds.

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

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

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, 2022, the Airport System had \$235,150,000 of defeased Series 2012A Airport System Revenue Bonds outstanding.

The City has pledged future airport revenues to repay \$515,105,000 in Airport System Revenue Bonds issued in various years since 2007. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 68.4% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is \$627,327,000. Principal and interest funded for the current year and total net revenues (including other available funds) were \$62,615,000 and \$91,495,000, respectively.

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NOTE C – SPECIAL FACILITY REVENUE BONDS

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, now United Continental Holdings, Inc., including a new regional jet concourse. Because all principal and interest on these bonds is unconditionally guaranteed by United Airlines and paid directly by United 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, 2022, totaled approximately \$14,746,000 and the Divisions' bank balance was approximately \$16,263,000. 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*, \$16,263,000 of the bank balances at December 31, 2022 was insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: In accordance with GASB Statement No. 72, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; STAR Ohio; commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio Statutes prohibit the use of Reverse Repurchase Agreements.

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NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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

The following is a summary of the fair value hierarchy of the fair value of investments of the Divisions (excluding STAR Ohio and money market mutual funds) as of December 31, 2022.

Type of Investment	Fair Value	Fair Value Measurement Using Level 2
(Amounts in Thousands)		
Other Investments	\$ 355	\$ 355
Total Investments	\$ 355	\$ 355

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Divisions will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party.

Credit Risk: The Divisions' investments as of December 31, 2022 include STAR Ohio, money market mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in STAR Ohio, the Dreyfus Government Cash Management Fund, Morgan Stanley Government Institutional Mutual Funds and the Federated Government Obligations Fund carry a rating of AAAM, which is the highest money market fund rating given by S&P Global. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Divisions place a limitation on the amount that may be invested in any one issuer to help minimize the concentration of credit risk. The Divisions had the following investments at December 31, 2022, 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	2022 Value	2022 Cost	Investment Maturities Less than One Year
(Amounts in Thousands)			
STAR Ohio	\$ 171,752	\$ 171,752	\$ 171,752
Money Market Mutual Funds	175,477	175,477	175,477
Other Investments	355	355	355
Total Investments	347,584	347,584	347,584
Total Deposits	14,746	14,746	14,746
Total Deposits and Investments	\$ 362,330	\$ 362,330	\$ 362,330

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 either Bank of New York or U.S. Bank National Association, as trustees.

As of December 31, 2022, the investments in STAR Ohio, money market mutual funds and other investments are approximately 49.4%, 50.5%, and 0.1%, respectively, of the Divisions' total investments.

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NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2022 was as follows:

	Restated Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
(Amounts in Thousands)				
Capital Assets, not being depreciated:				
Land	\$ 166,882	\$	\$	\$ 166,882
Construction in progress	<u>95,475</u>	<u>4,744</u>	<u>(63,593)</u>	<u>36,626</u>
Total capital assets, not being depreciated	262,357	4,744	(63,593)	203,508
Capital assets, being depreciated:				
Land improvements	102,540	147		102,687
Buildings, structures and improvements	396,366	3,208		399,574
Furniture, fixtures and equipment	99,778	2,008	(263)	101,523
Infrastructure	1,020,249	58,726		1,078,975
Vehicles	<u>22,083</u>	<u>252</u>	<u>(129)</u>	<u>22,206</u>
Total capital assets, being depreciated	1,641,016	64,341	(392)	1,704,965
Less: Total accumulated depreciation	<u>(1,201,510)</u>	<u>(56,530)</u>	<u>392</u>	<u>(1,257,648)</u>
Total capital assets being depreciated, net	<u>439,506</u>	<u>7,811</u>	<u>-</u>	<u>447,317</u>
Capital assets, net	<u>\$ 701,863</u>	<u>\$ 12,555</u>	<u>\$ (63,593)</u>	<u>\$ 650,825</u>

Commitments: As of December 31, 2022, the Divisions had capital expenditure purchase commitments outstanding of approximately \$24,308,000.

NOTE F – LEASES AND CONCESSIONS

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources (based on contract provisions). Under this Statement, a lessor is required to recognize a lease receivable and deferred inflow of resources while a lessee is required to recognize a lease liability and deferred outflow of resources for each contract whose terms meet the definition of a lease. This recognition is intended to enhance the relevance and consistency of information about governments' leasing activities.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE F – LEASES AND CONCESSIONS (Continued)

Leases Scope:

GASB Statement No. 87 – Scope: Per GASB 87 (“the Statement”), a lease is defined as, “A contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.” A contract conveys control if the user of the underlying asset possesses both: the right to obtain present service capacity and the right to determine the nature and manner of its use. The transaction is “exchange-like” when both parties receive and sacrifice something of approximate equal value.

Accounting treatment for leases required by the Statement applies to non-financial assets. Assets that are non-financial in nature including intangible assets, biological assets, inventory leases, supply contracts, and service concession arrangements are considered out of scope.

Accounting Treatment at Adoption:

The Divisions are a lessor in all noncancellable leases. In accordance with GASB Statement No. 87, leases that commenced before the adoption date of January 1, 2022 are considered to have commenced on this date. All leases with base rent payments adjusted by an index or rate (e.g., consumer price index (CPI)) have their receivables measured based upon the most recent adjustment as of January 1, 2022, unless otherwise noted. In accordance with the Statement, the Divisions do not recognize a lease receivable and a deferred inflow of resources for certain regulated leases. Instead, inflows of resources are recognized in the period in which payments are received. See “Certain Regulated Leases” section for required disclosures.

Measurement of Lease Amounts as a Lessor: As the lessor for in-scope leasing arrangements, at the beginning of the lease term, the Divisions recognize a lease receivable based on the net present value of future lease payments to be received for the lease term and a deferred inflow of resources based on net present value calculated using the rate explicit in the contract, the rate implicit in the contract, or the Divisions’ incremental borrowing rate which is estimated using the FHLB CDA rate + 2.00% plus the net impact of any payments to be received at or before the commencement of the lease term that relate to future periods as well as lease incentives payable to the lessee. Leases that meet the GASB’s definition of “Certain Regulated Leases” are the exception to this measurement treatment. See “Certain Regulated Leases” section for required disclosures. Amortization of the receivable is reported as lease and interest revenues. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease.

Other Conditions: The Divisions assume optional extension terms present in lease agreements will be exercised unless optional extension periods have undefined future payment terms - these terms are excluded in the calculation of lease term length unless otherwise noted. The Divisions did not record revenue related to residual value guarantees or lease termination penalties.

Short-Term Leases: For short-term lease contracts – defined as having a maximum possible term of 12 months or less - the Divisions recognize revenue based on the payment provisions of the lease contract.

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NOTE F – LEASES AND CONCESSIONS (Continued)

Department as a Lessor:

General Description of Lessor Leasing Arrangements: The Divisions lease space to various non-governmental and governmental lessees for various uses. The Divisions lease space for use as: office space, combined-use space, communications sites, sporting facility, harbors, parking operations hub, and restaurants. These leases have term end dates ranging from October 31, 2023 to September 30, 2052. Most leases require fixed rent payments which are escalating and several require rent based on CPI adjustment.

The Divisions maintain separate leases classified as certain regulated leases – see “Certain Regulated Leases” section for these required disclosures.

Inflows Recognized in Fiscal Year 22 from Leases: For fiscal year 2022, the total amount of inflows of resources recognized from in-scope GASB Statement No. 87 leases for lease and interest revenue is \$2.4 million and \$253,000, respectively. These amounts exclude inflows for certain regulated leases and variable payments not fixed in substance.

Schedule of Future Payments: The table below represents the future expected minimum principal and interest amounts to be received from the existing, in-scope GASB 87 leases:

Schedule of Future Payments For In-Scope Leases		
(Amounts in Thousands)		
Period - Ending December 31	Principal	Interest
2023	\$ 2,416	\$ 177
2024	2,449	98
2025	275	47
2026	60	69
2027	59	84
2028-2032	338	379
2033-2037	461	291
2038-2042	536	175
2043-2047	239	94
2048-2052	295	33

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NOTE F – LEASES AND CONCESSIONS (Continued)

Variable Inflows: Variable inflows not fixed in substance are recognized in fiscal 2022 and are based on percentage of gross revenues. The table below represents inflows not included in the calculation of lease receivable values:

Variable Inflows	
(Amounts in Thousands)	
Lease Category	Amount
Office Space	\$ 555
Other	64
Parking Operations Space	763
Total	<u>\$ 1,382</u>

Certain Regulated Leases (CRL):

Definition: Certain leases are subject to external laws, regulations or legal rulings that prohibit lessors from denying potential lessees the right to enter into leases (contingent upon facility availability) and require fees imposed on lessees be fair, reasonable, and non-discriminatory. Such leases are termed “certain regulated leases” by the GASB. The Statement provides an exception to its general lessor recognition and measurement requirements for certain regulated leases but requires disclosure of specified quantitative and qualitative information.

