# CITY OF CLEVELAND, OHIO

# CENTRAL COLLECTION AGENCY

**DEPARTMENT OF FINANCE**
**DIVISION OF TAXATION**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**
**For the year ended December 31, 2022**

**CITY OF CLEVELAND, OHIO**

**CENTRAL COLLECTION AGENCY**
**DEPARTMENT OF FINANCE**
**DIVISION OF TAXATION**

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**INDEPENDENT AUDITOR'S REPORT**

City of Cleveland
Department of Finance
Division of Taxation
Central Collection Agency
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Finance, Division of Taxation, Central Collection Agency:

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the Internal Service and Custodial Funds of the Department of Finance, Division of Taxation, Central Collection Agency of the City of Cleveland, Cuyahoga County, Ohio (the Agency), as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department of Finance, Division of Taxation, Central Collection Agency of the City of Cleveland as of December 31, 2022, and the respective changes in financial position and where applicable, cash flows, thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America

***Basis for Opinions***

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

***Emphasis of Matter***

*Presentation*

As discussed in Note A, the financial statements of the Department of Finance, Division of Taxation, Central Collection Agency of the City of Cleveland, are intended to present the financial position, the changes in financial position, and where applicable cash flows**,** of only that portion of the aggregate remaining fund information of the City of Cleveland that is attributable to the transactions of the Department of Finance, Division of Taxation, Central Collection Agency. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2022, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

***Required Supplementary Information***

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

***Supplementary information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Cash Receipts and Distribution of Funds, the Schedule of Allocation of Net Operating Expenses, and the Schedule of Income Taxes Receivable (the schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Keith Faber
Auditor of State
Columbus, Ohio

June 28, 2023

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GENERAL

As management of the City of Cleveland's (the City) Department of Finance, Division of Taxation, Central Collection Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the year ended December 31, 2022. Please read this information in conjunction with the Agency's financial statements and footnotes starting on page 14.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland's Income Tax Ordinance providing the City's Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide a central income tax collection facility. Initially, in 1966, the Agency provided service for 14 member communities. By 2022, the Agency was providing a full range of tax collection services for 64 member communities throughout 34 Ohio counties. The Agency employs an average of 100 individuals to process approximately 700,000 returns, estimated payments and tax assessments.

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

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources for the internal service fund of the Agency are $4,601,162 and $3,987,000 at December 31, 2022 and 2021, respectively. The Agency's total assets and deferred outflows of resources increased by $614,162 in 2022.

- The charges for services are $10,022,859 and $9,780,142 at December 31, 2022 and 2021, respectively.

- The Agency's total operating expenses were $7,520,827 in 2022 and $6,215,967 in 2021. In 2022, operating expenses consisted of $3,742,912 for employee's wages and benefits, $1,530,148 for allocated charges and $2,247,767 for other expenses.

- The Agency provides the opportunity for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the operating expenses of the Agency to be reduced by interest income. The Agency's member municipalities also benefit by the Agency printing, mailing and delivering large volumes of income tax information and forms in bulk to local community public buildings and their taxpayers. This information is also available on the Agency's website – www.ccatax.ci.cleveland.oh.us.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements of the Agency can be found on pages 14-19 this report.

The notes to the financial statements and accompanying schedules provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements, required supplementary information, and supplementary information can be found on pages 21-49 of this report.

## CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the internal service of the Agency as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $ 2,079,340 | $ 2,233,781 |
| Prepaid expenses | 49,296 | 39,823 |
| Capital assets, net of accumulated depreciation | 73,169 | 113,735 |
| Net pension asset | 120,354 | 88,782 |
| Net OPEB asset | 1,004,605 | 561,876 |
| Total assets | 3,326,764 | 3,037,997 |
| Deferred outflows of resources | 1,274,398 | 949,003 |
| Liabilities: | | |
| Accounts payable | 449,754 | 114,449 |
| Due to CCA custodial fund | 716,292 | 1,238,860 |
| Due to the City of Cleveland | 8,318 | 12,851 |
| Accrued wages and benefits - current | 753,132 | 714,084 |
| Accrued wages and benefits - long-term | 274,309 | 307,095 |
| Net pension liability | 2,833,316 | 4,734,395 |
| Total liabilities | 5,035,121 | 7,121,734 |
| Deferred inflows of resources | 4,512,917 | 4,650,005 |
| Net Position: | | |
| Investment in capital assets | 73,169 | 113,735 |
| Unrestricted | (5,020,045) | (7,898,474) |
| Total net position | $ (4,946,876) | $ (7,784,739) |

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

***Assets:*** The Agency collects and disburses income tax receipts monthly, except for the Cities of Cleveland, Clayton, Montpelier, Riverside and Union that receive advances intermittently during the month; the remaining tax receipts balance is disbursed on the scheduled monthly distribution date. Assets primarily consist of cash on hand. The total assets and deferred outflows of resources were increased by $614,162 in 2022.

***Capital Assets:*** The Agency's capital assets as of December 31, 2022 amounted to $73,169. Capital assets include equipment and vehicles. A summary of the Agency's capital assets during the year ended December 31, 2022 is as follows:

| | Balance January 1, 2022 | Additions | Reductions | Balance December 31, 2022 |
|---|---|---|---|---|
| Furniture, fixtures, equipment and vehicles | $ 411,288 | $ 9,042 | $ | $ 420,330 |
| Total | 411,288 | 9,042 | | 420,330 |
| Less: Accumulated depreciation | (297,553) | (49,608) | | (347,161) |
| Total net capital assets | $ 113,735 | $ (40,566) | $ - | $ 73,169 |

***Liabilities:*** Liabilities primarily consist of amounts due for pension funding responsibilities. During 2022, the net decrease in liabilities resulted from a significant decrease in net pension liability.

