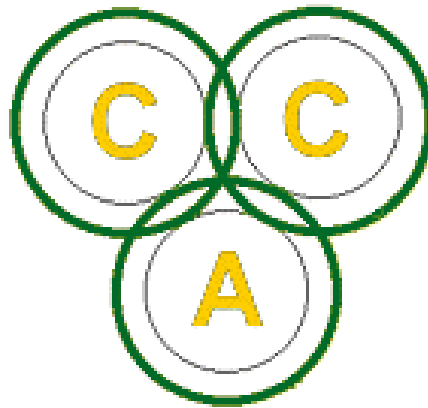


CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY



**DEPARTMENT OF FINANCE
DIVISION OF TAXATION**

**REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013**

CITY OF CLEVELAND, OHIO

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

TABLE OF CONTENTS

	Page
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis	3-8
Statements of Net Position - All Fund Types.....	11-12
Statements of Revenues, Expenses and Changes in Net Position - Internal Service Fund	13
Statements of Cash Flows - Internal Service Fund.....	14
Notes to Financial Statements.....	15-25
Schedules of Changes in Assets and Liabilities – Agency Fund.....	26
Schedule of Cash Receipts and Distribution of Funds.....	27
Schedule of Allocation of Net Operating Expenses	28
Schedules of Income Taxes Receivable.....	29

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Central Collection Agency
Division of Taxation
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio (the "Agency") as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Agency and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules on pages 26 through 29 are presented for purpose of additional analysis and are not a required part of the Agency's basic financial statements.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2015

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland’s (the City) Department of Finance, Division of Taxation, Central Collection Agency (the Agency), we offer readers of the Agency’s financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2014 and December 31, 2013. Please read this information in conjunction with the Agency’s financial statements and footnotes that begin on page 11.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland’s Income Tax Ordinance providing the City’s Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide for a central income tax collection facility. The Agency began with 14 member communities and during 2014 provided a full range of tax collection services for 75 member communities throughout 32 Ohio counties. Five member communities joined the Agency in December 2014 with collections beginning in 2015. The Agency employs more than 100 individuals to process approximately one million returns, estimated payments and tax assessments.

COMPARISON OF CURRENT YEAR’S AND PRIOR YEARS’ DATA

FINANCIAL HIGHLIGHTS

- The assets and the liabilities of the Agency equal \$84,157,335, \$79,312,096 and \$85,515,911, at December 31, 2014, 2013 and 2012, respectively. The Agency’s total assets and liabilities increased by \$4,845,239 in 2014, decreased by \$6,203,815 in 2013 and increased by \$4,947,830 in 2012. The changes in total assets and total liabilities over this three year period is primarily due to timing differences regarding the receipt of cash and distribution to member communities which directly effects cash balances and accounts receivable.
- The Agency fund total cash receipts were approximately \$444 million, \$435 million and \$430 million in 2014, 2013 and 2012, respectively. In 2014, cash receipts consisted of \$357 million of employer withholding, \$47 million of business profits, \$35 million of individual payments and \$5 million of other payments.
- The Agency’s total operational cost was \$8,666,091, \$8,597,360 and \$8,191,396 in 2014, 2013 and 2012, respectively. In 2014, operational costs consisted of \$5,442,682 of employee’s wages and benefits, \$1,331,088 of allocated charges and \$1,892,321 of other miscellaneous expenses.
- The Agency provides a mechanism for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the operational costs of the Agency to be reduced by interest income. The Agency’s member municipalities also benefit by the Agency printing, mailing and delivering large volumes of income tax information and forms in bulk to local community public buildings and their taxpayers. This information is also available on the Agency’s website – www.ccatax.ci.cleveland.oh.us.
- The purchase of computer hardware and software upgrades increased capital assets in 2014 by \$59,589.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements of the Agency can be found on pages 11-14 of this report.