These lease agreements are subject to the non-discriminatory criteria outlined in paragraph 43 of GASB Statement No. 87 by the FAA’s *Rates and Charges Policy*. The principals of this policy apply to all aeronautical users of the airport. Paragraph 18.3a of FAA Order 5190.6B (FAA compliance manual) directs the Divisions’ classification of leases as certain regulated leases by noting: “all activities that involve or are directly related to the operation of the aircraft, including activities that make the operation of the aircraft possible and safe. Services located on the airport that are directly and substantially related to the movement of passengers, baggage, mail, and cargo are considered aeronautical uses.”

General Description of CRL Arrangements: The Divisions maintain certain regulated leasing arrangements for air cargo facilities, airlines, aircraft maintenance operations, FBO’s, fuel farms, ground handling operations, hangars, and passenger services. The leases have term end dates ranging from May 31, 2023 to August 31, 2051 and have escalating rent payment terms. There are seven agreements – six Airlines and one Air Cargo Facility – of the 30 CRL agreements whose lessees have been granted preferential or exclusive use of Airport space (e.g. terminal and/or concourse space). All other agreements only allow lessees non-exclusive use of common Airport space.

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NOTE F – LEASES AND CONCESSIONS (Continued)

CRL's Quantitative Disclosures: The following table represents the inflows recognized for fiscal year 2022 for regulated leasing arrangements:

Inflows Recognized FY22 from CRLs	
(Amounts in Thousands)	
CRL Category	Total Inflows
Air Cargo Facilities	\$ 1,329
Airlines	90,685
FBOs	2,454
Fuel Farm	33
Ground Handling Operation	893
Hangars & Aircraft Maintenance	1,456
Passenger Services	857
Total	\$ 97,707

The following table represents the future expected minimum payments for regulated leasing arrangements:

Schedule of Future Payments For Regulated Leases	
(Amounts in Thousands)	
Period - Ending December 31	Amount
2023	\$ 97,593
2024	96,612
2025	96,461
2026	5,758
2027	5,745
2028-2032	11,507
2033-2037	4,404
2038-2042	2,694
2043-2047	466
2048-2052	341

CRL Variable Inflows: Variable inflows not fixed in substance are based on various lessee performance indicators such as: number of planes landed, aircraft parking, and percentage of gross revenues. The variable inflows amounted to \$10.7 million for fiscal year 2022.

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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 2022. There was no significant decrease in any insurance coverage in 2022. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of two separate health insurance plans to its employees. The Divisions are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio's Worker's Compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims payable has been included with accounts payable and is considered to be immaterial for the Divisions.

NOTE H – DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset): The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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 liability/(asset) because it was created as a result of employment exchanges that already have occurred.

The net pension liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The ORC limits the Divisions' obligation for this liability to annually required payments. The Divisions cannot control benefit terms or the manner in which pensions are financed; however, the Divisions do receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability/(asset) 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/(asset). Resulting adjustments to the net pension liability/(asset) 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/(asset) on the accrual basis of accounting. Any liability/(asset) for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Divisions' employees participate in the OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Divisions' employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

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

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NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.0%.

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2022, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Divisions’ contractually required contribution was \$3,034,000 for 2022. All required payments have been made.

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NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability/(asset) for OPERS was measured as of December 31, 2021 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Divisions' proportion of the net pension liability/(asset) 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:

	<u>Traditional</u>	<u>Combined</u>
	(Amounts in Thousands)	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 12,869	\$ (547)
Proportion of the Net Pension Liability/(Asset)	0.147917 %	0.138746 %
Change in Proportion	(0.011944) %	(0.015035) %
Pension Expense	\$ (3,162)	\$ (19)

At December 31, 2022, the Divisions reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional</u>	<u>Combined</u>
	(Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between expected and actual economic experience	\$ 656	\$ 3
Changes in assumptions	1,609	28
Change in Divisions' proportionate share and difference in employer contributions	52	32
Divisions' contributions subsequent to the measurement date	2,940	94
Total Deferred Outflows of Resources	<u>\$ 5,257</u>	<u>\$ 157</u>
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 282	\$ 61
Net difference between projected and actual earnings on pension plan investments	15,308	117
Change in Divisions' proportionate share and difference in employer contributions	1,478	16
Total Deferred Inflows of Resources	<u>\$ 17,068</u>	<u>\$ 194</u>

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NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The \$3,034,000 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/(increase) of the net pension liability/(asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional	Combined
	(Amounts in Thousands)	
Year Ending December 31:		
2023	\$ (3,027)	\$ (35)
2024	(5,689)	(48)
2025	(3,599)	(31)
2026	(2,436)	(22)
2027		(1)
Thereafter		6
Total	\$ (14,751)	\$ (131)

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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Wage Inflation	2.75%
Future Salary Increases, including inflation	
Traditional Plan	2.75% to 10.75%
Combined Plan	2.75% to 8.25%
COLA or Ad Hoc COLA	2.75%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple
	through 2022, then 2.05%, simple
Investment Rate of Return	6.9%
Actuarial Cost Method	Individual Entry Age

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NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

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.

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NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	100.00 %	4.21 %

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Divisions’ Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate: The following table presents the Divisions’ proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.90%, 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 (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
(Amounts in Thousands)			
Divisions' proportionate share of the net pension liability/(asset)			
Traditional Plan	\$ 33,931	\$ 12,869	\$ (4,656)
Combined Plan	(408)	(547)	(655)

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NOTE I – DEFINED BENEFIT OPEB PLANS

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

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

The ORC limits the Divisions' obligation for this liability/(asset) to annually required payments. The Divisions cannot control benefit terms or the manner in which OPEB are financed; however, the Divisions do receive the benefit of employees' services in exchange for compensation including OPEB.

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

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

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

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NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of OPEB as described in GASB Statement No. 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans in 2022. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

For the year ended December 31, 2022, OPERS did not allocate any employer contributions to the OPEB plan.

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NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date as of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Divisions’ proportion of the net OPEB liability/(asset) was based on the Divisions’ share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
	(Amounts in Thousands)
Proportion of the Net OPEB Liability/(Asset):	
Current Measurement Date	0.145685 %
Prior Measurement Date	0.157690 %
Change in Proportionate Share	(0.012005) %
Proportionate Share of the Net OPEB Liability/(Asset)	\$ (4,563)
OPEB Expense	\$ (4,034)

At December 31, 2022, the Divisions reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
	(Amounts in Thousands)
Deferred Outflows of Resources	
Change in Divisions' proportion share and difference in employers contributions	\$ 34
Total Deferred Outflows of Resources	\$ 34
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 692
Net difference between projected and actuals earnings on OPEB plan investments	2,176
Change in assumptions	1,847
Change in Divisions' proportion share and difference in employers contributions	202
Total Deferred Inflows of Resources	\$ 4,917

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31:</u>	<u>OPERS</u>
	<u>(Amounts in Thousands)</u>
2023	\$ (3,014)
2024	(1,081)
2025	(475)
2026	(313)
Total	\$ (4,883)

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date as of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	2.75%
Projected Salary Increases, including inflation	2.75% to 10.75%
Single Discount Rate:	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	
Current Measurement Date	1.84%
Prior Measurement Date	2.00%
Health Care Cost Trend Rate:	
Current Measurement Date	5.50%, initial
	3.50%, ultimate in 2034
Prior Measurement Date	8.50% initial
	3.50%, ultimate in 2035
Actuarial Cost Method	Individual Entry Age

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NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

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

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NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	<u>100.00 %</u>	3.45 %

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

Discount Rate: A single discount rate of 6.00% was used to measure the total OPEB liability/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Divisions’ Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate: The following table presents the Divisions’ proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.00%, as well as what the Divisions’ proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net OPEB liability/(asset)	\$ (2,684)	\$ (4,563)	\$ (6,123)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease (2.50%)	Current Health Care Cost Trend Rate Assumption (3.50%)	1% Increase (4.50%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net OPEB liability/(asset)	\$ (4,612)	\$ (4,563)	\$ (4,505)

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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, 2022 are as follows:

	(Amounts in Thousands)
City Central Services, including police	\$ 11,257
Telephone Exchange	822
Electricity purchased	253
Motor vehicle maintenance	49
Radio Communication	314

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 2022 was a payable to the airlines from the Division in the amount of \$26,933,000.

