CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2021

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

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INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Department of Port Control
Divisions of Cleveland Hopkins International
and Burke Lakefront Airports
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland, Cuyahoga County, Ohio (the Divisions), as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland as of December 31, 2021, and the changes in financial position and its cash flows thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland, are intended to present the financial position, the changes in financial position, and cash flows, of only that portion of the business-type activities and the major fund of the City of Cleveland that is attributable to the transactions of the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2021, 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.

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Divisions' basic financial statements. The Schedule of Airport Revenues and Operating Expenses As Defined in the Airline Use Agreements, the Schedule of Passenger Facility Revenue and Interest and the Schedule of Expenditures of Passenger Facility Charges (the schedules), as required by the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

June 29, 2022

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Port Control, Divisions of Cleveland Hopkins International (CLE) and Burke Lakefront (BKL) Airports (the Divisions), we offer readers of the Divisions' financial statements this narrative overview and analysis of the financial activities of the Divisions for the year ended December 31, 2021. Please read this information in conjunction with the Divisions' basic financial statements and notes that begin on page 18.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airports of the City. The Divisions operate a major public airport and a reliever airport serving not only the City, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2021, the Divisions were served by eight scheduled United States (U.S.) based airlines, one foreign based airlines, ten regional U.S. based airlines, three regularly scheduled charters and five U.S. based all – cargo airlines. There were 37,000 scheduled landings with landed weight amounting to 4,609,992,000 pounds. There were approximately 3,646,000 passengers enplaned at Cleveland Hopkins International Airport and 76,000 passengers enplaned at Burke Lakefront Airport during 2021.

COMPARISON OF CURRENT YEAR AND PREVIOUS YEAR DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Divisions exceeded its liabilities and deferred inflows of resources (net position) by $427,575,000 and $399,951,000 at December 31, 2021 and 2020, respectively. Of these amounts, $137,850,000 and $95,476,000 (unrestricted net position) at December 31, 2021 and 2020, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position increased by $27,624,000 in 2021. The main factor attributed to this increase was decreased operating expenses.

- Additions to construction in progress totaled $24,750,000 in 2021.

- The major capital projects during 2021 were the North Airfield Improvement Projects, Cooling Chiller Replacement, Sanitary Sewer Improvements, the CLE Master Plan, CLE Ground Transportation Center Upgrades, Primary Road Fire and Domestic Waterline Improvements.

- The Divisions' total bonded debt decreased by $44,250,000 in 2021. This was the result of the regularly scheduled principal payments made on the Divisions' outstanding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The basic financial statements of the Divisions can be found on pages 18-23 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25-53 of this report. The required supplementary information can be found on pages 55-58 of this report. The Schedule of Airport Revenues and Operating Expenses as Defined in the Airline Use Agreement can be found on page 59 of this report. The Schedule of Passenger Facility Revenue and Interest Report can be found on page 60 and the Schedule of Passenger Facility Charges can be found on page 61. The remaining Notes to Schedules of Revenue, Interest, and Expenditure of Passenger Facility Charges can be found on page 63. The Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with 14 CFR Part 158 can be found on pages 65-66 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSTION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2021 and 2020:

	2021	2020
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 159,419	$ 132,478
Restricted assets	219,280	224,738
Non-current assets	2,809	
Capital assets, net	709,597	745,315
Total assets	1,091,105	1,102,531
Deferred outflows of resources	20,634	26,586
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	105,209	80,415
Long-term obligations	559,781	638,518
Total liabilities	664,990	718,933
Deferred inflows of resources	19,174	10,233
Net position:		
Net investment in capital assets	147,448	162,024
Restricted for debt service	122,710	123,710
Restricted for capital projects	21	21
Restricted for passenger facility charges	19,546	18,720
Unrestricted	137,850	95,476
Total net position	$ 427,575	$ 399,951

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets and Deferred Outflow of Resources: Total assets and deferred outflows of resources decreased $17,378,000 or 1.5% in 2021. The changes are primarily due to a decrease in capital assets and deferred outflows of resources offset by increases in current assets. Current assets increased as a result of increased cash and cash equivalents resulting from increased cash received from customers. Deferred outflows of resources related to pension and OPEB decreased resulting from changes in assumptions.

Capital Assets: The Divisions' capital assets as of December 31, 2021 amounted to $709,597,000 (net of accumulated depreciation), which is a decrease of 4.8%. These capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; vehicles; and construction in progress. There was a net increase in vehicles of $2,929,000. Furniture, fixtures and equipment had a net decrease of $7,052,000 of which $6,252,000 was attributable to the disposal of snow removal equipment. New snow removal equipment was purchased in 2020. There was an increase in buildings, structures and improvements of $21,332,000, which is due to the completion of the Snow Removal Equipment and Vehicle Maintenance Buildings projects. There was an increase of $7,609,000 in land improvements due to the shoreline restoration at Burke Lakefront Airport.

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2021 is as follows:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021
	(Amounts in Thousands)			
Land	$ 166,882	$	$	$ 166,882
Land improvements	94,931	7,609		102,540
Buildings, structures and improvements	375,034	21,332		396,366
Furniture, fixtures and equipment	106,830	111	(7,163)	99,778
Infrastructure	1,018,128	3,374	(1,253)	1,020,249
Vehicles	19,154	2,970	(41)	22,083
Total	1,780,959	35,396	(8,457)	1,807,898
Less: Accumulated depreciation	(1,148,783)	(61,155)	8,428	(1,201,510)
Total	632,176	(25,759)	(29)	606,388
Construction in progress	113,139	24,750	(34,680)	103,209
Capital assets, net	$ 745,315	$ (1,009)	$ (34,709)	$ 709,597

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2021 affecting the Divisions' capital assets included the following:

- CLE Master Plan: The City of Cleveland began work to develop a new Master Plan for Cleveland Hopkins International Airport. CLE conducted a Master Plan Update in 2012. Since then, the airport has experienced significant changes in passenger traffic, operations, and industry practices and therefore a new plan is needed at this time. An Airport Master Plan is a dynamic, long-term plan that provides a conceptual layout and guidance for future growth and development. It will include airfield planning, terminal planning, landside planning, other facilities and environmental considerations. Work on the new plan began in the fourth quarter of 2019 and continued through 2020 and 2021. The final draft of the plan was completed and submitted to the Federal Aviation Administration (FAA) in August 2021. Final approvals are expected in the fall of 2022.