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

## CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

As a result of implementing GASB Statement No's 68 & 75, the Agency is reporting net pension liability/(asset) and net OPEB liability/(asset) and deferred inflows/outflows of resources related to pension and OPEB on the accrual basis of accounting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Provided below are the statements of revenue, expenses and changes in net position for the internal service fund of the Agency for the years ended December 31, 2022 and 2021:

| | Internal Service Fund | |
|---|---|---|
| | **2022** | **2021** |
| **Operating Revenues** | | |
| Charges for services | $ 10,022,859 | $ 9,780,142 |
| Total operating revenues | 10,022,859 | 9,780,142 |
| **Operating Expenses** | | |
| Salaries and wages and Employee benefits | 3,742,912 | 3,337,936 |
| Postage and office supplies | 198,702 | 123,824 |
| Allocation of City of Cleveland costs | 1,530,148 | 1,376,001 |
| Other administrative expenses | 1,999,457 | 1,319,253 |
| Property rental | | 6,840 |
| Depreciation | 49,608 | 52,113 |
| Total operating expense | 7,520,827 | 6,215,967 |
| Operating income (loss) | 2,502,032 | 3,564,175 |
| **Non-operating Activity** | | |
| Interest income | 335,831 | 7,894 |
| Other revenue (expense) | | (5,670) |
| **Capital Contributions** | | 5,670 |
| **Change in net position** | 2,837,863 | 3,572,069 |
| **Net position at beginning of year** | (7,784,739) | (11,356,808) |
| **Net position at end of year** | $ (4,946,876) | $ (7,784,739) |

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

***Operating Revenues:*** In 2022, charges for services increased by $242,717. Charges for services are shared proportionately among all the members.

***Operating Expenses:*** Salaries and wages and Employee benefits increased by $404,976 as a result of a large increase in net OPEB expense. Other administrative expenses increased by $680,204 as a result of an increase in professional services expense for enhancements to the CCA website and electronic filing services.

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

# FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION**
**INTERNAL SERVICE FUND**
**December 31, 2022**

| | | |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents | $ | 2,079,340 |
| Prepaid expenses | | 49,296 |
| **TOTAL CURRENT ASSETS** | | 2,128,636 |
| **CAPITAL ASSETS:** | | |
| Furniture, fixtures, equipment and vehicles | | 420,330 |
| Less: Accumulated depreciation | | (347,161) |
| **CAPITAL ASSETS, NET** | | 73,169 |
| **NONCURRENT ASSETS:** | | |
| Net pension asset | | 120,354 |
| Net OPEB asset | | 1,004,605 |
| **TOTAL NONCURRENT ASSETS** | | 1,124,959 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension | | 1,258,580 |
| OPEB | | 15,818 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | | 1,274,398 |

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

**STATEMENT OF NET POSITION**
**INTERNAL SERVICE FUND**
**December 31, 2022**

| | | |
|---|---|---|
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ | 449,754 |
| Due to CCA custodial fund | | 716,292 |
| Due to the City of Cleveland | | 8,318 |
| Accrued wages and benefits - current | | 753,132 |
| **TOTAL CURRENT LIABILITIES** | | 1,927,496 |
| **LONG-TERM LIABILITIES** | | |
| Net pension liability | | 2,833,316 |
| Accrued wages and benefits | | 274,309 |
| **TOTAL LONG-TERM LIABILITIES** | | 3,107,625 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension | | 3,474,956 |
| OPEB | | 1,037,961 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | | 4,512,917 |
| **NET POSITION** | | |
| Investment in capital assets | | 73,169 |
| Unrestricted | | (5,020,045) |
| **TOTAL NET POSITION** | $ | (4,946,876) |

See notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**INTERNAL SERVICE FUND**
**For the Year Ended December 31, 2022**

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for services | | $ 10,022,859 |
| | **TOTAL OPERATING REVENUES** | 10,022,859 |
| **OPERATING EXPENSES** | | |
| Salaries and wages and Employee benefits | | 3,742,912 |
| Postage and office supplies | | 198,702 |
| Allocation of City of Cleveland costs | | 1,530,148 |
| Other administrative expenses | | 1,999,457 |
| Depreciation | | 49,608 |
| | **TOTAL OPERATING EXPENSES** | 7,520,827 |
| | **OPERATING INCOME (LOSS)** | 2,502,032 |
| **NON-OPERATING ACTIVITY** | | |
| Interest income | | 335,831 |
| | **CHANGE IN NET POSITION** | 2,837,863 |
| | **NET POSITION AT BEGINNING OF YEAR** | (7,784,739) |
| | **NET POSITION AT END OF YEAR** | $ (4,946,876) |

See notes to financial statements.

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

**STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND**
**For the Year Ended December 31, 2022**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from member municipalities | $ 9,500,291 |
| Cash payments to suppliers of goods and services | (3,397,535) |
| Cash payments for employee services and benefits | (6,583,986) |
| **NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES** | (481,230) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Acquisition of capital assets | (9,042) |
| **NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES** | (9,042) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest earned on investments | 335,831 |
| **NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES** | 335,831 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (154,441) |
| Cash and cash equivalents at beginning of year | 2,233,781 |
| Cash and cash equivalents at end of year | $ 2,079,340 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS** | |
| Operating income (loss) | $ 2,502,032 |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | |
| Depreciation | 49,608 |
| Changes in assets: | |
| Prepaid expense | (9,473) |
| Net pension asset | (31,572) |
| Net OPEB asset | (442,729) |
| Changes in deferred outflows of resources: | |
| Pension | (591,570) |
| OPEB | 266,175 |
| Changes in liabilities: | |
| Accounts payable | 335,305 |
| Due to CCA custodial fund | (522,568) |
| Due to City of Cleveland | (4,533) |
| Accrued wages and benefits | 6,262 |
| Net pension liability | (1,901,079) |
| Changes in deferred inflows of resources: | |
| Pension | 871,229 |
| OPEB | (1,008,317) |
| Total adjustments | (2,983,262) |
| **NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES** | $ (481,230) |

See notes to financial statements.