The Divisions collected \$13,459,000 landing fee revenue and it was offset by a \$26,933,000 reduction to the scheduled airlines. This resulted in a difference of \$13,474,000. The reduction to landing fee revenue consisted of \$9,838,000 net pension and OPEB expenses related to changes in assumptions. The remaining portion \$17,095,000 is the landing fee adjustment based on budgeted versus actual calculations, excluding the net OPEB figure.

As a result of this activity, airline revenue, terminal and concourse rentals were netted together for scheduled airlines. Salaries, wages and employee benefits were also netted together.

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 2022.

NOTE L – PASSENGER FACILITY CHARGES

On November 1, 1992, CLE began collecting Passenger Facility Charges (PFC's) subject to title 14, Code of Federal Regulations, Part 158. PFC's are fees imposed on passengers enplaned by public agencies controlling commercial service airports for the strict purpose of supporting airport planning and development projects. The charge is collected by the airlines and remitted to the airport operator net of an administrative fee to be retained by the airline and refunds to passengers.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE L – PASSENGER FACILITY CHARGES (Continued)

As of December 31, 2022, CLE had the authority from the FAA to collect approximately \$582,346,000. Of the \$582,346,000, an estimated 14.8% was spent on noise abatement for the residents of communities surrounding the airport. An additional 54.8% was spent on runway expansion and improvements with the remaining 30.4% was spent on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

NOTE M – MAJOR CUSTOMER

In 2022, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 36.3% of total operating revenue.

NOTE N – COVID-19

The Division received \$46,458,000 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding, \$9,792,000 in the Airport Coronavirus Response Grant Program funding, and \$16,427,000 in Airport Rescue Grant funding. As of December 31, 2022, the Division has expended \$72,677,000 of these funds.

NOTE O – RESTATEMENT

In 2021, the Divisions had a reclassification of the construction in progress. It was determined that assets that were in construction in progress should not be capitalized; however, should be expensed. This resulted in a restatement of net position of \$7,734,000.

	Net Position	Restatement	Restated Net Position
	December 31, 2021	December 31, 2021	December 31, 2021
	(Amounts in Thousands)		
Beginning net position \$	427,575	\$ (7,734)	\$ 419,841

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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DIVISIONS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST NINE YEARS (1), (2)**

Divisions' Proportion of the Net Pension Liability/(Asset)	Divisions' Proportionate Share of the Net Pension Liability/(Asset)	Divisions' Covered Payroll	Divisions' Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Pension Liability/(Asset)
(Amounts in Thousands)				
Traditional:				
2014	0.158448 % \$	18,650 \$	17,962	103.83 % 86.36 %
2015	0.158448	19,049	19,825	96.09 86.45
2016	0.155342	27,073	19,800	136.73 81.08
2017	0.159244	34,594	21,125	163.76 77.25
2018	0.161047	24,436	21,508	113.61 84.66
2019	0.160720	43,538	23,029	202.43 74.70
2020	0.158846	30,925	23,393	132.20 82.17
2021	0.159982	23,087	23,936	96.45 86.88
2022	0.147917	12,869	23,450	54.88 96.62
Combined:				
2022	0.138746	(547)	23,450	(2.33) (169.88)

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

(2) Information prior to 2014 is not available. The Divisions will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following was the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%. There were no changes in assumptions in 2020 and 2021. For 2022, the most significant changes of assumptions that affected the total pension liability since the prior measurement date was the assumed rate of return and discount rate were reduced from 7.2% down to 6.9%.

In 2022, the Division presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Divisions' Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)					
2013	\$ 2,335	\$ (2,335)	\$ -	\$ 17,962	13.00 %
2014	2,379	(2,379)	-	19,825	12.00
2015	2,376	(2,376)	-	19,800	12.00
2016	2,535	(2,535)	-	21,125	12.00
2017	2,796	(2,796)	-	21,508	13.00
2018	3,224	(3,224)	-	23,029	14.00
2019	3,275	(3,275)	-	23,393	14.00
2020	3,351	(3,351)	-	23,936	14.00
2021	3,283	(3,283)	-	23,450	14.00
2022	3,034	(3,034)	-	21,671	14.00

(1) Represents Divisions' calendar year.

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF THE DIVISIONS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS (1), (2)**

Divisions' Proportion of the Net OPEB Liability/(Asset)	Divisions' Proportionate Share of the Net OPEB Liability/(Asset)	Divisions' Covered Payroll	Divisions' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB OPEB Liability/(Asset)	
(Amounts in Thousands)					
2017	0.156424 % \$	15,800 \$	21,125	74.79 %	54.05 %
2018	0.158429	17,585	21,508	81.76	54.14
2019	0.158845	21,303	23,029	92.51	46.33
2020	0.156651	22,219	23,393	94.98	47.80
2021	0.157690	(2,809)	23,936	(11.74)	115.57
2022	0.145685	(4,563)	23,450	(19.46)	128.23

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

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

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate change from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.50% initial to 10.00% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset.

In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

**SCHEDULE OF CONTRIBUTIONS - NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS (1), (2), (3)**

Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Divisions' Covered Payroll	Contributions as a Percentage of Covered Payroll
(Amounts in Thousands)				
2016 \$	423 \$	(423) \$	-	21,125
2017	215	(215)	-	21,508
2018	-	-	-	23,029
2019	-	-	-	23,393
2020	-	-	-	23,936
2021	-	-	-	23,450
2022	-	-	-	21,671

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

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

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

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

**SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2022
(Amounts in Thousands)**

	Cleveland Hopkins International	Burke Lakefront	Total
REVENUE			
Airline revenue:			
Landing fees and terminal rentals	\$ 37,159	\$ -	\$ 37,159
Other	2,612	-	2,612
	<u>39,771</u>	<u>-</u>	<u>39,771</u>
Operating revenues from other sources:			
Concessions	55,226	599	55,825
Rentals	14,073	436	14,509
Landing fees	558	172	730
Other	6,798	254	7,052
	<u>76,655</u>	<u>1,461</u>	<u>78,116</u>
Non-operating revenue:			
Interest income	2,349	-	2,349
	<u>2,349</u>	<u>-</u>	<u>2,349</u>
TOTAL REVENUE	\$ 118,775	\$ 1,461	\$ 120,236
OPERATING EXPENSES			
Salaries, wages and employee benefits	\$ 19,316	\$ 1,384	\$ 20,700
City Central Services, including police	12,014	436	12,450
Materials and supplies	7,836	266	8,102
Contractual services	29,677	559	30,236
	<u>68,843</u>	<u>2,645</u>	<u>71,488</u>
TOTAL OPERATING EXPENSES	\$ 68,843	\$ 2,645	\$ 71,488

Note to Schedule:

The Divisions collected \$13,459,000 landing fee revenue and it was offset by a \$26,933,000 reduction to the scheduled airlines. This resulted in difference of \$13,474,000. The reduction to landing fee revenue consisted of \$9,838,000 net pension and OPEB expenses related to changes in assumptions. The remaining portion \$17,095,000 is the landing fee adjustment based on budgeted versus actual calculations, excluding the net OPEB figure.

As a result of the OPEB activity resulting in a net OPEB asset, airline revenue, terminal and concourse rentals were netted together for scheduled airlines. Salaries, wages and employee benefits were also netted together.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
SCHEDULE OF PASSENGER FACILITY REVENUE AND INTEREST
For The Year Ended December 31, 2022

	<u>PFC Revenues</u>	<u>Interest</u>	<u>Expenditures</u>	<u>Unliquidated PFC Revenue</u>
Cumulative Balances at January 1, 2022	\$ 514,193,746	\$ 32,723,860	\$ (528,905,242)	\$ 18,012,364
1st quarter activity 2022 activity	3,657,144	5,530	(4,200,000)	(537,326)
2nd quarter activity 2022 activity	5,912,884	29,457	337,455	6,279,796
3rd quarter activity 2022 activity	3,319,967	105,878	(4,200,000)	(774,155)
4th quarter activity 2022 activity	<u>4,589,306</u>	<u>180,089</u>	<u>(4,200,000)</u>	<u>569,395</u>
2022 totals	<u>17,479,301</u>	<u>320,954</u>	<u>(12,262,545)</u>	<u>5,537,710</u>
Cumulative Balances at December 31, 2022	<u>\$ 531,673,047</u>	<u>\$ 33,044,814</u>	<u>\$ (541,167,787)</u>	<u>\$ 23,550,074</u>