- Primary Road Fire and Domestic Waterline Improvements: This project consists of rehabilitation of the Primary Road Fire and Domestic Waterline Improvements at CLE. The project consists of removing and replacing the pavement along the south side of Primary Hangar and the installation of new waterlines, sanitary lines and storm sewers associated with the roadway. The project also includes the construction of a new Fire Pump room within Primary Hangar and associated piping to connect the fire pumps to the existing hangar sprinkler system. Work began in 2020 and was mostly completed in 2021. Final work will be completed in the spring of 2022.

- CLE Ground Transportation Center Upgrades Project: This is a design-build project consisting of designing and constructing a new ground transportation center at the north end of the terminal, directly adjacent to the existing terminal. The project includes demolition and removal of existing pavement and other obstructions in the project area. The new facility includes canopies and all major upgrades including underground utilities, electrical, mechanical, plumbing, fire protection, architectural, landscaping, signage and any other necessary systems. Work began in 2020 and was mostly completed in 2021. Final work will be completed in the spring of 2022.

- North Airfield Improvements Projects: This project will look to eliminate two CLE airfield safety-related hot spot locations as determined by the FAA Runway Safety Action Team. This project will provide geometric upgrades to current FAA standards and eliminate direct aircraft access into the runway environment in an effort to greatly enhance safety. There are four construction phases to this project. Phase I was related to the design of the project. Phase II occurred in 2018, focusing on areas on the west side of the airfield only. This phase includes the removal of Taxiway C, which will allow for easier underground utility installation in this area plus enhance safety on the airfield with fewer paved areas. Phase III commenced in 2019, includes removal and replacement of a new Taxiway A. Construction of new Taxiways J3, J4, along with a new midfield access road. It also includes removal of Taxiways R, C, L1. Phase III was substantially completed in 2020. Phase IV took place and was substantially completed in 2021. Final work will be completed in the spring of 2022.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

- Airfield Sanitary Sewer Improvement Project: The project consists of installing new sanitary sewer conduit and decommissioning an existing sanitary sewer conduit. The project has five phases to minimize disruption in airport operations. The new sewer conduit was installed mainly outside of the Airport Operations Area (AOA) with a portion inside of the AOA southeast of Taxiway L. The contractor completed installation of the new sewer line in 2021. The contractor will decommission the existing sewer conduit and sewer vault beginning on the east side of the airfield, moving in phases across the airfield to end at the Perimeter Road on the west side of the airfield in 2022.

- Cooling Chiller Replacement: The purpose of this project is to replace the existing aging Main Terminal Chilled Water Units and associated piping with newer more efficient units and updated automated controls. Additional work performed on this project is the replacement of an existing non-functional cooling tower and associated chiller unit on the Ramp Level of Concourse C located between Gates C-8 and C-10. Work began with the replacement of the cooling tower and removal of the existing chiller unit on Concourse C starting in January of 2021 and ending in August of 2021. Replacement of the Main Terminal Chillers started in November of 2021 and is expected to be mostly completed by spring of 2022.

Additional information on the Divisions' capital assets, including commitments made for future capital expenses can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets to the basic financial statements.

Liabilities: In 2021, total liabilities decreased $53,943,000 or 7.5%. Current liabilities increased $24,794,000 or 30.8% as a result of an increase in the landing fee settlement payable to airlines. The landing fee settlement liability is mostly a result of the net OPEB calculation. The landing fee adjustment without the net OPEB expense was $7,202,000 and the OPEB and pension expense portion was $20,527,000. Long-term liabilities decreased due to decrease in revenue bonds payable and net OPEB liability. The net OPEB reduction is primarily attributed to changes in health care terms and changes in assumptions.

Net Pension/OPEB Liabilities/(Asset): The net pension liability is reported by the Divisions at December 31, 2021 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In 2018, the Divisions adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Divisions' actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows of resources related to pension and OPEB.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

Long-Term Debt: At December 31, 2021 and 2020, the Divisions had $559,680,000 and $603,930,000 respectively, in total bonded debt outstanding. The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture.

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2021 is summarized below:

	Balance January 1, 2021	Debt Issued	Debt Retired	Balance December 31, 2021
	(Amounts in Thousands)			
Airport System Revenue Bonds:				
Series 2006	$ 12,480	$	$ (12,480)	$ -
Series 2007	4,440		(805)	3,635
Series 2011	17,600		(7,575)	10,025
Series 2016	135,155		(3,405)	131,750
Series 2018	101,005		(8,965)	92,040
Series 2019	333,250		(11,020)	322,230
Total	$ 603,930	$ -	$ (44,250)	$ 559,680

The bond ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings are as follows:

Moody's Investors Service	S&P Global Ratings	Fitch Ratings
A2	A-	A-

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

On November 5, 2020, S&P Global Ratings lowered its rating on the Divisions' revenue bonds from A to A- (negative). This downgrade was the result of the impacts on the airline industry from the Covid-19 pandemic.

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Divisions' debt position to management, customers and creditors. The Divisions' revenue bond coverage for 2021 was 143%.

Additional information on the Divisions' long-term debt can be found in Note B – Long-Term Debt and Other Obligations to the basic financial statements.

Net Position: Net position serves as a useful indicator of an entity's financial position. In the case of the Divisions, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $427,575,000 and $399,951,000 at December 31, 2021 and 2020, respectively. Of the Divisions' net position at December 31, 2021 and 2020, $147,448,000 and $162,024,000, respectively, reflects its investment in capital assets (e.g., construction in progress; land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; vehicles; and infrastructure) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Divisions use these capital assets to provide services to their customers. Consequently, these assets are not available for future spending.