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

## STATEMENT OF FIDUCIARY NET POSITION
## CUSTODIAL FUNDS
## December 31, 2022

| | | |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 14,109,988 |
| Taxes receivable | | 92,327,818 |
| Due from CCA internal service fund | | 716,292 |
| Due from member municipalities | | 671,777 |
| Total assets | | 107,825,875 |
| | | |
| **Liabilities** | | |
| Due to the City of Cleveland | $ | 85,794,669 |
| Due to member municipalities | | 22,031,206 |
| Total liabilities | | 107,825,875 |
| | | |
| **Net Position** | $ | - |

See notes to financial statements.

## CITY OF CLEVELAND, OHIO

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## CUSTODIAL FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2022

| | Central Collection Agency |
|---|---|
| **Additions** | |
| Income tax collected for other governments | $ 605,409,686 |
| Total additions | 605,409,686 |
| **Deductions** | |
| Payments of income tax to other governments | 605,409,686 |
| Total deductions | 605,409,686 |
| Change in net position | - |
| Net position, beginning of year | - |
| Net position, end of year | $ - |

See notes to financial statements.

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

## NOTES TO FINANCIAL STATEMENTS
## For the Year Ended December 31, 2022

### NOTE A - DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

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

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

The following fund types are used by the Agency:

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

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

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Agency's net position is accounted for in the accompanying statement of net position and is divided into amounts in investment in capital assets and unrestricted. The negative unrestricted amount is primarily the unfunded net pension and OPEB liabilities/(assets) and will not be passed along to members of the Agency.

***Basis of Accounting****:* All financial transactions of the Agency are reported on the accrual basis of accounting. Under this accounting method, assets and the related liabilities at the end of the year primarily consist of individual income taxes receivable arising from payroll tax withholdings in December and a receivable for quarterly and annual payments of income taxes pertaining to net profits, self-employment and residents' taxes earned in the prior years. Financial transactions for the internal service fund are reported on the accrual basis of accounting; revenues are recognized when earned and measurable and expenses are recognized as incurred.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For accounting purposes, the operations of the internal service fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities, the economic resources measurement focus is used.

***Supplies:*** Supplies are expensed when purchased.

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

For purposes of this statement, cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased and all of the Agency's share of the City of Cleveland's pooled cash accounts.

***Allocation of Expenses:*** The Agency allocates all operating expenses, net of interest income and changes to unfunded pension and OPEB liabilities/(assets), to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

***Allocation of Interest Income:*** Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue. The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date and accordingly, interest income is allocated exclusively to the other members.

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

The Agency has invested funds in STAR Ohio during 2022. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* for the purpose of measuring the value of shares in STAR Ohio. The Agency measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

| | |
|---|---|
| Furniture, fixtures, equipment and vehicles | 3 to 60 years |

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

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

***Compensated Absences:*** The Agency accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. Normally, all vacation time is to be taken in the year available. The Agency allows employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

## NOTE C – LONG TERM LIABILITIES

Summary: Changes in long-term obligations for the Internal Service Fund for the year ended December 31, 2022 are as follows:

| | January 1, 2022 | Increase | Decrease | December 31, 2022 | One Year |
|---|---|---|---|---|---|
| Accrued wages and benefits | $ 1,021,179 | $ 720,346 | $ (714,084) | $ 1,027,441 | $ 753,132 |
| Net pension liability | 4,734,395 | | (1,901,079) | 2,833,316 | |
| Total | $ 5,755,574 | $ 720,346 | $ (2,615,163) | $ 3,860,757 | $ 753,132 |

## NOTE D - DEPOSITS AND INVESTMENTS

***Deposits:*** The carrying amount of the Agency's deposits at December 31, 2022 totaled $2,841,408 and the Agency's bank balances were $4,513,716. The differences represent outstanding warrants payable, positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $4,513,716 of the bank balances at December 31, 2022, respectively, was insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

Generally, investments are recorded in segregated accounts and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the Agency, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

***Credit Risk:*** The Agency's investments as of December 31, 2022 include STAR Ohio and money market mutual funds. Investments in STAR Ohio and the Federated Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by S&P Global. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

***Concentration of Credit Risk:*** The Agency places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Agency had the following investments at December 31, 2022, which include those classified as cash and cash equivalents in the statement of net position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

| Type of Investment | 2022 Value | 2022 Cost | Investment Maturities Less Than One Year |
|---|---|---|---|
| STAR Ohio | $ 2,049,593 | $ 2,049,593 | $ 2,049,593 |
| Money Market Mutual Funds | 11,298,327 | 11,298,327 | 11,298,327 |
| Total Investments | 13,347,920 | 13,347,920 | 13,347,920 |
| Total Deposits | 2,841,408 | 2,841,408 | 2,841,408 |
| Total Deposits and Investments | $ 16,189,328 | $ 16,189,328 | $ 16,189,328 |

These amounts are monies invested by the City Treasurer on behalf of the Agency and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value. Monies due to member agencies are disbursed from these funds on a monthly basis.

As of December 31, 2022, the investments in STAR Ohio and money market mutual funds are approximately 15.4% and 84.6%, of the Agency's total investments.