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2022

Projects	Approved Project Budget	Cumulative Expenditures thru 2021	2022				Cumulative Expenditures thru 2022
			1st Quarter Expenditures	2nd Quarter Expenditures	3rd Quarter Expenditures	4th Quarter Expenditures	
	\$	\$	\$	\$	\$	\$	
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 Analax 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 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
Analax Demolition	1,229,000	1,229,000					1,229,000
Sound Insulation	20,000,000	20,000,000					20,000,000
Baggage Claim/Expansion	9,526,087	9,526,087					9,526,087
Tug Road Replacement	1,019,000	1,019,000					1,019,000
Interim Commuter Ramp	5,560,338	5,560,338					5,560,338
Concourse D Ramp/Site Utilities	51,305,804	51,305,804					51,305,804
Burke Runway Overlay 6L/24R	530,286	530,286					530,286
Burke ILS	2,181,400	2,181,400					2,181,400
Runway 6L/23R	270,550,360	212,922,763	4,200,000	4,200,000	4,200,000	4,200,000	229,722,763
Runway 6R/24L Uncoupling	2,685,000	2,148,000					2,685,000
Runway 28 Safety Improvements	975,958	2,010,454					2,986,412
Midfield/Deicing Pad	40,755,499	39,100,000					79,855,499
Taxiway M Improvements	3,883,602	9,579,060					13,462,662
Doan Brook Restoration	1,727,796	1,727,796					3,455,592
Deicing Environmental Upgrades	2,800,222	2,800,222					5,600,444
Main Terminal Roof Replacement	992,986	992,986					1,985,973
Roadway Expansion Joint Repair/Replacement	1,985,973	1,985,973					3,971,946
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	7,681,742	7,681,742					15,363,484
Airport Master Plan Update	4,170,543	4,170,543					8,341,086
Runway 10/28- Runway Safety Area Improvements	23,155,051	23,155,051					46,310,102
South Cargo Ramp Rehabilitation	5,957,918	5,957,918					11,915,836
Taxiway N Rehabilitation	8,738,280	8,738,280					17,476,560
SIDA Security System Enhancements	1,985,973	1,985,973					3,971,946
Interactive Part 139 Airport Operations Training Program	496,493	496,493					992,986
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646	8,261,646					16,523,292
Total	582,345,831	528,905,242	4,200,000	(337,455)	4,200,000	4,200,000	541,167,787

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

**NOTES TO SCHEDULES OF REVENUE, INTEREST, AND EXPENDITURES OF PASSENGER
FACILITY CHARGES**

For the Year Ended December 31, 2022

GENERAL

The accompanying schedule presents all activity of the Divisions' PFC program. The Divisions' reporting entity is defined in Note A – Summary of Significant Accounting Policies to the Divisions' financial statement.

BASIS OF PRESENTATION

The accompanying schedule is presented on the cash basis of accounting.

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 14 CFR PART 158

City of Cleveland
Department of Port Control
Divisions of Cleveland Hopkins International
and Burke Lakefront Airports
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the
Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports:

Report on Compliance on the Passenger Facility Charge Program

Opinion on Passenger Facility Charge Program

We have audited the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports' (the Divisions') of the City of Cleveland compliance with the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for the Passenger Facility Charge Program, for the year ended December 31, 2022.

In our opinion, the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program, for the year ended December 31, 2022.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guide. Our responsibilities under those standards and the Guide are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Divisions and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Passenger Facility Charge Program. Our audit does not provide a legal determination of the Divisions' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Divisions' Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Divisions' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Divisions' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Divisions' compliance with the requirements of the Passenger Facility Charge Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Divisions' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Divisions' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Passenger Facility Charge Audit Guide for Public Agencies, but not for the purpose of expressing an opinion on the effectiveness of the Divisions' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

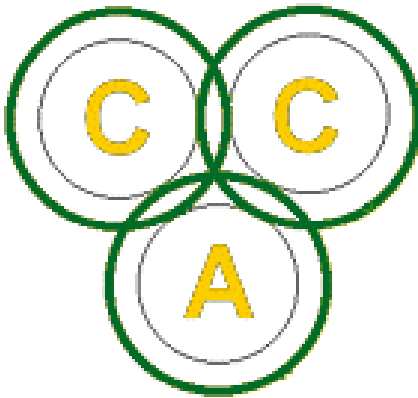
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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, 2022

CITY OF CLEVELAND, OHIO

**CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Department of Finance
Division of Taxation
Central Collection Agency
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Finance, Division of Taxation, Central Collection Agency:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Internal Service and Custodial Funds of the Department of Finance, Division of Taxation, Central Collection Agency of the City of Cleveland, Cuyahoga County, Ohio (the Agency), as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department of Finance, Division of Taxation, Central Collection Agency of the City of Cleveland as of December 31, 2022, and the respective changes in financial position and where applicable, cash flows, thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements of the Department of Finance, Division of Taxation, Central Collection Agency of the City of Cleveland, are intended to present the financial position, the changes in financial position, and where applicable cash flows, of only that portion of the aggregate remaining fund information of the City of Cleveland that is attributable to the transactions of the Department of Finance, Division of Taxation, Central Collection Agency. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2022, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Cash Receipts and Distribution of Funds, the Schedule of Allocation of Net Operating Expenses, and the Schedule of Income Taxes Receivable (the schedules) are presented for purposes of additional analysis and are 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 basic financial statements. The 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole



Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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**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, 2022. Please read this information in conjunction with the Agency’s financial statements and footnotes starting on page 14.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland’s Income Tax Ordinance providing the City’s Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide a central income tax collection facility. Initially, in 1966, the Agency provided service for 14 member communities. By 2022, the Agency was providing a full range of tax collection services for 64 member communities throughout 34 Ohio counties. The Agency employs an average of 100 individuals to process approximately 700,000 returns, estimated payments and tax assessments.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources for the internal service fund of the Agency are \$4,601,162 and \$3,987,000 at December 31, 2022 and 2021, respectively. The Agency’s total assets and deferred outflows of resources increased by \$614,162 in 2022.
- The charges for services are \$10,022,859 and \$9,780,142 at December 31, 2022 and 2021, respectively.
- The Agency’s total operating expenses were \$7,520,827 in 2022 and \$6,215,967 in 2021. In 2022, operating expenses consisted of \$3,742,912 for employee’s wages and benefits, \$1,530,148 for allocated charges and \$2,247,767 for other expenses.
- The Agency provides the opportunity for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the operating expenses of the Agency to be reduced by interest income. The Agency’s member municipalities also benefit by the Agency printing, mailing and delivering large volumes of income tax information and forms in bulk to local community public buildings and their taxpayers. This information is also available on the Agency’s website – www.ccatax.ci.cleveland.oh.us.

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

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 a custodial fund, which is used to account for the collection and remittance of income taxes for the member municipalities. For accounting measurement purposes, the custodial fund does not involve the measurement of operations.

The financial statements of the Agency can be found on pages 14-19 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 supplementary information can be found on pages 21-49 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the internal service of the Agency as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 2,079,340	\$ 2,233,781
Prepaid expenses	49,296	39,823
Capital assets, net of accumulated depreciation	73,169	113,735
Net pension asset	120,354	88,782
Net OPEB asset	1,004,605	561,876
Total assets	<u>3,326,764</u>	<u>3,037,997</u>
Deferred outflows of resources	1,274,398	949,003
Liabilities:		
Accounts payable	449,754	114,449
Due to CCA custodial fund	716,292	1,238,860
Due to the City of Cleveland	8,318	12,851
Accrued wages and benefits - current	753,132	714,084
Accrued wages and benefits - long-term	274,309	307,095
Net pension liability	<u>2,833,316</u>	<u>4,734,395</u>
Total liabilities	5,035,121	7,121,734
Deferred inflows of resources	4,512,917	4,650,005
Net Position:		
Investment in capital assets	73,169	113,735
Unrestricted	<u>(5,020,045)</u>	<u>(7,898,474)</u>
Total net position	<u>\$ (4,946,876)</u>	<u>\$ (7,784,739)</u>

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets: The Agency collects and disburses income tax receipts monthly, except for the Cities of Cleveland, Clayton, Montpelier, Riverside and Union that receive advances intermittently during the month; the remaining tax receipts balance is disbursed on the scheduled monthly distribution date. Assets primarily consist of cash on hand. The total assets and deferred outflows of resources were increased by \$614,162 in 2022.

Capital Assets: The Agency’s capital assets as of December 31, 2022 amounted to \$73,169. Capital assets include equipment and vehicles. A summary of the Agency’s capital assets during the year ended December 31, 2022 is as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
Furniture, fixtures, equipment and vehicles	\$ 411,288	\$ 9,042	\$	\$ 420,330
Total	411,288	9,042		420,330
Less: Accumulated depreciation	(297,553)	(49,608)		(347,161)
Total net capital assets	\$ 113,735	\$ (40,566)	\$ -	\$ 73,169

Liabilities: Liabilities primarily consist of amounts due for pension funding responsibilities. During 2022, the net decrease in liabilities resulted from a significant decrease in net pension liability.