Although the Divisions' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Divisions' net position represents resources that are subject to external restrictions. At December 31, 2021 and 2020, the restricted net position amounted to $142,277,000 and $142,451,000, respectively. The restricted net position include amounts set aside in various fund accounts for capital projects and for payment of revenue bonds, which are limited by the bond indentures and passenger facility charges imposed and collected at CLE based on an approved FAA application. Passenger facility charges are restricted for designated capital projects and approved debt service. The remaining balance of unrestricted net position, $137,850,000 and $95,476,000 for December 31, 2021 and 2020, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

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

The Divisions' net position increased by $27,624,000 in 2021. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2021 and 2020:

	2021	2020
	(Amounts in Thousands)	
Operating revenues:		
Landing fees, terminal and concourse rentals	$ 62,581	$ 71,555
Concessions	42,388	28,385
Utility sales and other	6,139	3,148
Total operating revenues	111,108	103,088
Operating expenses	110,723	141,300
Operating income (loss)	385	(38,212)
Non-operating revenue (expense):		
Passenger facility charges revenue	15,337	8,230
Non-operating revenue (expense)	(3,560)	(2,144)
Gain (loss) on disposal of capital asset	370	65
Investment income (loss)	156	1,338
Interest expense	(21,169)	(22,417)
Amortization of bond discounts/premiums and loss on debt refundings	2,002	2,092
Total non-operating revenue (expense), net	(6,864)	(12,836)
Capital and other contributions	34,103	60,282
Change in net position	27,624	9,234
Net position, beginning of year	399,951	390,717
Net position, end of year	$ 427,575	$ 399,951

***Operating Revenues**:* Operating revenues for 2021 were $111,108,000. There was a loss on landing fee revenue. This loss was related to the Divisions having a payable to the airlines at year-end. Scheduled terminal rentals accounted for $49,331,000 or 44.4% of total operating revenues. Parking revenues increased $10,626,000 or 65.8% from 2020 due to an increase in demand for services. Parking revenues amounted to $26,782,000 or 24.1% of total operating revenues for 2021. The fourth largest airport revenue source, rental cars, accounted for 8.8% of total operating revenues. The increases of operating revenues are due to increased passengers and flights.

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

***Operating Expenses**:* Total operating expenses for 2021 decreased $30,577,000 or 21.6%. The decrease is primarily due to reduction in salaries, wages and benefits of $26,827,000 or 70.9%. This is a result of the net pension and OPEB expenses. The Net OPEB expense component of salaries, wages and benefits reduced due to changes in health care terms as well as changes in assumptions.

Non-Operating Revenue: Non-operating revenues increased $6,140,000 or 52.4%. The main factor that attributed to this change was the increase in passenger facility charges of $7,107,000 offset by a decrease in interest income of $1,182,000. Interest rates were lower in 2021 than in 2020.

Non-Operating Expenses: Non-operating expenses increased $168,000 or 0.7%. This increase is attributed to fluctuations in capital and debt service expenses.

Capital and Other Contributions: In 2021 and 2020, the Divisions received $34,103,000 and $60,282,000 respectively, in CARES Act, Airport Coronavirus Response Grant Program (CRRSA), Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer and Canine Grants. In both 2021 and 2020, Airport Improvement Program Grant revenue primarily consisted of proceeds from the 2000, amended in 2017, Letter of Intent and airfield safety improvements.

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS

The recovery in air travel, fueled primarily by leisure market segment, continued through 2021 into 2022. Although rising fuel prices and the emergence of a new COVID-19 variant presented some unexpected headwinds.

Despite the challenges, in-terminal concessions sales increased in 2021. An additional increase in concession sales is projected to occur in 2022.

The rebound in passenger traffic and the overall economic recovery presented some opportunities for new business ventures in 2022. CLE executed a space agreement with Jets FBO, an Ohio based Fixed Base Operator, to expand their operation to CLE. Concessions developer Fraport Cleveland welcomed the opening of The CLE Club (Concourse B). In addition, CLE also entered into an agreement with a new company to redevelop the former 100th Bomber Restaurant into a new event center called the Aviator.

ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

STATEMENT OF NET POSITION
DECEMBER 31, 2021
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 132,621
Restricted cash and cash equivalents	4,745
Receivables:	
Accounts-net of allowance for doubtful accounts of $416	1,032
Unbilled revenue	5,427
Total receivables	6,459
Prepaid expenses	803
Due from other funds	3
Due from other governments	11,654
Materials and supplies-at cost	3,134
TOTAL CURRENT ASSETS	159,419
RESTRICTED ASSETS	
Cash and cash equivalents	217,193
Accrued interest receivable	4
Accrued passenger facility charges	2,083
TOTAL RESTRICTED ASSETS	219,280
NON-CURRENT ASSETS	
Net OPEB asset	2,809
TOTAL NON-CURRENT ASSETS	2,809
CAPITAL ASSETS	
Land	166,882
Land improvements	102,540
Buildings, structures and improvements	396,366
Furniture, fixtures and equipment	99,778
Infrastructure	1,020,249
Vehicles	22,083
	1,807,898
Less: Accumulated depreciation	(1,201,510)
	606,388
Construction in progress	103,209
CAPITAL ASSETS, NET	709,597
TOTAL ASSETS	1,091,105
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	15,510
Pension	3,598
OPEB	1,526
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,634

