CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2018

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio (the "Division") as of and for the year ended December 31, 2018 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Division of Parking Facilities, Department of Public Works, City of Cleveland, Ohio as of December 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Division and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2018, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

During the year ended December 31, 2018, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the Division restated net position at January 1, 2018 for the change in accounting principle (See Note K). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 25, 2019

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Works, Division of Parking Facilities (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2018. Please read this information in conjunction with the Division's financial statements and footnotes which begin on page 12.

The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The Division's operating revenues are derived primarily from charges for parking at its facilities and from parking meter collections. In 2018, the Division's facilities included two parking garages and six surface lots, including West Side Market and Hicks lots.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $37,083,000 and $33,225,000 at December 31, 2018 and 2017, respectively. Of these amounts, $4,067,000 and $2,167,000 (unrestricted net position) at December 31, 2018 and 2017, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net position increased by $3,858,000 during 2018. In 2018, operating revenues increased $820,000 due to the addition of the West Side Market and Hicks lots. Investment income increased by $67,000 due to the increase in interest rates and higher cash balances. Capital contributions decreased by $2,194,000 related to the Willard Garage rehabilitation project being nearly completed during 2017, leaving minimal projects nearing completion in 2018.

- The Division's total bonded debt decreased by $3,200,000 (18.0%) during 2018. This amount represents the principal payment made in 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Parking Facilities Fund, in which the City accounts for the activities of off-street parking operations and meter revenue collections. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Parking Facilities Fund is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The basic financial statements of the Division can be found on pages 12 – 17 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 – 47 of this report. Required supplementary information can be found on pages 49 – 52 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

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

	2018	Restated 2017
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 6,279	$ 4,666
Restricted assets	8,731	8,599
Capital assets, net	38,674	39,947
Total assets	53,684	53,212
Deferred outflows of resources	766	1,190
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	4,024	4,220
Long-term liabilities	13,025	16,830
Total liabilities	17,049	21,050
Deferred inflows of resources	318	127
Net positon:		
Net investment in capital assets	27,362	25,483
Restricted for debt service	5,654	5,575
Unrestricted	4,067	2,167
Total net position	$ 37,083	$ 33,225

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets:

Current, Restricted and Other Non-Capital Assets: From 2017 to 2018, the Division's current and restricted assets have increased 13.2%. This increase is primarily related to an increase in cash and cash equivalents due to increased parking revenues from the addition of two surface lots and decreased interest expenses.

Capital Assets*:* The Division's capital assets (net of accumulated depreciation) as of December 31, 2018 amounted to $38,674,000. The total decrease in the Division's investment in net capital assets was $1,273,000 (3.2%) in 2018. The decrease in 2018 was due to depreciation expense exceeding asset additions. During 2018, major projects included Gateway East Garage, Willard Garage and Hicks Lot.

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

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
	(Amounts in Thousands)			
Land	$ 5,478	$	$	$ 5,478
Land improvements	1,256	321		1,577
Buildings, structures and improvements	54,167	2,316		56,483
Furniture, fixtures, equipment and vehicles	1,284	965	(16)	2,233
Construction in progress	10,092	307	(3,588)	6,811
Total	72,277	3,909	(3,604)	72,582
Less: Accumulated depreciation	(32,330)	(1,594)	16	(33,908)
Capital assets, net	$ 39,947	$ 2,315	$ (3,588)	$ 38,674

Additional information on the Division's capital assets can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Liabilities:

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

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

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

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

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

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

As a result of implementing GASB Statement No. 75, the Division is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from $33,789,000 to $33,225,000. Additional information on the restatement can be found in Note K – Restatement.