Net Pension/Other Postemployment Benefits (OPEB) Liabilities/(Assets): The net pension and net OPEB liabilities/(assets) are reported by the Agency at December 31, 2022 and are reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In 2018, the Agency adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revised accounting for costs and liabilities related to OPEB. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Agency’s actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset, net OPEB asset and deferred outflows of resources related to pension and OPEB.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and OPEB. GASB noted that the unfunded portion of this promise are present liabilities/(assets) of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability/(asset) since they received the benefit of the exchange. However, the Agency is not responsible for certain key factors affecting the balance of these liabilities/(assets). In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State Statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio Revised Code (the ORC) permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension/OPEB plans against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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/(asset) or the net OPEB liability/(asset). As explained above, changes in benefits, contribution rates and return on investments affect the balance of these liabilities, but are outside the control of the Agency. In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability/(asset) and the net OPEB liability/(asset) are satisfied, these liabilities/(assets) are separately identified within the long-term liabilities/(assets) section of the statement of net position.

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Provided below are the statements of revenue, expenses and changes in net position for the internal service fund of the Agency for the years ended December 31, 2022 and 2021:

	Internal Service Fund	
	2022	2021
Operating Revenues		
Charges for services	\$ 10,022,859	\$ 9,780,142
Total operating revenues	10,022,859	9,780,142
Operating Expenses		
Salaries and wages and Employee benefits	3,742,912	3,337,936
Postage and office supplies	198,702	123,824
Allocation of City of Cleveland costs	1,530,148	1,376,001
Other administrative expenses	1,999,457	1,319,253
Property rental		6,840
Depreciation	49,608	52,113
Total operating expense	7,520,827	6,215,967
Operating income (loss)	2,502,032	3,564,175
Non-operating Activity		
Interest income	335,831	7,894
Other revenue (expense)		(5,670)
Capital Contributions		5,670
Change in net position	2,837,863	3,572,069
Net position at beginning of year	(7,784,739)	(11,356,808)
Net position at end of year	\$ (4,946,876)	\$ (7,784,739)

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

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

Operating Revenues: In 2022, charges for services increased by \$242,717. Charges for services are shared proportionately among all the members.

Operating Expenses: Salaries and wages and Employee benefits increased by \$404,976 as a result of a large increase in net OPEB expense. Other administrative expenses increased by \$680,204 as a result of an increase in professional services expense for enhancements to the CCA website and electronic filing services.

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

FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
December 31, 2022**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	2,079,340
Prepaid expenses		49,296
TOTAL CURRENT ASSETS		2,128,636

CAPITAL ASSETS:

Furniture, fixtures, equipment and vehicles		420,330
Less: Accumulated depreciation		(347,161)
CAPITAL ASSETS, NET		73,169

NONCURRENT ASSETS:

Net pension asset		120,354
Net OPEB asset		1,004,605
TOTAL NONCURRENT ASSETS		1,124,959

DEFERRED OUTFLOWS OF RESOURCES

Pension		1,258,580
OPEB		15,818
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,274,398

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

**STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
December 31, 2022**

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	449,754
Due to CCA custodial fund		716,292
Due to the City of Cleveland		8,318
Accrued wages and benefits - current		753,132
TOTAL CURRENT LIABILITIES		1,927,496

LONG-TERM LIABILITIES

Net pension liability	2,833,316
Accrued wages and benefits	274,309
TOTAL LONG-TERM LIABILITIES	3,107,625

DEFERRED INFLOWS OF RESOURCES

Pension	3,474,956
OPEB	1,037,961
TOTAL DEFERRED INFLOWS OF RESOURCES	4,512,917

NET POSITION

Investment in capital assets	73,169
Unrestricted	(5,020,045)
TOTAL NET POSITION	\$ (4,946,876)

See notes to financial statements.

**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, 2022**

OPERATING REVENUES

Charges for services		\$ 10,022,859
TOTAL OPERATING REVENUES		<u>10,022,859</u>

OPERATING EXPENSES

Salaries and wages and Employee benefits		3,742,912
Postage and office supplies		198,702
Allocation of City of Cleveland costs		1,530,148
Other administrative expenses		1,999,457
Depreciation		49,608
TOTAL OPERATING EXPENSES		<u>7,520,827</u>

OPERATING INCOME (LOSS) 2,502,032

NON-OPERATING ACTIVITY

Interest income		<u>335,831</u>
-----------------	--	----------------

CHANGE IN NET POSITION 2,837,863

NET POSITION AT BEGINNING OF YEAR (7,784,739)

NET POSITION AT END OF YEAR \$ (4,946,876)

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, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from member municipalities	\$ 9,500,291
Cash payments to suppliers of goods and services	(3,397,535)
Cash payments for employee services and benefits	(6,583,986)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(481,230)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(9,042)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES	(9,042)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned on investments	335,831
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	335,831

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (154,441)

Cash and cash equivalents at beginning of year 2,233,781

Cash and cash equivalents at end of year \$ 2,079,340

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

Operating income (loss)	\$ 2,502,032
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	49,608
Changes in assets:	
Prepaid expense	(9,473)
Net pension asset	(31,572)
Net OPEB asset	(442,729)
Changes in deferred outflows of resources:	
Pension	(591,570)
OPEB	266,175
Changes in liabilities:	
Accounts payable	335,305
Due to CCA custodial fund	(522,568)
Due to City of Cleveland	(4,533)
Accrued wages and benefits	6,262
Net pension liability	(1,901,079)
Changes in deferred inflows of resources:	
Pension	871,229
OPEB	(1,008,317)
Total adjustments	(2,983,262)

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES \$ (481,230)

See notes to financial statements.

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

**STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
December 31, 2022**

Assets

Cash and cash equivalents	\$ 14,109,988
Taxes receivable	92,327,818
Due from CCA internal service fund	716,292
Due from member municipalities	<u>671,777</u>
Total assets	<u>107,825,875</u>

Liabilities

Due to the City of Cleveland	\$ 85,794,669
Due to member municipalities	<u>22,031,206</u>
Total liabilities	<u>107,825,875</u>

Net Position

\$ -

See notes to financial statements.

CITY OF CLEVELAND, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Central Collection Agency
Additions	
Income tax collected for other governments	\$ 605,409,686
Total additions	<u>605,409,686</u>
Deductions	
Payments of income tax to other governments	<u>605,409,686</u>
Total deductions	<u>605,409,686</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

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 - Custodial 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 January of 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. This Statement is effective for reporting periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. As required, the Agency has implemented GASB Statement No. 92 as of December 31, 2022.

The Agency's net position is accounted for in the accompanying statement of net position and is divided into amounts in investment in capital assets and unrestricted. The negative unrestricted amount is primarily the unfunded net pension and OPEB liabilities/(assets) 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. 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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For accounting purposes, the operations of the internal service fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities, the economic resources measurement focus is used.

Supplies: Supplies are expensed when purchased.

Statement of Cash Flows: The Agency utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, for its internal service fund. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and investing activities.

For purposes of this statement, cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased and all of the Agency's share of the City of Cleveland's pooled cash accounts.

Allocation of Expenses: The Agency allocates all operating expenses, net of interest income and changes to unfunded pension and OPEB liabilities/(assets), to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

Allocation of Interest Income: Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue. The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date and accordingly, interest income is allocated exclusively to the other members.

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

The Agency has invested funds in STAR Ohio during 2022. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the purpose of measuring the value of shares in STAR Ohio. The Agency measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Transactions: During the course of normal operations, the Agency has numerous transactions between other city divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets less any applicable salvage value over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than \$5,000 for land, furniture, fixtures, equipment and vehicles and \$10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Furniture, fixtures, equipment and vehicles 3 to 60 years

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

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

Compensated Absences: The Agency accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. Normally, all vacation time is to be taken in the year available. The Agency allows employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE C – LONG TERM LIABILITIES

Summary: Changes in long-term obligations for the Internal Service Fund for the year ended December 31, 2022 are as follows:

	<u>January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2022</u>	<u>One Year</u>
Accrued wages and benefits	\$ 1,021,179	\$ 720,346	\$ (714,084)	\$ 1,027,441	\$ 753,132
Net pension liability	<u>4,734,395</u>		<u>(1,901,079)</u>	<u>2,833,316</u>	
Total	<u>\$ 5,755,574</u>	<u>\$ 720,346</u>	<u>\$ (2,615,163)</u>	<u>\$ 3,860,757</u>	<u>\$ 753,132</u>

NOTE D - DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency’s deposits at December 31, 2022 totaled \$2,841,408 and the Agency’s bank balances were \$4,513,716. The differences represent outstanding warrants payable, positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, \$4,513,716 of the bank balances at December 31, 2022, respectively, was insured or collateralized with securities held by the City or by its agent in the City’s name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Agency will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Agency’s deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110.0% of the carrying value of the deposits being secured.