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

STATEMENT OF NET POSITION
DECEMBER 31, 2021
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	$ 44,575
Accounts payable	8,914
Landing fee settlement payable to airlines	27,729
Due to other funds	760
Current portion of accrued wages and benefits	3,392
Accrued interest payable	10,584
Accrued property taxes	4,510
Construction fund payable from restricted assets	4,745
TOTAL CURRENT LIABILITIES	105,209
LONG-TERM OBLIGATIONS - excluding amounts due within one year	
Revenue bonds	535,533
Net pension liability	23,087
Accrued wages and benefits	1,161
TOTAL LONG-TERM OBLIGATIONS	559,781
TOTAL LIABILITIES	664,990
DEFERRED INFLOWS OF RESOURCES	
Pension	10,588
OPEB	8,586
TOTAL DEFERRED INFLOWS OF RESOURCES	19,174
NET POSITION	
Net investment in capital assets	147,448
Restricted for debt service	122,710
Restricted for capital projects	21
Restricted for passenger facility charges	19,546
Unrestricted	137,850
TOTAL NET POSITION	$ 427,575

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021
(Amounts in Thousands)

OPERATING REVENUES	
Landing fees, terminal rentals, and concourse rentals:	
Scheduled airlines	$ 47,450
Other	15,131
	62,581
Concessions	42,388
Utility sales and other	6,139
TOTAL OPERATING REVENUES	111,108
OPERATING EXPENSES	
Operations	45,776
Maintenance	3,792
Depreciation	61,155
TOTAL OPERATING EXPENSES	110,723
OPERATING INCOME (LOSS)	385
NON-OPERATING REVENUE (EXPENSE)	
Passenger facility charges revenue	15,337
Non-operating revenue (expense)	(3,560)
Gain (loss) on disposal of capital asset	370
Investment income (loss)	156
Interest expense	(21,169)
Amortization of bond discounts/premiums and loss on debt refundings	2,002
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(6,864)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(6,479)
Capital and other contributions	34,103
INCREASE (DECREASE) IN NET POSITION	27,624
NET POSITION, BEGINNING OF YEAR	399,951
NET POSITION, END OF YEAR	$ 427,575

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 138,035
Cash payments to suppliers for goods and services	(41,498)
Cash payments to employees for services	(31,898)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	64,639
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(28,288)
Cash receipts for passenger facility charges	14,320
Principal paid on long-term debt	(44,250)
Interest paid on long-term debt	(22,222)
Capital grant proceeds	30,310
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(50,130)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	156
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	156
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,665
Cash and cash equivalents, beginning of year	339,894
Cash and cash equivalents, end of year	$ 354,559

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	$ 385
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	61,155
Changes in assets:	
Accounts receivables	813
Unbilled revenue	(2,307)
Prepaid expenses	(119)
Due from other City of Cleveland departments, divisions or funds	(1)
Materials and supplies, at cost	(393)
Net OPEB asset	(2,809)
Changes in deferred outflows of resources:	
Pension	1,525
OPEB	1,873
Changes in liabilities:	
Accounts payable	2,090
Due to other City of Cleveland departments, divisions or funds	(495)
Accrued wages and benefits	(321)
Landing fee adjustment	24,365
Accrued property taxes	(6)
Net pension liability	(7,838)
Net OPEB liability	(22,219)
Changes in deferred inflows of resources:	
Pension	3,664
OPEB	5,277
TOTAL ADJUSTMENTS	64,254
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 64,639

Schedule of Noncash Capital and Related Financing Activities:	
Accounts payable related to capital assets	$ 4,745

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Divisions of Cleveland Hopkins International and Burke Lakefront Airports (the Divisions) are reported as an Enterprise Fund of the City of Cleveland, Department of Port Control and are part of the City of Cleveland's (the City) primary government. The Divisions were created for the purpose of operating the airports within the Cleveland Metropolitan Area. The following is a summary of the more significant accounting policies.

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

In June of 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. This Statement is effective for the reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost. As required, the Divisions have implemented GASB Statement No. 89 as of December 31, 2021.

In March of 2020, GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR),* was issued. This Statement is effective for reporting periods beginning after June 15, 2020. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The Divisions have determined that GASB Statement No. 93 has no impact on its financial statements as of December 31, 2021.

The Divisions' net position accounted for in the accompanying statement of net position and the net position is divided into the following categories:

- Net investment in capital assets
- Amount restricted for capital projects
- Amount restricted for debt service
- Amount restricted for passenger facility charges
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Divisions is included in these notes.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Divisions have invested funds in STAR Ohio during 2021. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Divisions measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted for Passenger Facility Charges: These assets are for passenger facility charges imposed and collected at CLE based on an approved FAA application. These are restricted for designated capital projects or debt service.

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

Land Improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures and equipment	3 to 35 years
Infrastructure	3 to 50 years
Vehicles	3 to 35 years

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

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

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

Environmental Expenses: Environmental expenses consist of costs incurred for remediation efforts to airport property. Environmental expenses that relate to current operations are expensed or capitalized, as appropriate. Environmental expenses that relate to existing conditions caused by past operations and which do not contribute to future revenues are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Non-Operating Revenues (Expenses): Non-operating expenses relate to expenses of the Divisions incurred for purposes other than the operations of the airports and consist primarily of interest costs incurred on the Divisions' long-term debt. The funding for non-operating expenses is non-operating revenue (passenger facility charges, revenue bonds and federal grants).