**NOTES TO FINANCIAL STATEMENTS (Continued)**
**For the Year Ended December 31, 2022**

## NOTE E - CAPITAL ASSETS

***Capital Asset Activity:*** Capital Asset Activity for the Internal Service Fund for the year ended December 31, 2022 was as follows:

| | Balance January 1, 2022 | Additions | Reductions | Balance December 31, 2022 |
|---|---|---|---|---|
| Capital assets, being depreciated | | | | |
| Furniture, fixtures, equipment and vehicles | $ 411,288 | $ 9,042 | $ - | $ 420,330 |
| Total capital assets, being depreciated | 411,288 | 9,042 | | 420,330 |
| Less: Total accumulated depreciation | (297,553) | (49,608) | | (347,161) |
| Total capital assets, being depreciated, net | 113,735 | (40,566) | | 73,169 |
| Capital assets, net | $ 113,735 | $ (40,566) | $ - | $ 73,169 |

## NOTE F - DUE TO AND DUE FROM TRANSACTIONS

During the course of normal operations, the Agency has numerous transactions between its own funds and the municipalities which it serves, including transfers of resources to provide services. Such transactions are generally reflected as due to or due from account balances in the accompanying financial statements.

Individual due to and due from and certain payable balances as of December 31, 2022 are as follows:

| | Internal Service Fund | Custodial Fund | Total |
|---|---|---|---|
| Due from CCA internal service fund | $ | $ 716,292 | $ 716,292 |
| Due from member municipalities | | 671,777 | 671,777 |
| **Total Due From** | $ - | $ 1,388,069 | $ 1,388,069 |
| Due to CCA custodial fund | $ 716,292 | $ | $ 716,292 |
| Due to the City of Cleveland | 8,318 | 85,794,669 | 85,802,987 |
| Due to member municipalities | | 22,031,206 | 22,031,206 |
| **Total Due To** | $ 724,610 | $ 107,825,875 | $ 108,550,485 |

## NOTE G - DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

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

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

**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

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

## NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Agency's contractually required contribution was $668,006 for 2022. All required payments have been made.

***Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***: The net pension liability/(asset) for OPERS was measured as of December 31, 2021 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability/(asset) was based on the Agency's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | Traditional | Combined |
|---|---|---|
| Proportionate Share of the Net Pension Liability/(Asset) | $ 2,833,316 | $ (120,354) |
| Proportion of the Net Pension Liability/(Asset) | 0.032565% | 0.030546% |
| Change in Proportion | 0.000593% | (0.000210)% |
| Pension Expense | $ (414,050) | $ (4,938) |

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

| | Traditional | Combined |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Differences between expected and actual economic experience | $ 144,438 | $ 747 |
| Changes in assumptions | 354,304 | 6,048 |
| Change in Agency's proportionate share and difference in employer contributions | 83,737 | 1,300 |
| Agency's contributions subsequent to the measurement date | 647,346 | 20,660 |
| **Total Deferred Outflows of Resources** | $ 1,229,825 | $ 28,755 |
| | | |
| **Deferred Inflows of Resources** | | |
| Differences between expected and actual economic experience | $ 62,142 | $ 13,461 |
| Net difference between projected and actual earnings on pension plan investments | 3,370,127 | 25,802 |
| Change in Agency's proportionate share and difference in employer contributions | | 3,424 |
| **Total Deferred Inflows of Resources** | $ 3,432,269 | $ 42,687 |

**NOTES TO FINANCIAL STATEMENTS (Continued)**
**For the Year Ended December 31, 2022**

## NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

The $668,006 reported as deferred outflows of resources related to pension resulting from the Agency's contributions subsequent to the measurement date which will be recognized as a reduction/(increase) of the net pension liability/(asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | Traditional | Combined |
|---|---|---|
| 2023 | $ (383,054) | $ (8,392) |
| 2024 | (1,138,173) | (11,416) |
| 2025 | (792,453) | (7,630) |
| 2026 | (536,110) | (5,715) |
| 2027 | | (950) |
| Thereafter | | (489) |
| Total | $ (2,849,790) | $ (34,592) |

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Valuation Date | December 31, 2021 |
| Wage Inflation | 2.75% |
| Future Salary Increases, including wage inflation | |
| Traditional | 2.75 to 10.75% |
| Combined | 2.75 to 8.25% |
| COLA or Ad Hoc COLA | 2.75%, simple<br>Pre 1/7/2013 retirees: 3%, simple<br>Post 1/7/2013 retirees: 3%, simple through 2022, then 2.05%, simple |
| Investment Rate of Return | 6.90% |
| Actuarial Cost Method | Individual Entry Age |

## NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

***Discount Rate:*** The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)

***Sensitivity of the Agency's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:*** The following table presents the Agency's proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.90% as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|---|---|---|---|
| Agency's proportionate share of the net pension liability/(asset): | | | |
| Traditional Pension Plan | $ 7,470,162 | $ 2,833,316 | $ (1,025,157) |
| Combined Pension Plan | (89,806) | (120,354) | (144,178) |

## NOTE H – DEFINED BENEFIT OPEB PLANS

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

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

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

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

**NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

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

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

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

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

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

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans in 2022. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

**NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)**

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

***OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Agency's proportion of the net OPEB liability/(asset) was based on the Agency's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS |
|---|---|
| Proportionate Share of the Net OPEB Liability/(Asset) | $ (1,004,605) |
| Proportion of the Net OPEB Liability/(Asset) | 0.032074% |
| Change in Proportionate Share | 0.000536% |
| OPEB Expense | $ (854,414) |

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

| | OPERS |
|---|---|
| **Deferred outflows:** | |
| Change in Agency's proportionate share and difference in employer contributions | $ 15,818 |
| **Total deferred outflows** | $ 15,818 |
| | |
| **Deferred inflows:** | |
| Differences between expected and actual experience | $ 152,383 |
| Net difference between projected and actual earnings on OPEB plan investment | 478,925 |
| Change in assumptions | 406,653 |
| **Total deferred inflows** | $ 1,037,961 |

## NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

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

| Year Ending December 31: | OPERS |
|---|---|
| 2023 | $ (629,206) |
| 2024 | (219,513) |
| 2025 | (104,643) |
| 2026 | (68,781) |
| Total | $ (1,022,143) |