Investments: In accordance with GASB Statement No. 72, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments is recorded in investment earnings in the year in which the change occurs. The City’s investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; STAR Ohio; commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded in segregated accounts and are kept at the Federal Reserve Bank in the depository institutions’ separate custodial account for the Agency, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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NOTE D - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Credit Risk: The Agency's investments as of December 31, 2022 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 S&P Global. 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, 2022, 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	2022 Value	2022 Cost	Investment Maturities Less Than One Year
STAR Ohio	\$ 2,049,593	\$ 2,049,593	\$ 2,049,593
Money Market Mutual Funds	11,298,327	11,298,327	11,298,327
Total Investments	13,347,920	13,347,920	13,347,920
Total Deposits	2,841,408	2,841,408	2,841,408
Total Deposits and Investments	<u>\$ 16,189,328</u>	<u>\$ 16,189,328</u>	<u>\$ 16,189,328</u>

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, 2022, the investments in STAR Ohio and money market mutual funds are approximately 15.4% and 84.6%, of the Agency's total investments.

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NOTE E - CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the Internal Service Fund for the year ended December 31, 2022 was as follows:

	<u>Balance</u> <u>January 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2022</u>
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	\$ 411,288	\$ 9,042	\$ -	\$ 420,330
Total capital assets, being depreciated	411,288	9,042		420,330
Less: Total accumulated depreciation	<u>(297,553)</u>	<u>(49,608)</u>		<u>(347,161)</u>
Total capital assets, being depreciated, net	<u>113,735</u>	<u>(40,566)</u>		<u>73,169</u>
Capital assets, net	<u>\$ 113,735</u>	<u>\$ (40,566)</u>	<u>\$ -</u>	<u>\$ 73,169</u>

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, 2022 are as follows:

	<u>Internal Service</u> <u>Fund</u>	<u>Custodial</u> <u>Fund</u>	<u>Total</u>
Due from CCA internal service fund	\$	\$ 716,292	\$ 716,292
Due from member municipalities		<u>671,777</u>	<u>671,777</u>
Total Due From	<u>\$ -</u>	<u>\$ 1,388,069</u>	<u>\$ 1,388,069</u>
Due to CCA custodial fund	\$ 716,292	\$	\$ 716,292
Due to the City of Cleveland	8,318	85,794,669	85,802,987
Due to member municipalities		<u>22,031,206</u>	<u>22,031,206</u>
Total Due To	<u>\$ 724,610</u>	<u>\$ 107,825,875</u>	<u>\$ 108,550,485</u>

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE G - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset): The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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 liability/(asset) because it was created as a result of employment exchanges that already have occurred.

The net pension liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State Statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability/(asset). Resulting adjustments to the net pension liability/(asset) 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/(asset) on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Agency's employees participate in the OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Agency's employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

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

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NOTE G - 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 Annual Comprehensive Financial Report 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 COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.0%.

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2022, member contribution rates were 10.0% and employer contribution rates were 14.0%.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Agency's contractually required contribution was \$668,006 for 2022. All required payments have been made.

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability/(asset) for OPERS was measured as of December 31, 2021 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability/(asset) 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:

	<u>Traditional</u>	<u>Combined</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,833,316	\$ (120,354)
Proportion of the Net Pension Liability/(Asset)	0.032565%	0.030546%
Change in Proportion	0.000593%	(0.000210)%
Pension Expense	\$ (414,050)	\$ (4,938)

At December 31, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional</u>	<u>Combined</u>
Deferred Outflows of Resources		
Differences between expected and actual economic experience	\$ 144,438	\$ 747
Changes in assumptions	354,304	6,048
Change in Agency's proportionate share and difference in employer contributions	83,737	1,300
Agency's contributions subsequent to the measurement date	647,346	20,660
Total Deferred Outflows of Resources	<u>\$ 1,229,825</u>	<u>\$ 28,755</u>
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 62,142	\$ 13,461
Net difference between projected and actual earnings on pension plan investments	3,370,127	25,802
Change in Agency's proportionate share and difference in employer contributions		3,424
Total Deferred Inflows of Resources	<u>\$ 3,432,269</u>	<u>\$ 42,687</u>

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NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

The \$668,006 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/(increase) of the net pension liability/(asset) in the year ending December 31, 2023. 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:	Traditional	Combined
2023	\$ (383,054)	\$ (8,392)
2024	(1,138,173)	(11,416)
2025	(792,453)	(7,630)
2026	(536,110)	(5,715)
2027		(950)
Thereafter		(489)
Total	\$ (2,849,790)	\$ (34,592)

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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Wage Inflation	2.75%
Future Salary Increases, including wage inflation	
Traditional	2.75 to 10.75%
Combined	2.75 to 8.25%
COLA or Ad Hoc COLA	2.75%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 3%, simple
	through 2022, then 2.05%, simple
Investment Rate of Return	6.90%
Actuarial Cost Method	Individual Entry Age

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NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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.

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	<u>100.00 %</u>	4.21 %

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. 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.

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NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate: The following table presents the Agency's proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.90% 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 (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Agency's proportionate share of the net pension liability/(asset):			
Traditional Pension Plan	\$ 7,470,162	\$ 2,833,316	\$ (1,025,157)
Combined Pension Plan	(89,806)	(120,354)	(144,178)

NOTE H – DEFINED BENEFIT OPEB PLANS

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

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

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

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

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NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of OPEB as described in GASB Statement No. 75. See OPERS’ Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans in 2022. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

For the year ended December 31, 2022, OPERS did not allocate any employer contributions to the OPEB plan.

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Agency's proportion of the net OPEB liability/(asset) was based on the Agency's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportionate Share of the Net	
OPEB Liability/(Asset)	\$ (1,004,605)
Proportion of the Net	
OPEB Liability/(Asset)	0.032074%
Change in Proportionate Share	0.000536%
OPEB Expense	\$ (854,414)

At December 31, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred outflows:	
Change in Agency's proportionate share and difference in employer contributions	\$ 15,818
Total deferred outflows	\$ 15,818
Deferred inflows:	
Differences between expected and actual experience	\$ 152,383
Net difference between projected and actual earnings on OPEB plan investment	478,925
Change in assumptions	406,653
Total deferred inflows	\$ 1,037,961

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB as follows:

Year Ending December 31:	OPERS
2023	\$ (629,206)
2024	(219,513)
2025	(104,643)
2026	(68,781)
Total	\$ (1,022,143)

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	2.75%
Projected Salary Increases, including wage inflation	2.75% to 10.75%
Single Discount Rate:	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current Measurement Date	1.84%
Prior Measurement Date	2.00%
Health Care Cost Trend Rate:	
Current Measurement Date	5.50%, initial 3.50%, ultimate in 2034
Prior Measurement Date	8.50%, initial 3.50%, ultimate in 2035
Actuarial Cost Method	Individual Entry Age

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	<u>100.00 %</u>	3.45 %

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**NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

Discount Rate: A single discount rate of 6.00% was used to measure the total OPEB liability/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the Agency’s Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate: The following table presents the Agency’s proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.00%, as well as what the Agency’s proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Agency's proportionate share of the net OPEB liability/(asset)	\$ (590,802)	\$ (1,004,605)	\$ (1,348,068)

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries’ project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	Current Health Care Cost Trend Rate		
	1% Decrease (2.50%)	Assumption (3.50%)	1% Increase (4.50%)
Agency's proportionate share of the net OPEB liability/(asset)	\$ (1,015,461)	\$ (1,004,605)	\$ (991,727)

NOTE I - RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. These costs, as reported in the statement of revenues and expenses and changes in net position of the internal service fund for the year ended December 31, 2022 were as follows:

City Administration	\$ 578,176
Office Rent	425,000
Telephone	47,736
Utilities	172,513
Parking Facilities	1,320
Printing Services	300,626
Motor Vehicle Maintenance	4,777
Total	\$ 1,530,148

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**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022**

NOTE J - DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling \$671,777 at December 31, 2022 as accrued wages and benefits. These amounts are recorded as due from member municipalities in the custodial fund.

NOTE K - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Agency for personal injuries, property damage and other matters, which the City is responsible for. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Agency's financial position, results of operations or cash flows.

Risk Management: The Agency is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2022.