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2021 is as follows:

	Interest Rate	Original Issuance	2021
		(Amounts in Thousands)	
Airport System Revenue Bonds:			
Series 2007, due through 2027	5.00%	$ 11,255	$ 3,635
Series 2011, due through 2024	4.00%-5.00%	74,385	10,025
Series 2016, due through 2031	5.00%	144,355	131,750
Series 2018, due through 2048	3.50%-5.00%	109,685	92,040
Series 2019, due through 2033	2.18%-5.00%	341,675	322,230
		$ 681,355	559,680
Unamortized (discount) premium			20,428
Current portion (due within one year)			(44,575)
Total Long-Term Debt			$ 535,533

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2021

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

Summary: Changes in long-term obligations for the year ended December 31, 2021 are as follows:

	Balance January 1, 2021	Increase	Decrease	Balance December 31, 2021	Due Within One Year
	(Amounts in Thousands)				
Airport System Revenue Bonds:					
Series 2006	$ 12,480	$	$ (12,480)	$ -	$
Series 2007	4,440		(805)	3,635	840
Series 2011	17,600		(7,575)	10,025	7,960
Series 2016	135,155		(3,405)	131,750	15,165
Series 2018	101,005		(8,965)	92,040	8,840
Series 2019	333,250		(11,020)	322,230	11,770
Total revenue bonds	603,930	-	(44,250)	559,680	44,575
Accrued wages and benefits	4,874	3,843	(4,164)	4,553	3,392
Net pension liability	30,925		(7,838)	23,087	
Net OPEB liability	22,219		(22,219)	-	
Total	$ 661,948	$ 3,843	$ (78,471)	$ 587,320	$ 47,967

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

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

	Principal	Interest	Total
	(Amounts in Thousands)		
2022	$ 44,575	$ 20,125	$ 64,700
2023	43,535	18,070	61,605
2024	45,760	15,995	61,755
2025	47,550	14,073	61,623
2026	49,235	12,314	61,549
2027-2031	282,885	33,886	316,771
2032-2036	15,705	8,342	24,047
2037-2041	10,760	5,952	16,712
2042-2046	13,370	3,271	16,641
2047-2048	6,305	319	6,624
Total	$ 559,680	$ 132,347	$ 692,027

The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture. Further, the City has assigned to the trustee all its interest in and rights to the airline use agreements under the revenue bond indenture. Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, is classified as restricted assets in these financial statements.

As of December 31, 2021, the Divisions were in compliance with the terms and requirements of the bond indenture.

The indenture, as amended, requires, among other things, that the Divisions (1) make equal monthly deposits to the Bond Service Fund to have sufficient assets available to meet debt service requirements on the next payment date; (2) maintain the Bond Service Reserve Fund equal in amount to the maximum annual debt service to be paid in any year; and (3) as long as any revenue bonds are outstanding, charge such rates, fees and charges for use of the airport system to produce in each year, together with other available funds, net revenues (as defined) at least equal to the greater of (a) 116.0% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125.0% of the annual debt service due in such year on all outstanding bonds.

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

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

From time to time, the Divisions have defeased certain Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. At December 31, 2021, the Airport System had $235,150,000 of defeased Series 2012A Airport System Revenue Bonds outstanding.

The City has pledged future airport revenues to repay $559,680,000 in Airport System Revenue Bonds issued in various years since 2007. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 69.0% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $692,027,000. Principal and interest funded for the current year and total net revenues (including other available funds) were $65,744,000 and $94,166,000, respectively.

NOTE C – SPECIAL FACILITY REVENUE BONDS

Airport Special Revenue Bonds, Series 1998, totaling $75,120,000 were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, now United Continental Holdings, Inc., including a new regional jet concourse. Because all principal and interest on these bonds is unconditionally guaranteed by United Airlines and paid directly by United Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2021, totaled approximately $21,134,000 and the Divisions' bank balance was approximately $31,569,000. The difference represents positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $31,569,000 of the bank balances at December 31, 2021 was insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio Statutes prohibit the use of Reverse Repurchase Agreements.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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

The following is a summary of the fair value hierarchy of the fair value of investments of the Divisions (excluding STAR Ohio and money market mutual funds) as of December 31, 2021.

Type of Investment	Fair Value	Fair Value Measurement Using Level 2
	(Amounts in Thousands)	
Other Investments	$ 331	$ 331
Total Investments	$ 331	$ 331

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Divisions will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party.

Credit Risk: The Divisions' investments as of December 31, 2021 include STAR Ohio, money market mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in STAR Ohio, the Dreyfus Government Cash Management Fund, Morgan Stanley Government Institutional Mutual Funds and the Federated Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by S&P Global. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Divisions place a limitation on the amount that may be invested in any one issuer to help minimize the concentration of credit risk. The Divisions had the following investments at December 31, 2021, 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	2021 Value	2021 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 126,896	$ 126,896	$ 126,896
Money Market Mutual Funds	206,198	206,198	206,198
Other Investments	331	331	331
Total Investments	333,425	333,425	333,425
Total Deposits	21,134	21,134	21,134
Total Deposits and Investments	$ 354,559	$ 354,559	$ 354,559

These amounts are monies invested by the City Treasurer on behalf of the Divisions and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value. Investment type Other Investments consist of deposits into collective cash escrow pools managed by either Bank of New York or U.S. Bank National Association, as trustees.

As of December 31, 2021, the investments in STAR Ohio, money market mutual funds and other investments are approximately 38.1%, 61.8% and 0.1%, respectively, of the Divisions' total investments.

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2021 was as follows:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021
	(Amounts in Thousands)			
Capital Assets, not being depreciated:				
Land	$ 166,882	$	$	$ 166,882
Construction in progress	113,139	24,750	(34,680)	103,209
Total capital assets, not being depreciated	280,021	24,750	(34,680)	270,091
Capital assets, being depreciated:				
Land improvements	94,931	7,609		102,540
Buildings, structures and improvements	375,034	21,332		396,366
Furniture, fixtures and equipment	106,830	111	(7,163)	99,778
Infrastructure	1,018,128	3,374	(1,253)	1,020,249
Vehicles	19,154	2,970	(41)	22,083
Total capital assets, being depreciated	1,614,077	35,396	(8,457)	1,641,016
Less: Total accumulated depreciation	(1,148,783)	(61,155)	8,428	(1,201,510)
Total capital assets being depreciated, net	465,294	(25,759)	(29)	439,506
Capital assets, net	$ 745,315	$ (1,009)	$ (34,709)	$ 709,597

Commitments: As of December 31, 2021, the Divisions had capital expenditure purchase commitments outstanding of approximately $34,172,000.