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

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

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

## NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

**NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| Agency's proportionate share of the net OPEB liability/(asset) | $ (590,802) | $ (1,004,605) | $ (1,348,068) |

## NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

| | 1% Decrease (2.50%) | Current Health Care Cost Trend Rate Assumption (3.50%) | 1% Increase (4.50%) |
|---|---|---|---|
| Agency's proportionate share of the net OPEB liability/(asset) | $ (1,015,461) | $ (1,004,605) | $ (991,727) |

## NOTE I - RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. These costs, as reported in the statement of revenues and expenses and changes in net position of the internal service fund for the year ended December 31, 2022 were as follows:

| | |
|---|---|
| City Administration | $ 578,176 |
| Office Rent | 425,000 |
| Telephone | 47,736 |
| Utilities | 172,513 |
| Parking Facilities | 1,320 |
| Printing Services | 300,626 |
| Motor Vehicle Maintenance | 4,777 |
| Total | $ 1,530,148 |

## NOTE J - DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $671,777 at December 31, 2022 as accrued wages and benefits. These amounts are recorded as due from member municipalities in the custodial fund.

## NOTE K - CONTINGENT LIABILITIES AND RISK MANAGEMENT

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

***Risk Management:*** The Agency is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2022.

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

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards.

Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims.

Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Agency is immaterial.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

| | Agency's Proportion of the Net Pension Liability/(Asset) | Agency's Proportionate Share of the Net Pension Liability/(Asset) | Agency's Covered Payroll | Agency's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset) |
|---|---|---|---|---|---|
| Traditional: | | | | | |
| 2014 | 0.030085% | $ 3,541,261 | $ 3,409,992 | 103.85% | 0.86 |
| 2015 | 0.030085 | 3,617,001 | 3,764,833 | 96.07 | 86.45 |
| 2016 | 0.033857 | 5,365,647 | 4,316,792 | 124.30 | 81.08 |
| 2017 | 0.032616 | 6,906,177 | 4,326,558 | 159.62 | 77.25 |
| 2018 | 0.033800 | 4,774,282 | 4,565,446 | 104.57 | 84.66 |
| 2019 | 0.036162 | 9,072,105 | 5,124,500 | 177.03 | 74.70 |
| 2020 | 0.035740 | 6,357,970 | 5,084,007 | 125.06 | 82.17 |
| 2021 | 0.031972 | 4,734,395 | 4,919,314 | 96.24 | 86.88 |
| 2022 | 0.032565 | 2,833,316 | 4,689,600 | 60.42 | 92.62 |
| Combined: | | | | | |
| 2021 | 0.030756 | (88,782) | 4,919,314 | (1.80) | 157.67 |
| 2022 | 0.030546 | (120,354) | 4,689,600 | (2.57) | 169.88 |

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

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

**Notes to Schedule:**

*Change in assumptions.* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following was the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following was the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%. There were no changes in assumptions in 2020 and 2021. For 2022, the most significant changes of assumptions that affected the total pension liability/(asset) since the prior measurement date was the assumed rate of return and discount rate were reduced from 7.2% down to 6.9%.

In 2021, the Agency presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

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

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

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

| | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Agency's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2013 | $ 443,299 | $ (443,299) | $ - | $ 3,409,992 | 13.00 % |
| 2014 | 451,780 | (451,780) | - | 3,764,833 | 12.00 |
| 2015 | 518,015 | (518,015) | - | 4,316,792 | 12.00 |
| 2016 | 519,187 | (519,187) | - | 4,326,558 | 12.00 |
| 2017 | 593,508 | (593,508) | - | 4,565,446 | 13.00 |
| 2018 | 717,430 | (717,430) | - | 5,124,500 | 14.00 |
| 2019 | 711,761 | (711,761) | - | 5,084,007 | 14.00 |
| 2020 | 688,704 | (688,704) | - | 4,919,314 | 14.00 |
| 2021 | 656,544 | (656,544) | - | 4,689,600 | 14.00 |
| 2022 | 668,006 | (668,006) | - | 4,771,471 | 14.00 |

(1) Represents Agency's calendar year.

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

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

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

| | Agency's Proportion of the Net OPEB Liability/(Asset) | Agency's Proportionate Share of the Net OPEB Liability/ (Asset) | Agency's Covered Payroll | Agency's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset) |
|---|---|---|---|---|---|
| 2017 | 0.032039 % | $ 3,236,001 | $ 4,326,558 | 74.79 % | 54.04 % |
| 2018 | 0.033251 | 3,610,773 | 4,565,446 | 79.09 | 54.14 |
| 2019 | 0.033755 | 4,400,808 | 5,124,500 | 85.88 | 46.33 |
| 2020 | 0.033288 | 4,597,992 | 5,084,007 | 90.44 | 47.80 |
| 2021 | 0.031538 | (561,876) | 4,919,314 | (11.42) | 115.57 |
| 2022 | 0.032074 | (1,004,605) | 4,689,600 | (21.42) | 128.23 |

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

**Note to Schedule:**

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

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset.