The City provides the choice of two separate health insurance plans to its employees. The Agency is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio Worker's Compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards.

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
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REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST NINE YEARS (1), (2)**

	Agency's Proportion of the Net Pension Liability/(Asset)	Agency's Proportionate Share of the Net Pension Liability/(Asset)	Agency's Covered Payroll	Agency's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
Traditional:					
2014	0.030085%	\$ 3,541,261	\$ 3,409,992	103.85%	0.86
2015	0.030085	3,617,001	3,764,833	96.07	86.45
2016	0.033857	5,365,647	4,316,792	124.30	81.08
2017	0.032616	6,906,177	4,326,558	159.62	77.25
2018	0.033800	4,774,282	4,565,446	104.57	84.66
2019	0.036162	9,072,105	5,124,500	177.03	74.70
2020	0.035740	6,357,970	5,084,007	125.06	82.17
2021	0.031972	4,734,395	4,919,314	96.24	86.88
2022	0.032565	2,833,316	4,689,600	60.42	92.62
Combined:					
2021	0.030756	(88,782)	4,919,314	(1.80)	157.67
2022	0.030546	(120,354)	4,689,600	(2.57)	169.88

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

(2) Information prior to 2014 is not available. The Agency will continue to present information for years available until a full ten-year is compiled.

Notes to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following was the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following was the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%. There were no changes in assumptions in 2020 and 2021. For 2022, the most significant changes of assumptions that affected the total pension liability/(asset) since the prior measurement date was the assumed rate of return and discount rate were reduced from 7.2% down to 6.9%.

In 2021, the Agency presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

**SCHEDULE OF CONTRIBUTIONS - NET PENSION LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS (1)**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Agency's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 443,299	\$ (443,299)	\$ -	\$ 3,409,992	13.00 %
2014	451,780	(451,780)	-	3,764,833	12.00
2015	518,015	(518,015)	-	4,316,792	12.00
2016	519,187	(519,187)	-	4,326,558	12.00
2017	593,508	(593,508)	-	4,565,446	13.00
2018	717,430	(717,430)	-	5,124,500	14.00
2019	711,761	(711,761)	-	5,084,007	14.00
2020	688,704	(688,704)	-	4,919,314	14.00
2021	656,544	(656,544)	-	4,689,600	14.00
2022	668,006	(668,006)	-	4,771,471	14.00

(1) Represents Agency's calendar year.

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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS (1), (2)**

	Agency's Proportion of the Net OPEB Liability/(Asset)	Agency's Proportionate Share of the Net OPEB Liability/ (Asset)	Agency's Covered Payroll	Agency's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)
2017	0.032039 %	\$ 3,236,001	\$ 4,326,558	74.79 %	54.04 %
2018	0.033251	3,610,773	4,565,446	79.09	54.14
2019	0.033755	4,400,808	5,124,500	85.88	46.33
2020	0.033288	4,597,992	5,084,007	90.44	47.80
2021	0.031538	(561,876)	4,919,314	(11.42)	115.57
2022	0.032074	(1,004,605)	4,689,600	(21.42)	128.23

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

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

Note to Schedule:

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

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset.

In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

**CITY OF CLEVELAND, OHIO
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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

**SCHEDULE OF CONTRIBUTIONS - NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS (1), (2), (3)**

	Contributions in Relation to the			Contributions as a Percentage	
Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Agency's Covered Payroll	of Covered Payroll	
2016	\$ 86,531	\$ (86,531)	-	\$ 4,326,558	2.00 %
2017	45,654	(45,654)	-	4,565,446	1.00
2018	-	-	-	5,124,500	0.00
2019	-	-	-	5,084,007	0.00
2020	-	-	-	4,919,314	0.00
2021	5,252	(5,252)	-	4,689,600	0.00
2022	-	-	-	4,771,471	0.00

- (1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Directed Plan.
- (3) Represents Agency's calendar year. Information prior to 2016 is not available. The Agency will continue to present information for years available until a full ten-year trend is compiled.

**CITY OF CLEVELAND
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**SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR YEAR ENDED DECEMBER 31, 2022**

Members	Balance Collected and Due Members January 1, 2022	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31, 2022
AKRON	\$ 33.75	\$ 325.00	\$ 358.75	\$ 238.75	\$ 81.25	\$ 320.00	\$ 38.75
ALLIANCE	37.50	450.00	487.50	377.50	112.50	490.00	(2.50)
BURTON	110,063.95	1,001,995.95	1,112,059.90	1,000,348.88	40,071.62	1,040,420.50	71,639.40
CHILLICOTHE	(22.87)		(22.87)				(22.87)
CLAYTON	376,169.99	5,390,543.01	5,766,713.00	5,358,651.10	209,328.40	5,567,979.50	198,733.50
CLEVELAND	16,008,049.83	525,495,539.78	541,503,589.61	523,368,850.21	8,067,463.19	531,436,313.40	10,067,276.21
DALTON	32,435.65	707,217.70	739,653.35	682,434.67	29,450.69	711,885.36	27,767.99
DAYTON	23.34	80.00	103.34	73.34	20.00	93.34	10.00
DRESDEN	28,418.72		28,418.72	28,418.72		28,418.72	-
ELIDA	35,994.74	596,221.73	632,216.47	553,435.60	39,436.47	592,872.07	39,344.40
ENGLEWOOD	(112.26)		(112.26)				(112.26)
GENEVA-ON-THE-LAKE	17,539.73	296,610.46	314,150.19	282,866.22	18,222.02	301,088.24	13,061.95
GERMANTOWN	217,822.79	2,251,811.87	2,469,634.66	2,202,344.44	104,184.46	2,306,528.90	163,105.76
GRAND RAPIDS	9,841.41	255,960.50	265,801.91	242,618.78	27,519.46	270,138.24	(4,336.33)
GRAND RIVER	41,499.89	447,102.00	488,601.89	448,719.76	9,825.51	458,545.27	30,056.62
HAMILTON	1,126,644.49		1,126,644.49	1,126,644.49		1,126,644.49	0.00
HARTVILLE	(146.28)		(146.28)				(146.28)
HIGHLAND HILLS	495,222.82	4,315,798.76	4,811,021.58	4,453,291.26	38,303.72	4,491,594.98	319,426.60
LAKEWOOD	(3.00)		(3.00)				(3.00)
LINNDALE	4,028.39	58,241.90	62,270.29	54,865.44	2,281.60	57,147.04	5,123.25
LORAIN	(333.87)		(333.87)				(333.87)
MARBLE CLIFF	117,357.34	1,818,221.81	1,935,579.15	1,790,204.91	26,636.94	1,816,841.85	118,737.30
MENTOR-ON-THE-LAKE	93,654.55	1,468,660.91	1,562,315.46	1,377,178.88	76,062.08	1,453,240.96	109,074.50
MONTGOMERY	(715.26)		(715.26)				(715.26)
MONTPELIER	99,560.91	2,245,111.98	2,344,672.89	2,196,888.27	54,704.71	2,251,592.98	93,079.91
MUNROE FALLS	124,359.74	2,025,299.91	2,149,659.65	1,906,165.32	82,069.75	1,988,235.07	161,424.58
NEW CARLISLE	141,779.18	1,993,603.65	2,135,382.83	1,892,093.51	95,522.95	1,987,616.46	147,766.37
NEW MADISON	9,651.97	182,240.78	191,892.75	174,096.95	11,990.68	186,087.63	5,805.12
NEW MIAMI	6,251.27	172,818.11	179,069.38	155,998.03	16,196.43	172,194.46	6,874.92
NEW PARIS	15,782.26	205,564.79	221,347.05	191,755.82	18,806.95	210,562.77	10,784.28
NORTH BALTIMORE	92,241.08	1,397,701.11	1,489,942.19	1,320,288.39	58,408.79	1,378,697.18	111,245.01
NORTH RANDALL	727,685.49	9,031,803.74	9,759,489.23	8,961,311.66	58,672.36	9,019,984.02	739,505.21
OBETZ	898,153.74	13,089,235.03	13,987,388.77	12,674,469.28	126,834.48	12,801,303.76	1,186,085.01
ORWELL	101,737.55	1,478,357.70	1,580,095.25	1,440,858.74	28,011.28	1,468,870.02	111,225.23
PAULDING	103,401.48	1,380,705.94	1,484,107.42	1,327,799.90	60,246.13	1,388,046.03	96,061.39
PHILLIPSBURG	1,874.10	95,636.55	97,510.65	87,532.56	10,736.60	98,269.16	(758.51)
PITTSBURG	-	87,104.07	87,104.07	80,404.79	6,012.79	86,417.58	686.49
PRAIRIE OBETZ	447,542.78	5,355,014.76	5,802,557.54	5,352,495.37	30,349.77	5,382,845.14	419,712.40
RIVERSIDE	376,305.10	9,241,715.49	9,618,020.59	8,751,960.16	261,690.59	9,013,650.75	604,369.84
ROCK CREEK	4,023.58	115,689.00	119,712.58	105,473.54	10,691.22	116,164.76	3,547.82
RUSHSYLVANIA	6,191.29	90,185.86	96,377.15	85,046.36	7,482.06	92,528.42	3,848.73
RUSSELLS POINT	19,809.68	386,185.38	405,995.06	366,964.92	26,149.20	393,114.12	12,880.94
SEVILLE	123,997.84	1,349,426.88	1,473,424.72	1,281,858.15	66,102.50	1,347,960.65	125,464.07
SHREVE	25,313.92	327,411.55	352,725.47	316,721.73	22,622.95	339,344.68	13,380.79
SOUTH RUSSELL	188,205.05	2,498,157.65	2,686,362.70	2,364,056.27	89,692.01	2,453,748.28	232,614.42
SPRINGFIELD	35.75	275.00	310.75	235.75	68.75	304.50	6.25
STOW	(12.50)		(12.50)				(12.50)
TROTWOOD	(1,081.78)	6,553.37	5,471.59	4,691.97	1,638.34	6,330.31	(858.72)
TROY	(32.00)		(32.00)				(32.00)
UNION	227,145.43	2,542,584.56	2,769,729.99	2,598,274.01	91,302.31	2,689,576.32	80,153.67
VILLAGE OF OAKWOOD	9,930.39	148,888.05	158,818.44	140,251.49	9,629.10	149,880.59	8,937.85
WARREN	20.00		20.00	20.00		20.00	-
WAYNESFIELD	12,330.83	135,687.37	148,018.20	130,316.53	10,855.95	141,172.48	6,845.72
WEST ALEXANDRIA	(1,971.84)		(1,971.84)		(1,971.84)		-
WEST MILTON	101,542.12	1,606,412.79	1,707,954.91	1,502,588.35	79,342.09	1,581,930.44	126,024.47
TOTALS	\$ 22,575,279.75	\$ 601,294,152.45	\$ 623,869,432.20	\$ 598,382,180.77	\$ 10,022,858.81	\$ 608,405,039.58	\$ 15,464,392.62

**CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION**

**SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE ENTIRE YEAR ENDED DECEMBER 31, 2022**

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities (Excluding Cleveland)	Allocation of Net Operating Expenses
AKRON	0.000000%	0.000000%	\$ 81.25	\$ -	\$ 81.25
ALLIANCE	0.000000%	0.000000%	112.50		112.50
BURTON	0.502827%	1.325591%	44,523.37	4,451.75	40,071.62
CLAYTON	2.647911%	7.484048%	234,462.17	25,133.77	209,328.40
CLEVELAND	74.123326%	0.000000%	8,067,463.19		8,067,463.19
DALTON	0.368077%	0.935312%	32,591.76	3,141.07	29,450.69
DAYTON	0.000000%	0.000000%	20.00		20.00
ELIDA	0.475044%	0.782191%	42,063.31	2,626.84	39,436.47
GENEVA-ON-THE-LAKE	0.220913%	0.398713%	19,561.02	1,339.00	18,222.02
GERMANTOWN	1.289620%	2.979560%	114,190.75	10,006.29	104,184.46
GRAND RAPIDS	0.324186%	0.353144%	28,705.43	1,185.97	27,519.46
GRAND RIVER	0.133718%	0.599899%	11,840.16	2,014.65	9,825.51
HIGHLAND HILLS	0.647402%	5.663911%	57,324.90	19,021.18	38,303.72
LINNDALE	0.028637%	0.075650%	2,535.66	254.06	2,281.60
MARBLE CLIFF	0.394693%	2.474927%	34,948.52	8,311.58	26,636.94
MENTOR-ON-THE-LAKE	0.933763%	1.970930%	82,681.08	6,619.00	76,062.08
MONTPELIER	0.730043%	2.959136%	64,642.41	9,937.70	54,704.71
MUNROE FALLS	1.031187%	2.750731%	91,307.56	9,237.81	82,069.75
NEW CARLISLE	1.178063%	2.617350%	104,312.83	8,789.88	95,522.95
NEW MADISON	0.144643%	0.243252%	12,807.60	816.92	11,990.68
NEW MIAMI	0.191456%	0.225182%	16,952.66	756.23	16,196.43
NEW PARIS	0.223027%	0.280257%	19,748.14	941.19	18,806.95
NORTH BALTIMORE	0.728601%	1.818165%	64,514.76	6,105.97	58,408.79
NORTH RANDALL	1.108173%	11.747573%	98,124.38	39,452.02	58,672.36
OBETZ	2.080550%	17.088961%	184,224.51	57,390.03	126,834.48
ORWELL	0.389319%	1.923996%	34,472.66	6,461.38	28,011.28
PAULDING	0.749202%	1.814240%	66,338.91	6,092.78	60,246.13
PHILLIPSBURG	0.126107%	0.127938%	11,166.26	429.66	10,736.60
PITSBURG	0.072180%	0.112697%	6,391.26	378.47	6,012.79
PRAIRIE OBETZ JEDZ	0.605575%	6.929516%	53,621.25	23,271.48	30,349.77
RIVERSIDE	3.415737%	12.136907%	302,450.11	40,759.52	261,690.59
ROCK CREEK	0.126557%	0.153323%	11,206.13	514.91	10,691.22
RUSHSYLVANIA	0.088950%	0.117341%	7,876.13	394.07	7,482.06
RUSSELLS POINT	0.314514%	0.506135%	27,848.96	1,699.76	26,149.20
SEVILLE	0.814505%	1.792190%	72,121.23	6,018.73	66,102.50
SHREVE	0.271728%	0.428042%	24,060.45	1,437.50	22,622.95
SOUTH RUSSELL	1.139123%	3.326922%	100,864.85	11,172.84	89,692.01
SPRINGFIELD	0.000000%	0.000000%	68.75		68.75
TROTWOOD	0.000000%	0.000000%	1,638.34		1,638.34
UNION	1.158797%	3.366170%	102,606.96	11,304.65	91,302.31
VILLAGE OF OAKWOOD	0.116161%	0.195490%	10,285.62	656.52	9,629.10
WAYNESFIELD	0.129325%	0.177257%	11,451.24	595.29	10,855.95
WEST ALEXANDRIA	0.000000%	0.000000%	(1,971.84)		(1,971.84)
WEST MILTON	0.976360%	2.117353%	86,452.82	7,110.73	79,342.09
TOTAL	100.000000%	100.000000%	\$ 10,358,690.01	\$ 335,831.20	\$ 10,022,858.81

**CITY OF CLEVELAND
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION**

**SCHEDULE OF INCOME TAXES RECEIVABLE
FOR YEAR ENDED DECEMBER 31, 2022**

AKRON	\$ 75.00
BURTON	207,304.62
CLAYTON	1,758,178.17
CLEVELAND	75,727,392.67
DALTON	67,852.82
ELIDA	184,460.88
GENEVA-ON-THE-LAKE	77,992.35
GERMANTOWN	638,133.83
GRAND RAPIDS	87,639.76
GRAND RIVER	70,305.28
HIGHLAND HILLS	400,115.76
LINNDALE	11,528.27
MARBLE CLIFF	283,059.03
MENTOR-ON-THE-LAKE	387,587.38
MONTPELIER	468,683.38
MUNROE FALLS	568,724.34
NEW CARLISLE	587,535.77
NEW MADISON	41,273.96
NEW MIAMI	59,466.91
NEW PARIS	79,653.00
NORTH BALTIMORE	387,195.62
NORTH RANDALL	1,389,398.32
OBETZ	2,525,516.26
ORWELL	227,174.47
PAULDING	316,371.19
PHILLIPSBURG	37,024.51
PITSBURG	12,140.00
PRAIRIE OBETZ	467,695.30
RIVERSIDE	2,546,692.39
ROCK CREEK	33,395.89
RUSSELLS POINT	100,370.17
SEVILLE	386,021.26
SHREVE	97,878.42
SOUTH RUSSELL	803,090.95
TROTWOOD	50.00
UNION	670,236.57
VILLAGE OF OAKWOOD	32,852.28
WARREN	100.00
WAYNESFIELD	35,083.52
WEST MILTON	552,567.71
TOTAL	<u>\$ 92,327,818.01</u>

OHIO AUDITOR OF STATE KEITH FABER



CITY OF CLEVELAND

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 7/25/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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www.ohioauditor.gov