NOTE F – LEASES AND CONCESSIONS

The Divisions lease specific terminal and concourse areas to the various airlines under terms and conditions of the airline use agreements. The Divisions have various concession agreements that permit the concessionaires and certain others to operate on airport property. These agreements usually provide for payments based on a percentage of the revenues, with an annual minimum payment guarantee and in certain circumstances for the offset of percentage rents to the extent of certain improvements made to the leased property.

NOTE F – LEASES AND CONCESSIONS (Continued)

Portions of the building costs in the statement of net position are held by the Divisions for the purpose of rental use. The net book value of property held for operating leases as of December 31, 2021 is approximately $92,533,000.

Minimum future rental on non-cancelable operating leases to be received is as follows:

	(Amounts in Thousands)
2022	$ 13,063
2023	15,444
2024	12,934
2025	7,960
2026	8,034
Thereafter	31,511
	$ 88,946

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT

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

Risk Management: The Divisions are exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Divisions carry insurance to cover particular liabilities and property protection. Otherwise, the Divisions are generally self-insured. No material losses, including incurred but not reported losses, occurred in 2021. There was no significant decrease in any insurance coverage in 2021. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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

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

NOTE H – DEFINED BENEFIT PENSION PLANS

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

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

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

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2021, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Divisions' contractually required contribution was $3,283,000 for 2021. All required payments have been made.

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Divisions' proportion of the net pension liability was based on the Divisions' share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS (Amounts in Thousands)	
Proportionate Share of the Net Pension Liability	$	23,087
Proportion of the Net Pension Liability		0.159982%
Change in Proportion		0.001136%
Pension Expense	$	555

At December 31, 2021, the Divisions reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS (Amounts in Thousands)	
Deferred Outflows of Resources		
Change in assumptions	$	27
Change in Divisions' proportionate share and difference in employer contributions		288
Contributions subsequent to the measurement date		3,283
Total Deferred Outflows of Resources	$	3,598
Deferred Inflows of Resources		
Differences between expected and actual experience	$	1,074
Net difference between projected and actual earnings on pension plan investments		9,293
Change in Divisions' proportionate share and difference in employer contributions		221
Total Deferred Inflows of Resources	$	10,588

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The $3,283,000 reported as deferred outflows of resources related to pension resulting from the Divisions' contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amount in Thousands)	
2022	$	(3,869)
2023		(1,241)
2024		(3,810)
2025		(1,289)
2026		(21)
Thereafter		(43)
Total	$	(10,273)

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, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2020
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% to 10.75 %
COLA or Ad Hoc COLA	3.25%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 0.5%, simple through 2021, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	9.00	4.75
Total	100.00 %	5.43 %

Discount Rate: The discount rate used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Divisions' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Divisions' proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2%, as well as what the Divisions' proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net pension liability	$ 44,663	$ 23,087	$ 5,177

NOTE I – DEFINED BENEFIT OPEB PLANS

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

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

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

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

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

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

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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 2021. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

For the year ended December 31, 2021, OPERS did not allocate any employer contributions to the OPEB plan.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date as of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Divisions' proportion of the net OPEB liability/(asset) was based on the Divisions' share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS (Amounts in Thousands)
Proportion of the Net OPEB Liability/(Asset):		
Current Measurement Date		0.157690%
Prior Measurement Date		0.156651%
Change in Proportionate Share		0.001039%
Proportionate Share of the Net OPEB Liability/(Asset)	$	(2,809)
OPEB Expense/(Revenue)	$	(17,878)

At December 31, 2021, the Divisions reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		OPERS (Amounts in Thousands)
Deferred Outflows of Resources		
Change in assumptions	$	1,381
Change in Divisions' proportion share and difference in employers contributions		145
Total Deferred Outflows of Resources	$	1,526
Deferred Inflows of Resources		
Differences between expected and actual experience	$	2,535
Net difference between projected and actuals earnings on OPEB plan investments		1,496
Change in assumptions		4,552
Change in Divisions' proportion share and difference in employers contributions		3
Total Deferred Inflows of Resources	$	8,586

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

Year Ending December 31:		OPERS (Amounts in Thousands)
2022	$	(3,658)
2023		(2,576)
2024		(650)
2025		(176)
Total	$	(7,060)

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, 2019, rolled forward to the measurement date as of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	6.00%
Prior Measurement Date	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate	
Current Measurement Date	2.00%
Prior Measurement Date	2.75%
Health Care Cost Trend Rate:	
Current Measurement Date	8.50%, initial 3.50%, ultimate in 2035
Prior Measurement Date	10.50% initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other Investments	9.00	4.02
Total	100.00 %	4.43 %

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, 2020. 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 2.00%. 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
		(Amounts in Thousands)	
Divisions' proportionate share of the net OPEB liability/(asset)	$ (699)	$ (2,809)	$ (4,545)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease (2.50%)	Current Health Care Cost Trend Rate Assumption (3.50%)	1% Increase (4.50%)
		(Amounts in Thousands)	
Divisions' proportionate share of the net OPEB liability/(asset)	$ (2,878)	$ (2,809)	$ (2,733)

NOTE J – RELATED PARTY TRANSACTIONS

The Divisions are provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2021 are as follows:

	(Amounts in Thousands)	
City Central Services, including police	$	9,892
Telephone Exchange		1,456
Electricity purchased		249
Motor vehicle maintenance		38
Radio Communication		441

NOTE K – LANDING FEE ADJUSTMENT AND INCENTIVE COMPENSATION

Under the terms of the airline use agreements, if the annual statement for the preceding term demonstrates that airport revenues over expenses (both as defined) is greater or less than that used in calculating the landing fee for the then current term, such difference shall be charged or credited to the airlines over the remaining billing periods in the current term. The landing fee adjustment for 2021 was a payable to the airlines from the Division in the amount of $27,729,000.