Long-Term Debt: At the end of 2018, the Division had total bonded debt outstanding of $14,570,000. This is a reduction of approximately 18.0%. This reduction is the result of the annual principal payment on the Division's outstanding bonds. This current debt was incurred to refund debt previously issued to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994 and was subsequently sold in 2011. The Willard Park Garage construction was completed in April 1996. The bonds are backed by the net revenues from these facilities. In addition, the City has pledged additional revenues, which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2018, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2018 is summarized below:

	Balance January 1, 2018	Debt Retired	Balance December 31, 2018
	(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006	$ 17,770	$ (3,200)	$ 14,570

The bond ratings at December 31, 2018 for the Division's revenue bonds are as follows:

	Moody's Investors Service	Standard & Poor's
Parking Facilities Refunding Revenue Bonds:		
Series 2006	A2	AA

The bond ratings indicated above are insured ratings only, reflecting the ratings of Assured Guaranty Municipal Corporation (formerly Financial Security Assurance, Inc.).

In addition, the Division entered into a derivative or hedging agreement in 2003. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note B – Long-Term Debt and Other Obligations.

The Division has reported deferred inflows of resources in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2018. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor.

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

Net Position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $37,083,000 at December 31, 2018.

Of the Division's net position at December 31, 2018, $5,654,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division had a net balance of $27,362,000 that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $4,067,000 balance of unrestricted net position may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's operations during 2018 increased net position by $3,858,000. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2018 and 2017:

	2018	2017
	(Amounts in Thousands)	
Operating revenues	$ 10,131	$ 9,311
Operating expenses	5,862	5,536
Operating income (loss)	4,269	3,775
Non-operating revenue (expense):		
Investment income (loss)	281	214
Interest expense	(1,000)	(1,193)
Total non-operating revenue (expense), net	(719)	(979)
Income (loss) before capital contributions	3,550	2,796
Capital contributions	308	2,502
Change in net position	$ 3,858	$ 5,298

Operating Revenues: From 2017 to 2018, operating revenues increased $820,000 or 8.8%. This increase is primarily due to increased parking revenue related to the opening of the West Side Market and Hicks parking lots.

Operating Expenses: In 2018, operating and maintenance expenses increased $108,000 or 2.6%. This increase is due to expenses related to the repair of damaged parking meters and costs to maintain software for parking facility equipment.

Non-Operating Revenues: From 2017 to 2018, non-operating revenues increased by $67,000 or 31.3%. This increase is related to increased cash position and higher interest rates.

Non-Operating Expenses: From 2017 to 2018, non-operating expenses decreased by $193,000 or 16.2%; resulting from interest being paid on debt.

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

Non-OPEB Expenses: The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $7,000 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of $61,000. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	(Amounts in Thousands)	
Total 2018 program expenses under GASB 75	$	6,862
OPEB expense under GASB 75		(61)
Adjusted 2018 program expenses		6,801
Total 2017 program expenses under GASB 45		(6,729)
Increase in program expenses not related to OPEB	$	72

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

Operating revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the net income from the Gateway garage and on-street parking meter revenue.

The Division continues to assess their operations to improve efficiencies, identify additional revenue sources and improve existing revenue sources. City Council has the authority to further increase parking fees when deemed necessary to assist the Division in meeting operational and debt commitments as economic circumstances dictate.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	$ 6,206
Accounts receivable - net of allowance	30
Accrued interest	8
Due from other City of Cleveland departments, divisions or funds	28
Prepaid expenses	7
TOTAL CURRENT ASSETS	6,279
RESTRICTED ASSETS	
Cash and cash equivalents	8,721
Accrued interest receivable	10
TOTAL RESTRICTED ASSETS	8,731
CAPITAL ASSETS	
Land	5,478
Land improvements	1,577
Buildings, structures and improvements	56,483
Furniture, fixtures, equipment and vehicles	2,233
Construction in progress	6,811
	72,582
Less: Accumulated depreciation	(33,908)
CAPITAL ASSETS, NET	38,674
TOTAL ASSETS	53,684
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	458
Pension	247
OPEB	61
TOTAL DEFERRED OUTFLOWS OF RESOURCES	766