In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

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

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

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

| | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Agency's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2016 | $ 86,531 | $ (86,531) | $ - | $ 4,326,558 | 2.00 % |
| 2017 | 45,654 | (45,654) | - | 4,565,446 | 1.00 |
| 2018 | - | - | - | 5,124,500 | 0.00 |
| 2019 | - | - | - | 5,084,007 | 0.00 |
| 2020 | - | - | - | 4,919,314 | 0.00 |
| 2021 | 5,252 | (5,252) | - | 4,689,600 | 0.00 |
| 2022 | - | - | - | 4,771,471 | 0.00 |

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

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

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

**CITY OF CLEVELAND**
**CENTRAL COLLECTION AGENCY**
**DIVISION OF TAXATION**

**SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS**
**FOR YEAR ENDED DECEMBER 31, 2022**

| Members | Balance Collected and Due Members January 1, 2022 | Cash Receipts Net | Total Cash Receipts | Cash Disbursed | Allocation of Net Operating Expenses | Total Disbursements and Expenses | Balance Collected And Due Members December 31, 2022 |
|---|---|---|---|---|---|---|---|
| AKRON | $ 33.75 | $ 325.00 | $ 358.75 | $ 238.75 | $ 81.25 | $ 320.00 | $ 38.75 |
| ALLIANCE | 37.50 | 450.00 | 487.50 | 377.50 | 112.50 | 490.00 | (2.50) |
| BURTON | 110,063.95 | 1,001,995.95 | 1,112,059.90 | 1,000,348.88 | 40,071.62 | 1,040,420.50 | 71,639.40 |
| CHILLICOTHE | (22.87) | | (22.87) | | | | (22.87) |
| CLAYTON | 376,169.99 | 5,390,543.01 | 5,766,713.00 | 5,358,651.10 | 209,328.40 | 5,567,979.50 | 198,733.50 |
| CLEVELAND | 16,008,049.83 | 525,495,539.78 | 541,503,589.61 | 523,368,850.21 | 8,067,463.19 | 531,436,313.40 | 10,067,276.21 |
| DALTON | 32,435.65 | 707,217.70 | 739,653.35 | 682,434.67 | 29,450.69 | 711,885.36 | 27,767.99 |
| DAYTON | 23.34 | 80.00 | 103.34 | 73.34 | 20.00 | 93.34 | 10.00 |
| DRESDEN | 28,418.72 | | 28,418.72 | 28,418.72 | | 28,418.72 | - |
| ELIDA | 35,994.74 | 596,221.73 | 632,216.47 | 553,435.60 | 39,436.47 | 592,872.07 | 39,344.40 |
| ENGLEWOOD | (112.26) | | (112.26) | | | | (112.26) |
| GENEVA-ON-THE-LAKE | 17,539.73 | 296,610.46 | 314,150.19 | 282,866.22 | 18,222.02 | 301,088.24 | 13,061.95 |
| GERMANTOWN | 217,822.79 | 2,251,811.87 | 2,469,634.66 | 2,202,344.44 | 104,184.46 | 2,306,528.90 | 163,105.76 |
| GRAND RAPIDS | 9,841.41 | 255,960.50 | 265,801.91 | 242,618.78 | 27,519.46 | 270,138.24 | (4,336.33) |
| GRAND RIVER | 41,499.89 | 447,102.00 | 488,601.89 | 448,719.76 | 9,825.51 | 458,545.27 | 30,056.62 |
| HAMILTON | 1,126,644.49 | | 1,126,644.49 | 1,126,644.49 | | 1,126,644.49 | 0.00 |
| HARTVILLE | (146.28) | | (146.28) | | | | (146.28) |
| HIGHLAND HILLS | 495,222.82 | 4,315,798.76 | 4,811,021.58 | 4,453,291.26 | 38,303.72 | 4,491,594.98 | 319,426.60 |
| LAKEWOOD | (3.00) | | (3.00) | | | | (3.00) |
| LINNDALE | 4,028.39 | 58,241.90 | 62,270.29 | 54,865.44 | 2,281.60 | 57,147.04 | 5,123.25 |
| LORAIN | (333.87) | | (333.87) | | | | (333.87) |
| MARBLE CLIFF | 117,357.34 | 1,818,221.81 | 1,935,579.15 | 1,790,204.91 | 26,636.94 | 1,816,841.85 | 118,737.30 |
| MENTOR-ON-THE-LAKE | 93,654.55 | 1,468,660.91 | 1,562,315.46 | 1,377,178.88 | 76,062.08 | 1,453,240.96 | 109,074.50 |