The Divisions collected $25,848,000 landing fee revenue and it was offset by a $27,729,000 reduction to the scheduled airlines. This resulted in difference of $1,881,000. The reduction to landing fee revenue consisted of $20,527,000 net OPEB and pension liability changing to an asset for 2021 due to changes in health care terms and changes in assumptions. The remaining portion $7,202,000 is the landing fee adjustment based on budgeted versus actual calculations, excluding the net OPEB figure.

As a result of the OPEB activity resulting in an asset airline revenue, terminal and concourse rentals were netted together for scheduled airlines. Salaries, wages and employee benefits were also netted together.

The airline use agreements also provide an incentive for the City to provide the highest quality management for the airport system. There was no incentive compensation expense in 2021.

NOTE L – PASSENGER FACILITY CHARGES

On November 1, 1992, CLE began collecting Passenger Facility Charges (PFC's) subject to title 14, Code of Federal Regulations, Part 158. PFC's are fees imposed on passengers enplaned by public agencies controlling commercial service airports for the strict purpose of supporting airport planning and development projects. The charge is collected by the airlines and remitted to the airport operator net of an administrative fee to be retained by the airline and refunds to passengers.

NOTE L – PASSENGER FACILITY CHARGES (Continued)

As of December 31, 2021, CLE had the authority from the FAA to collect approximately $587,000,000. This is a reduction from 2020 of $2,000,000 related to the in-line baggage system design that was removed from the approved budget. Of the $587,000,000, an estimated 14.5% was spent on noise abatement for the residents of communities surrounding the airport. An additional 59.8% was spent on runway expansion and improvements with the remaining 25.7% was spent on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

NOTE M – MAJOR CUSTOMER

In 2021, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 35.7% of total operating revenue.

NOTE N – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures may continue to impact subsequent periods of the Division.

The Division received $46,458,000 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding and $9,792,000 in the Airport Coronavirus Response Grant Program funding. As of December 31, 2021, the Division has expended $56,250,000 of these funds.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DIVISIONS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT YEARS (1), (2)

	Divisions' Proportion of the Net Pension Liability	Divisions' Proportionate Share of the Net Pension Liability	Divisions' Covered Payroll	Divisions' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		(Amounts in Thousands)			
2014	0.158448 %	$ 18,650	$ 17,962	103.83 %	86.36 %
2015	0.158448	19,049	19,825	96.09	86.45
2016	0.155342	27,073	19,800	136.73	81.08
2017	0.159244	34,594	21,125	163.76	77.25
2018	0.161047	24,436	21,508	113.61	84.66
2019	0.160720	43,538	21,508	202.43	74.70
2020	0.158846	30,925	23,393	132.20	82.17
2021	0.159982	23,087	23,936	96.45	86.88

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

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

Note to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25% and transition from the RP-2000 mortality tables to the RP-2014 mortality tables. There were no changes in assumptions in 2020 and 2021.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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

(Amounts in Thousands)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Divisions' Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 2,335	$ (2,335)	$ -	$ 17,962	13.00 %
2014	2,379	(2,379)	-	19,825	12.00
2015	2,376	(2,376)	-	19,800	12.00
2016	2,535	(2,535)	-	21,125	12.00
2017	2,796	(2,796)	-	21,508	13.00
2018	3,224	(3,224)	-	23,029	14.00
2019	3,275	(3,275)	-	23,393	14.00
2020	3,351	(3,351)	-	23,936	14.00
2021	3,283	(3,283)	-	23,450	14.00

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

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF THE DIVISIONS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE YEARS (1), (2)

	Divisions' Proportion of the Net OPEB Liability/(Asset)	Divisions' Proportionate Share of the Net OPEB Liability/(Asset)	Divisions' Covered Payroll	Divisions' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)
		(Amounts in Thousands)			
2017	0.156424 %	$ 15,800	$ 21,125	74.79 %	54.05 %
2018	0.158429	17,585	21,508	81.76	54.14
2019	0.158845	21,303	23,029	92.51	46.33
2020	0.156651	22,219	23,393	94.98	47.80
2021	0.157690	(2,809)	23,936	(11.74)	115.57

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

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

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate change from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.50% initial to 10.00% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Divisions' Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2016	$ 423	$ (423)	$ -	$ 21,125	2.00 %
2017	215	(215)	-	21,508	1.00
2018	-	-	-	23,029	0.00
2019	-	-	-	23,393	0.00
2020	-	-	-	23,936	0.00
2021	-	-	-	23,450	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 Divisions' calendar year. Information prior to 2016 is not available. The Divisions will continue to present information for years available until a full ten-year trend is compiled.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2021
(Amounts in Thousands)

	Cleveland Hopkins International	Burke Lakefront	Total
REVENUE			
Airline revenue:			
Landing fees and terminal rentals	$ 47,450	$	$ 47,450
Other	2,504		2,504
	49,954	-	49,954
Operating revenues from other sources:			
Concessions	41,826	562	42,388
Rentals	11,143	488	11,631
Landing fees	1,295	211	1,506
Other	5,385	244	5,629
	59,649	1,505	61,154
Non-operating revenue:			
Interest income	76		76
TOTAL REVENUE	$ 109,679	$ 1,505	$ 111,184
OPERATING EXPENSES			
Salaries, wages and employee benefits	$ 9,661	$ 1,365	$ 11,026
City Central Services, including police	12,438	125	12,563
Materials and supplies	5,738	191	5,929
Contractual services	19,339	711	20,050
TOTAL OPERATING EXPENSES	$ 47,176	$ 2,392	$ 49,568

Note to Schedule:

The Divisions collected $25,848,000 landing fee revenue and it was offset by a $27,729,000 reduction to the scheduled airlines. This resulted in difference of $1,881,000. The reduction to landing fee revenue consisted of $20,527,000 net OPEB and pension liability changing to an asset for 2021 due to changes in health care terms and changes in assumptions. The remaining portion $7,202,000 is the landing fee adjustment based on budgeted versus actual calculations, excluding the net OPEB figure.