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	$ 3,370
Accounts payable	43
Due to other governments	240
Due to other City of Cleveland departments, divisions or funds	45
Accrued interest payable	223
Accrued wages and benefits	103
TOTAL CURRENT LIABILITIES	4,024
LONG-TERM LIABILITIES	
Revenue bonds - excluding amount due within one year	11,455
Accrued wages and benefits	5
Net pension liability	928
Net OPEB liability	637
TOTAL LONG-TERM LIABILITIES	13,025
TOTAL LIABILITIES	17,049
DEFERRED INFLOWS OF RESOURCES	
Derivative instruments-interest rate swaps	36
Pension	235
OPEB	47
TOTAL DEFERRED INFLOWS OF RESOURCES	318
NET POSITION	
Net investment in capital assets	27,362
Restricted for debt service	5,654
Unrestricted	4,067
TOTAL NET POSITION	$ 37,083

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2018
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 10,131
TOTAL OPERATING REVENUES	10,131
OPERATING EXPENSES	
Operations	4,144
Maintenance	138
Depreciation	1,580
TOTAL OPERATING EXPENSES	5,862
OPERATING INCOME (LOSS)	4,269
NON-OPERATING REVENUE (EXPENSE)	
Investment income (loss)	281
Interest expense	(1,000)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(719)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	3,550
Capital contributions	308
INCREASE (DECREASE) IN NET POSITION	3,858
NET POSITION, beginning of year, as restated	33,225
NET POSITION, end of year	$ 37,083

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 10,003
Cash payments to suppliers for goods or services	(3,209)
Cash payments to employees for services	(1,086)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	5,708
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(3,200)
Interest paid on long-term debt	(952)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(4,152)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	219
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	219
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,775
CASH AND CASH EQUIVALENTS, beginning of year	13,152
CASH AND CASH EQUIVALENTS, end of year	$ 14,927

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Amounts in Thousands)

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

Operating Income	$ 4,269
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	1,580
Noncash capital expense	1
Changes in assets:	
Accounts receivable, net	(4)
Due from other City of Cleveland departments, divisions or funds	(5)
Inventory of supplies	54
Prepaid expenses	(7)
Changes in deferred outflows of resources:	
Pension	260
OPEB	(54)
Changes in liabilities:	
Accounts payable	(228)
Due to other governments	2
Unearned revenue	(120)
Due to other City of Cleveland departments, divisions or funds	22
Accrued wages and benefits	3
Net pension liability	(376)
Net OPEB liability	66
Changes in deferred inflows of resources:	
Pension	198
OPEB	47
TOTAL ADJUSTMENTS	1,439
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,708

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Contributions of capital assets	$ 307

See notes to financial statements.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Parking Facilities (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Public Works and is a part of the City's primary government. The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The following is a summary of the more significant accounting policies.

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division, including the Gateway and Willard Park garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily or monthly basis.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division has invested funds in the STAR Ohio during 2018. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

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

Interfund Transactions: During the course of normal operations, the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of debt are classified as restricted assets since their use is limited by the underlying bond indenture.

Inventory of Supplies: Inventory is valued at cost using the first in/first out method. Inventory costs are charged to operations when consumed.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations.

The estimated useful lives are as follows:

Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statements of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

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

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

Bond Issuance Costs, Discounts/Premiums and Unamortized Loss on Debt Refunding: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resource and is amortized over the shorter of the defeased bond or the newly issued bond.

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

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

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

	Interest Rate	Original Issuance	2018
	(Amounts in Thousands)		
Parking Facilities Refunding Revenue Bonds:			
Series 2006, due through 2022	5.25%	$ 57,520	$ 14,570
Unamortized (discount) premium			255
Current portion (due within one year)			(3,370)
Total Long-Term Debt			$ 11,455

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

	Restated Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
	(Amounts in Thousands)				
Parking Facilities Refunding Revenue Bonds:					
Series 2006, due through 2022	$ 17,770	$	$ (3,200)	$ 14,570	$ 3,370
Accrued wages and benefits	105	99	(96)	108	103
Net pension liability	1,304		(376)	928	
Net OPEB liability	571	66		637	
Total	$ 19,750	$ 165	$ (3,672)	$ 16,243	$ 3,473