| MONTGOMERY | (715.26) | | (715.26) | | | | (715.26) |
| MONTPELIER | 99,560.91 | 2,245,111.98 | 2,344,672.89 | 2,196,888.27 | 54,704.71 | 2,251,592.98 | 93,079.91 |
| MUNROE FALLS | 124,359.74 | 2,025,299.91 | 2,149,659.65 | 1,906,165.32 | 82,069.75 | 1,988,235.07 | 161,424.58 |
| NEW CARLISLE | 141,779.18 | 1,993,603.65 | 2,135,382.83 | 1,892,093.51 | 95,522.95 | 1,987,616.46 | 147,766.37 |
| NEW MADISON | 9,651.97 | 182,240.78 | 191,892.75 | 174,096.95 | 11,990.68 | 186,087.63 | 5,805.12 |
| NEW MIAMI | 6,251.27 | 172,818.11 | 179,069.38 | 155,998.03 | 16,196.43 | 172,194.46 | 6,874.92 |
| NEW PARIS | 15,782.26 | 205,564.79 | 221,347.05 | 191,755.82 | 18,806.95 | 210,562.77 | 10,784.28 |
| NORTH BALTIMORE | 92,241.08 | 1,397,701.11 | 1,489,942.19 | 1,320,288.39 | 58,408.79 | 1,378,697.18 | 111,245.01 |
| NORTH RANDALL | 727,685.49 | 9,031,803.74 | 9,759,489.23 | 8,961,311.66 | 58,672.36 | 9,019,984.02 | 739,505.21 |
| OBETZ | 898,153.74 | 13,089,235.03 | 13,987,388.77 | 12,674,469.28 | 126,834.48 | 12,801,303.76 | 1,186,085.01 |
| ORWELL | 101,737.55 | 1,478,357.70 | 1,580,095.25 | 1,440,858.74 | 28,011.28 | 1,468,870.02 | 111,225.23 |
| PAULDING | 103,401.48 | 1,380,705.94 | 1,484,107.42 | 1,327,799.90 | 60,246.13 | 1,388,046.03 | 96,061.39 |
| PHILLIPSBURG | 1,874.10 | 95,636.55 | 97,510.65 | 87,532.56 | 10,736.60 | 98,269.16 | (758.51) |
| PITSBURG | - | 87,104.07 | 87,104.07 | 80,404.79 | 6,012.79 | 86,417.58 | 686.49 |
| PRAIRIE OBETZ | 447,542.78 | 5,355,014.76 | 5,802,557.54 | 5,352,495.37 | 30,349.77 | 5,382,845.14 | 419,712.40 |
| RIVERSIDE | 376,305.10 | 9,241,715.49 | 9,618,020.59 | 8,751,960.16 | 261,690.59 | 9,013,650.75 | 604,369.84 |
| ROCK CREEK | 4,023.58 | 115,689.00 | 119,712.58 | 105,473.54 | 10,691.22 | 116,164.76 | 3,547.82 |
| RUSHSYLVANIA | 6,191.29 | 90,185.86 | 96,377.15 | 85,046.36 | 7,482.06 | 92,528.42 | 3,848.73 |
| RUSSELLS POINT | 19,809.68 | 386,185.38 | 405,995.06 | 366,964.92 | 26,149.20 | 393,114.12 | 12,880.94 |
| SEVILLE | 123,997.84 | 1,349,426.88 | 1,473,424.72 | 1,281,858.15 | 66,102.50 | 1,347,960.65 | 125,464.07 |
| SHREVE | 25,313.92 | 327,411.55 | 352,725.47 | 316,721.73 | 22,622.95 | 339,344.68 | 13,380.79 |
| SOUTH RUSSELL | 188,205.05 | 2,498,157.65 | 2,686,362.70 | 2,364,056.27 | 89,692.01 | 2,453,748.28 | 232,614.42 |
| SPRINGFIELD | 35.75 | 275.00 | 310.75 | 235.75 | 68.75 | 304.50 | 6.25 |
| STOW | (12.50) | | (12.50) | | | | (12.50) |
| TROTWOOD | (1,081.78) | 6,553.37 | 5,471.59 | 4,691.97 | 1,638.34 | 6,330.31 | (858.72) |
| TROY | (32.00) | | (32.00) | | | | (32.00) |
| UNION | 227,145.43 | 2,542,584.56 | 2,769,729.99 | 2,598,274.01 | 91,302.31 | 2,689,576.32 | 80,153.67 |
| VILLAGE OF OAKWOOD | 9,930.39 | 148,888.05 | 158,818.44 | 140,251.49 | 9,629.10 | 149,880.59 | 8,937.85 |
| WARREN | 20.00 | | 20.00 | 20.00 | | 20.00 | - |
| WAYNESFIELD | 12,330.83 | 135,687.37 | 148,018.20 | 130,316.53 | 10,855.95 | 141,172.48 | 6,845.72 |
| WEST ALEXANDRIA | (1,971.84) | | (1,971.84) | | (1,971.84) | (1,971.84) | - |
| WEST MILTON | 101,542.12 | 1,606,412.79 | 1,707,954.91 | 1,502,588.35 | 79,342.09 | 1,581,930.44 | 126,024.47 |
| TOTALS | $ 22,575,279.75 | $ 601,294,152.45 | $ 623,869,432.20 | $ 598,382,180.77 | $ 10,022,858.81 | $ 608,405,039.58 | $ 15,464,392.62 |