As a result of the OPEB activity resulting in a net OPEB asset, airline revenue, terminal and concourse rentals were netted together for scheduled airlines. Salaries, wages and employee benefits were also netted together.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
SCHEDULE OF PASSENGER FACILITY REVENUE AND INTEREST
For The Year Ended December 31, 2021

	PFC Revenues	Interest	Expenditures	Unliquidated PFC Revenue
Cumulative Balances at January 1, 2021	$ 499,873,551	$ 32,713,691	$ (515,405,242)	$ 17,182,000
1st quarter activity 2021 activity	2,068,359	2,786	(2,475,000)	(403,855)
2nd quarter activity 2021 activity	3,919,586	2,424	(2,475,000)	1,447,010
3rd quarter activity 2021 activity	4,262,469	2,403	(3,875,000)	389,872
4th quarter activity 2021 activity	4,069,781	2,556	(4,675,000)	(602,663)
2021 totals	14,320,195	10,169	(13,500,000)	830,364
Cumulative Balances at December 31, 2021	$ 514,193,746	$ 32,723,860	$ (528,905,242)	$ 18,012,364

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2021

Projects	Approved Project Budget	Cumulative Expenditures thru 2020	2021 1st Quarter Expenditures	2021 2nd Quarter Expenditures	2021 3rd Quarter Expenditures	2021 4th Quarter Expenditures	2021 YTD Expenditures	Cumulative Expenditures thru 2021
Insulate Residences - Full Program Phase I	$ 16,960,400	$ 16,960,400	$	$	$	$	$ -	$ 16,960,400
Extension of Taxiway "Q"	2,155,743	2,155,743					-	2,155,743
Land Acquisition-Resident Relocation	14,689,459	14,689,459					-	14,689,459
Asbestos Removal in Terminal CHIA	729,842	729,842					-	729,842
Acquisition of Analex Office Bldg & Vacant Land	13,025,000	13,025,000					-	13,025,000
Waste Water - Glycol Collection System Construction	5,835,921	5,835,921					-	5,835,921
NASA Feasibility & Pre-Engineering Study	355,000	355,000					-	355,000
Sewers for Confined Disposal Facility-BKL (app 1)	5,500,000	5,500,000					-	5,500,000
Sound Insulation	8,595,641	8,595,641					-	8,595,641
Land Acquisition - Midvale, Brysdale, Forestwood, Rocky River	25,282,298	25,282,298					-	25,282,298
Environmental Assessment / Impact Studies	1,725,000	1,725,000					-	1,725,000
Part 150 Noise Compatibility Program Update	584,570	584,570					-	584,570
Brook Park Land Transfer	8,750,000	8,750,000					-	8,750,000
Analex Demolition	1,229,000	1,229,000					-	1,229,000
Sound Insulation	20,000,000	20,000,000					-	20,000,000
Baggage Claim/Expansion	9,526,087	9,526,087					-	9,526,087
Tug Road Replacement	1,019,000	668,553					-	668,553
Interim Commuter Ramp	5,560,338	5,560,338					-	5,560,338
Concourse D Ramp/Site Utilities	51,305,804	51,305,804					-	51,305,804
Burke Runway Overlay 6L/24R	530,286	530,286					-	530,286
Burke ILS	2,181,400	2,181,400					-	2,181,400
Runway 6L/23R	270,550,360	211,968,074				954,689	954,689	212,922,763
Runway 6R/24L Uncoupling	2,148,000	2,148,000					-	2,148,000
Runway 28 Safety Improvements	2,200,000	2,010,454					-	2,010,454
Midfield Deicing Pad	39,100,000	39,100,000					-	39,100,000
Taxiway M Improvements	10,000,000	9,579,060					-	9,579,060
Doan Brook Restoration	1,727,796	1,727,796					-	1,727,796
Deicing Environmental Upgrades	2,800,222	2,800,222					-	2,800,222
Main Terminal Roof Replacement	992,986	992,986					-	992,986
Roadway Expansion Joint Repair/Replacement	1,985,973	1,985,973					-	1,985,973
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	7,681,742	7,681,742					-	7,681,742
Airport Master Plan Update	4,170,543	4,170,543					-	4,170,543
Runway 10/28- Runway Safety Area Improvements	23,155,051	14,249,358		1,310,382	3,875,000	3,720,311	8,905,693	23,155,051
South Cargo Ramp Rehabilitation	5,957,918	5,957,918					-	5,957,918
Taxiway N Rehabilitation	8,738,280	5,098,662	2,475,000	1,164,618			3,639,618	8,738,280
SIDA Security System Enhancements	1,985,973	1,985,973					-	1,985,973
Interactive Part 139 Airport Operations Training Program	496,493	496,493					-	496,493
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646	8,261,646					-	8,261,646
Total	$ 587,493,772	$ 515,405,242	$ 2,475,000	$ 2,475,000	$ 3,875,000	$ 4,675,000	$ 13,500,000	$ 528,905,242

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NOTES TO SCHEDULES OF REVENUE, INTEREST, AND EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2021

GENERAL

The accompanying schedule presents all activity of the Divisions' PFC program. The Divisions' reporting entity is defined in Note A – Summary of Significant Accounting Policies to the Divisions' financial statement.

BASIS OF PRESENTATION

The accompanying schedule is presented on the cash basis of accounting.

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OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 14 CFR PART 158

City of Cleveland
Department of Port Control
Divisions of Cleveland Hopkins International
and Burke Lakefront Airports
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports:

Report on Compliance on the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports' (the Divisions') of the City of Cleveland compliance with the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for the Passenger Facility Charge Program, for the year ended December 31, 2021.

In our opinion, the Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports of the City of Cleveland complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program, for the year ended December 31, 2021.

Basis for Opinion on the Passenger Facility Charge Program

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

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

Responsibilities of Management for Compliance

The Division's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Divisions' Passenger Facility Charge program.

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Division's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Divisions' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Passenger Facility Charge Audit Guide for Public Agencies, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

June 29, 2022