Minimum principal and interest payments on outstanding long-term debt are as follows:

Year	Principal	Interest	Total
	(Amounts in Thousands)		
2019	$ 3,370	$ 765	$ 4,135
2020	3,540	588	4,128
2021	3,730	402	4,132
2022	3,930	206	4,136
Total	$ 14,570	$ 1,961	$ 16,531

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

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

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

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

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

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

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

Interest Rate Swap Transaction

Terms: Simultaneously with the issuance of the City's $57,520,000 Parking Facilities Refunding Revenue Bonds, Series 2006 on August 15, 2006, the City entered into a floating-to-floating rate basis swap agreement with a notional amount equal to the total declining balance of the Series 2006 Bonds. UBS was the counterparty on the transaction. As stated above, the basis swap was transferred to PNC Bank, National Association in 2013. Under the swap agreement for the Series 2006 Bonds, the City is a floating rate payor, paying a floating rate based on the Securities Industry and Financial Markets Association (SIFMA) index. The counterparty is also a floating rate payor, paying the City 67.0% of one month LIBOR. The City also received an upfront payment in the amount of $1,606,000. Net payments are exchanged semi-annually each March 15 and September 15. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the parking revenues and additional pledged revenues as defined in the trust indenture securing the Parking Facilities Refunding Revenue Bonds, Series 2006, on parity with the pledge and lien securing the payment of debt service on the bonds.

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

Basis Risk: By entering into the swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between the SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67.0%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher or lower for various periods of time due to disruptions in the financial markets. The payments received from the counterparty may be less than the amount owed to the counterparty, resulting in a net increase in debt service. From 2013 to early 2016, the SIFMA/LIBOR relationship was significantly lower than 67.0%. In this case payments received from the counterparty were greater than the amount owed to the counterparty which resulted in a net decrease in debt service. In addition, a reduction in federal income tax rates such as the one that was approved in late 2017, might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of the financing.

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

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

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

Fair Value: The fair value of the swap at December 31, 2018 as reported by PNC was $36,000, which would be payable by the City.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses and other operating revenues to repay $14,570,000 of Parking Facilities Refunding Revenue Bonds issued in 2006. Proceeds from the bonds initially issued provided financing for the construction of parking facilities. The bonds are payable from parking facilities net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require the full amount of net operating revenues. The total principal and interest remaining to be paid on the Parking Facilities Refunding Revenue Bonds is $16,531,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $4,152,000 and $5,750,000, respectively.

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

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The Division entered into a derivative or hedging agreement in 2003. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in the preceding section.

Derivative Instruments

The Division has reported an asset and/or a liability as appropriate in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2018. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor. The Division recognized a $54,000 investment revenue pursuant to this swap in 2018.

The following table presents the fair value balance and notional amount of the Division's derivative instrument outstanding at December 31, 2018, classified by type and the change in fair value of this derivative during fiscal year 2018 as reported in the respective financial statements. The fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2018 and the specific terms and conditions of the swap, have been provided by the counterparty and confirmed by the City's financial advisor.

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

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

	Changes in Fair Value		Fair Value at December 31, 2018		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
	(Amounts in Thousands)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Investment Revenue	$ 54	Debt	$ (36)	$ 14,570

The table below presents the objective and significant terms of the Division's derivative instrument at December 31, 2018, along with the credit rating of the swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
			(Amounts in Thousands)				
2006 Parking Bonds	Basis Swap - Pay Floating / Receive Floating	Exchange floating rate payments on Series 2006 Parking System Revenue Bonds	$ 14,570	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	A2/A/A+

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

In conjunction with the sale of the Gateway North Garage, the Division defeased some of the Parking Facilities Refunding Revenue Bonds, Series 2006, by placing a portion of the proceeds of the sale into an irrevocable trust to provide for all future debt service payments on the defeased bonds. The Division had $6,905,000 of defeased debt outstanding at December 31, 2018.