**CITY OF CLEVELAND**
**CENTRAL COLLECTION AGENCY**
**DIVISION OF TAXATION**

**SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES**
**FOR THE ENTIRE YEAR ENDED DECEMBER 31, 2022**

| Members | Cost Allocation Percent | Interest Allocation Percent | Cost Allocation Before Interest Income | Interest Income of Municipalities (Excluding Cleveland) | Allocation of Net Operating Expenses |
|---|---|---|---|---|---|
| AKRON | 0.000000% | 0.000000% | $ 81.25 | $ - | $ 81.25 |
| ALLIANCE | 0.000000% | 0.000000% | 112.50 | | 112.50 |
| BURTON | 0.502827% | 1.325591% | 44,523.37 | 4,451.75 | 40,071.62 |
| CLAYTON | 2.647911% | 7.484048% | 234,462.17 | 25,133.77 | 209,328.40 |
| CLEVELAND | 74.123326% | 0.000000% | 8,067,463.19 | | 8,067,463.19 |
| DALTON | 0.368077% | 0.935312% | 32,591.76 | 3,141.07 | 29,450.69 |
| DAYTON | 0.000000% | 0.000000% | 20.00 | | 20.00 |
| ELIDA | 0.475044% | 0.782191% | 42,063.31 | 2,626.84 | 39,436.47 |
| GENEVA-ON-THE-LAKE | 0.220913% | 0.398713% | 19,561.02 | 1,339.00 | 18,222.02 |
| GERMANTOWN | 1.289620% | 2.979560% | 114,190.75 | 10,006.29 | 104,184.46 |
| GRAND RAPIDS | 0.324186% | 0.353144% | 28,705.43 | 1,185.97 | 27,519.46 |
| GRAND RIVER | 0.133718% | 0.599899% | 11,840.16 | 2,014.65 | 9,825.51 |
| HIGHLAND HILLS | 0.647402% | 5.663911% | 57,324.90 | 19,021.18 | 38,303.72 |
| LINNDALE | 0.028637% | 0.075650% | 2,535.66 | 254.06 | 2,281.60 |
| MARBLE CLIFF | 0.394693% | 2.474927% | 34,948.52 | 8,311.58 | 26,636.94 |
| MENTOR-ON-THE-LAKE | 0.933763% | 1.970930% | 82,681.08 | 6,619.00 | 76,062.08 |
| MONTPELIER | 0.730043% | 2.959136% | 64,642.41 | 9,937.70 | 54,704.71 |
| MUNROE FALLS | 1.031187% | 2.750731% | 91,307.56 | 9,237.81 | 82,069.75 |
| NEW CARLISLE | 1.178063% | 2.617350% | 104,312.83 | 8,789.88 | 95,522.95 |
| NEW MADISON | 0.144643% | 0.243252% | 12,807.60 | 816.92 | 11,990.68 |
| NEW MIAMI | 0.191456% | 0.225182% | 16,952.66 | 756.23 | 16,196.43 |
| NEW PARIS | 0.223027% | 0.280257% | 19,748.14 | 941.19 | 18,806.95 |
| NORTH BALTIMORE | 0.728601% | 1.818165% | 64,514.76 | 6,105.97 | 58,408.79 |
| NORTH RANDALL | 1.108173% | 11.747573% | 98,124.38 | 39,452.02 | 58,672.36 |
| OBETZ | 2.080550% | 17.088961% | 184,224.51 | 57,390.03 | 126,834.48 |
| ORWELL | 0.389319% | 1.923996% | 34,472.66 | 6,461.38 | 28,011.28 |
| PAULDING | 0.749202% | 1.814240% | 66,338.91 | 6,092.78 | 60,246.13 |
| PHILLIPSBURG | 0.126107% | 0.127938% | 11,166.26 | 429.66 | 10,736.60 |
| PITSBURG | 0.072180% | 0.112697% | 6,391.26 | 378.47 | 6,012.79 |
| PRAIRIE OBETZ JEDZ | 0.605575% | 6.929516% | 53,621.25 | 23,271.48 | 30,349.77 |
| RIVERSIDE | 3.415737% | 12.136907% | 302,450.11 | 40,759.52 | 261,690.59 |
| ROCK CREEK | 0.126557% | 0.153323% | 11,206.13 | 514.91 | 10,691.22 |
| RUSHSYLVANIA | 0.088950% | 0.117341% | 7,876.13 | 394.07 | 7,482.06 |
| RUSSELLS POINT | 0.314514% | 0.506135% | 27,848.96 | 1,699.76 | 26,149.20 |
| SEVILLE | 0.814505% | 1.792190% | 72,121.23 | 6,018.73 | 66,102.50 |
| SHREVE | 0.271728% | 0.428042% | 24,060.45 | 1,437.50 | 22,622.95 |
| SOUTH RUSSELL | 1.139123% | 3.326922% | 100,864.85 | 11,172.84 | 89,692.01 |
| SPRINGFIELD | 0.000000% | 0.000000% | 68.75 | | 68.75 |
| TROTWOOD | 0.000000% | 0.000000% | 1,638.34 | | 1,638.34 |
| UNION | 1.158797% | 3.366170% | 102,606.96 | 11,304.65 | 91,302.31 |
| VILLAGE OF OAKWOOD | 0.116161% | 0.195490% | 10,285.62 | 656.52 | 9,629.10 |
| WAYNESFIELD | 0.129325% | 0.177257% | 11,451.24 | 595.29 | 10,855.95 |
| WEST ALEXANDRIA | 0.000000% | 0.000000% | (1,971.84) | | (1,971.84) |
| WEST MILTON | 0.976360% | 2.117353% | 86,452.82 | 7,110.73 | 79,342.09 |
| TOTAL | 100.000000% | 100.000000% | $ 10,358,690.01 | $ 335,831.20 | $ 10,022,858.81 |

**CITY OF CLEVELAND**
**CENTRAL COLLECTION AGENCY**
**DIVISION OF TAXATION**

**SCHEDULE OF INCOME TAXES RECEIVABLE**
**FOR YEAR ENDED DECEMBER 31, 2022**

| | | |
|---|---|---|
| AKRON | $ | 75.00 |
| BURTON | | 207,304.62 |
| CLAYTON | | 1,758,178.17 |
| CLEVELAND | | 75,727,392.67 |
| DALTON | | 67,852.82 |
| ELIDA | | 184,460.88 |
| GENEVA-ON-THE-LAKE | | 77,992.35 |
| GERMANTOWN | | 638,133.83 |
| GRAND RAPIDS | | 87,639.76 |
| GRAND RIVER | | 70,305.28 |
| HIGHLAND HILLS | | 400,115.76 |
| LINNDALE | | 11,528.27 |
| MARBLE CLIFF | | 283,059.03 |
| MENTOR-ON-THE-LAKE | | 387,587.38 |
| MONTPELIER | | 468,683.38 |
| MUNROE FALLS | | 568,724.34 |
| NEW CARLISLE | | 587,535.77 |
| NEW MADISON | | 41,273.96 |
| NEW MIAMI | | 59,466.91 |
| NEW PARIS | | 79,653.00 |
| NORTH BALTIMORE | | 387,195.62 |
| NORTH RANDALL | | 1,389,398.32 |
| OBETZ | | 2,525,516.26 |
| ORWELL | | 227,174.47 |
| PAULDING | | 316,371.19 |
| PHILLIPSBURG | | 37,024.51 |
| PITSBURG | | 12,140.00 |
| PRAIRIE OBETZ | | 467,695.30 |
| RIVERSIDE | | 2,546,692.39 |
| ROCK CREEK | | 33,395.89 |
| RUSSELLS POINT | | 100,370.17 |
| SEVILLE | | 386,021.26 |
| SHREVE | | 97,878.42 |
| SOUTH RUSSELL | | 803,090.95 |
| TROTWOOD | | 50.00 |
| UNION | | 670,236.57 |
| VILLAGE OF OAKWOOD | | 32,852.28 |
| WARREN | | 100.00 |
| WAYNESFIELD | | 35,083.52 |
| WEST MILTON | | 552,567.71 |
| TOTAL | $ | 92,327,818.01 |