NOTE C – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

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

In 2018, net revenues generated by the remaining Gateway garage were less than the debt service payments attributed to that garage by $948,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $53,390,000 at December 31, 2018. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full; therefore, these amounts do not appear in the accompanying financial statements.

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2018 totaled $1,105,000 and the Division's bank balances were $1,087,000. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $1,087,000 of the bank balances at December 31, 2018 was insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division's deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110.0% of the carrying value of the deposits being secured.

Investments: In accordance with GASB Statement No. 72, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; STAR Ohio, commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of reverse repurchase agreements.

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

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

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

Credit Risk: The Division's investments as of December 31, 2018 include STAR Ohio and money market mutual funds. The Division maintains the highest ratings for their investments. Investments in STAR Ohio, Dreyfus Government Cash Management Mutual Fund and Morgan Stanley Government Institutional Mutual Funds carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2018, which include those classified as cash and cash equivalents in the statement of net position in accordance with the provisions of GASB Statement No. 9, since they have a maturity of three months or less:

Type of Investment	2018 Value	2018 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 525	$ 525	$ 525
Money Market Mutual Funds	13,297	13,297	13,297
Total Investments	13,822	13,822	13,822
Total Deposits	1,105	1,105	1,105
Total Deposits and Investments	$ 14,927	$ 14,927	$ 14,927

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2018, the investments in STAR Ohio and money market mutual funds are approximately 3.8% and 96.2%, respectively, of the Division's total investments.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

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

NOTE E – CAPITAL ASSETS

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

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 5,478	$	$	$ 5,478
Construction in progress	10,092	307	(3,588)	6,811
Total capital assets, not being depreciated	15,570	307	(3,588)	12,289
Capital assets, being depreciated:				
Land improvements	1,256	321		1,577
Buildings, structures and improvements	54,167	2,316		56,483
Furniture, fixtures, equipment and vehicles	1,284	965	(16)	2,233
Total capital assets, being depreciated	56,707	3,602	(16)	60,293
Less: Accumulated depreciation	(32,330)	(1,594)	16	(33,908)
Total capital assets being depreciated, net	24,377	2,008	-	26,385
Capital assets, net	$ 39,947	$ 2,315	$ (3,588)	$ 38,674

NOTE F – DEFINED BENEFIT PENSION PLANS

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2018, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Division's contractually required contribution was $107,000 for 2018. All required payments have been made.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)	
Proportionate Share of the Net Pension Liability	$	928
Proportion of the Net Pension Liability		0.005965%
Change in Proportion		0.000209%
Pension Expense	$	189

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

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between expected and actual economic experience	$	1
Change in proportionate share		31
Change in assumptions		108
Division's contributions subsequent to the measurement date		107
Total Deferred Outflows of Resources	$	247
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	20
Differences in projected and actual investment earnings		201
Change in Division's proportionate share		14
Total Deferred Inflows of Resources	$	235

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

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The $107,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)
2019	$ 84
2020	(6)
2021	(89)
2022	(83)
2023	
Thereafter	(1)
Total	$ (95)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
Wage Inflation	3.25%
Future Salary Increases, including wage inflation	3.25 to 10.75 %
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 3%, simple through 2018, then 2.15%, simple
Investment Rate of Return	7.5%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit Portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 16.82% for 2017.

NOTE F – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5%, as well as what the Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
	(Amounts in Thousands)		
Division's proportionate share of the net pension liability	$ 1,659	$ 928	$ 330

NOTE G – DEFINED BENEFIT OPEB PLANS

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

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

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

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

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

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

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2018 was 4.0%.

For the year ended December 31, 2018, OPERS did not allocate any employer contributions to the OPEB plan.

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Current measurement date	0.005868%
Prior measurement date	0.005654%
Change in Proportionate Share	0.000214%
	(Amounts in Thousands)
Proportionate Share of the Net OPEB Liability	$ 637
OPEB Expense	$ 61

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

	OPERS (Amounts in Thousands)
Deferred Outflows of Resources	
Differences between expected and actual economic experience	$ 1
Changes of assumptions	46
Changes in proportion and differences between Division contributions and proportionate share of contributions	14
Total Deferred Outflows of Resources	$ 61
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 47
Total Deferred Inflows of Resources	$ 47

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)
2019	$ 17
2020	17
2021	(9)
2022	(11)
Total	$ 14

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date as of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including wage inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Health Care Portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care Portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Health Care Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care Portfolio was 15.2% for 2017.

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate: A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date as of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date as of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.5% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034 and the municipal bond rate was applied to all health care costs after that date.

NOTE G – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85%, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 847	$ 637	$ 468

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (2.25%)	Current Health Care Cost Trend Rate Assumption (3.25%)	1% Increase (4.25%)
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability	$ 610	$ 637	$ 666

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides parking facilities at usual and customary rates to various departments and divisions of the City. The Division operates certain garages and parking lots on behalf of other City divisions. The professional management fees recorded by the Division to operate the garages and parking lots:

Department	Amount (Amounts in Thousands)
Department of Community Development	$ 8

Operating Expenses: The Division is provided various services by other City divisions. Charges are based on actual usage or on a reasonable pro-rata basis. The more significant expenses included in the statements of operations for the year ended December 31, 2018 is as follows:

Division	Amount (Amounts in Thousands)
Parks Maintenance	$ 70
Telephone	21
Motor Vehicle Maintenance	18
Waste Collection	1
Printing	6
	$ 116

NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters, which the City is responsible for. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2018.

The City provides the choice of two separate health insurance plans to its employees. The Division is charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE J – LEASES

The Division leases the land for various parking facilities to management companies under non-cancelable lease agreements, which expire at various times through the year 2056. Revenues generated from such leases totaled $180,000 in 2018. Future minimum rentals on non-cancelable leases are as follows:

Year	Amount	
	(Amounts in Thousands)	
2019	$	180
2020		180
2021		180
2022		180
2023		180
Thereafter		3,480
	$	4,380

NOTE K – RESTATEMENT

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

	Net Position December 31, 2017	Restatement	Restated Net Position December 31, 2017
	(Amounts In Thousands)		
Beginning net position	$ 33,789	$ (564)	$ 33,225

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
			(Amounts in Thousands)		
Division's Proportion of the Net Pension Liability	0.005965%	0.005756%	0.005975%	0.006017%	0.006017%
Division's Proportionate Share of the Net Pension Liability (Asset)	$ 928	$ 1,304	$ 1,032	$ 723	$ 708
Division's Covered Payroll	$ 715	$ 767	$ 758	$ 750	$ 685
Division's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	129.79%	170.01%	136.15%	96.40%	103.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

Note to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25% and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

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

	2018	2017	2016	2015	2014	2013
	(Amounts in Thousands)					
Contractually Required Contributions	$ 107	$ 93	$ 92	$ 91	$ 90	$ 89
Contributions in Relation to the Contractually Required Contributions	(107)	(93)	(92)	(91)	(90)	(89)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Division's Covered Payroll	$ 764	$ 715	$ 767	$ 758	$ 750	$ 685
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

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

	2018	2017
	(Amounts in Thousands)	
Division's Proportion of the Net OPEB Liability	0.005868%	0.005654%
Division's Proportionate Share of the Net OPEB Liability	$ 637	$ 571
Division's Covered Payroll	$ 715	$ 767
Division's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.09%	74.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.
(2) Information prior to 2017 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:
For 2018, the single discount rate changed from 4.23% to 3.85%.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC WORKS
DIVISION OF PARKING FACILITIES

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

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

	2018	2017	2016
	(Amounts in Thousands)		
Contractually Required Contributions	$ -	$ 7	$ 15
Contributions in Relation to the Contractually Required Contributions	-	(7)	(15)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Division's Covered Payroll	$ 764	$ 715	$ 767
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(2) The OPEB plan includes the members from the Traditional Plan, the Combined Plan and the Member-Directed Plan.
(3) Represents Divison's calendar year. Information prior to 2016 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.