The notes to the financial statements and accompanying schedules provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements and accompanying schedules can be found on pages 15-29 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below is condensed statement of net position information for the internal service and agency funds of the Agency as of December 31, 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Cash and cash equivalents	\$ 10,406,246	\$ 8,107,014	\$ 13,993,219
Capital assets, net of accumulated depreciation	149,633	120,400	51,264
Taxes receivable	71,948,823	69,711,462	70,300,395
Due from CCA internal service fund	1,192,837	998,237	736,482
Due from member municipalities	459,796	374,983	434,551
Total assets	<u>\$ 84,157,335</u>	<u>\$ 79,312,096</u>	<u>\$ 85,515,911</u>
Liabilities:			
Accounts payable	\$ 267,478	\$ 144,211	\$ 161,621
Due to CCA agency fund	1,192,837	998,237	736,482
Due to the City of Cleveland	54,575,824	51,606,102	57,407,784
Due to member municipalities	27,411,891	25,953,029	26,387,134
Accrued wages and benefits - current	610,846	530,851	717,938
Accrued wages and benefits - long-term	98,459	79,666	104,952
Total liabilities	<u>\$ 84,157,335</u>	<u>\$ 79,312,096</u>	<u>\$ 85,515,911</u>

Assets: The Agency collects and disburses income tax receipts monthly, except for the City of Cleveland which receives collections of tax receipts in advance of the regular monthly distribution date. Assets primarily consist of cash on hand and anticipated income tax receivable. Total assets increased by \$4,845,239 during 2014 and decreased \$6,203,815 during 2013. The increase in assets in 2014 is primarily attributable to changes in cash and cash equivalents due to timing differences in the receipt and distribution of cash to member communities, as well as an increase in taxes receivable. The decrease in assets in 2013 is primarily attributable to changes in cash and cash equivalents due to timing differences in the receipt and distribution of cash to member communities, as well as a decrease in taxes receivable.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Capital assets: The Agency's investment in capital assets as of December 31, 2014 amounted to \$149,633 (net of accumulated depreciation). The investment in capital assets include: furniture, fixtures, equipment and vehicles. A summary of the Agency's capital assets during the years ended December 31, 2014 and 2013 is as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
Furniture, fixtures, equipment and vehicles	\$ 160,706	\$ 59,589	\$ -	\$ 220,295
Total	160,706	59,589	-	220,295
Less: Accumulated depreciation	(40,306)	(30,356)	-	(70,662)
Total capital assets, net	<u>\$ 120,400</u>	<u>\$ 29,233</u>	<u>\$ -</u>	<u>\$ 149,633</u>

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
Furniture, fixtures, equipment and vehicles	\$ 65,310	\$ 95,396	\$ -	\$ 160,706
Total	65,310	95,396	-	160,706
Less: Accumulated depreciation	(14,046)	(26,260)	-	(40,306)
Total capital assets, net	<u>\$ 51,264</u>	<u>\$ 69,136</u>	<u>\$ -</u>	<u>\$ 120,400</u>

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2014, the increase in liabilities was primarily due to a increase in Due to the City of Cleveland, which is the result of a timing difference between the receipt and distribution of cash. During 2013, the decrease in liabilities was primarily due to the decrease in Due to the City of Cleveland, which is the result of a timing difference between the receipt and distribution of cash.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Provided below is statement of revenue, expenses and changes in net position for the internal service fund of the Agency for the years ended December 31, 2014, 2013 and 2012:

	Internal Service Fund		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues			
Charges for services	\$ <u>8,658,645</u>	\$ <u>8,588,465</u>	\$ <u>8,183,986</u>
Total operating revenues	8,658,645	8,588,465	8,183,986
Operating Expenses			
Salaries and wages	4,113,863	4,034,156	3,904,075
Employee benefits	1,328,819	1,349,587	1,337,688
Postage and office supplies	225,766	213,257	316,428
Allocation of City of Cleveland costs	1,331,088	1,265,899	1,214,372
Other administrative expenses	1,614,377	1,687,336	1,388,237
Property rental	21,822	20,865	19,711
Depreciation	<u>30,356</u>	<u>26,260</u>	<u>10,885</u>
Total operating expense	<u>8,666,091</u>	<u>8,597,360</u>	<u>8,191,396</u>
Operating loss	(7,446)	(8,895)	(7,410)
Non-operating Revenue			
Interest income	<u>7,446</u>	<u>8,895</u>	<u>7,410</u>
Change in net position	<u>-</u>	<u>-</u>	<u>-</u>
Net position at beginning of year	<u> </u>	<u> </u>	<u> </u>
Net position at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

2014:

In 2014, charges for services increased by \$70,180 as a result of an increase in the overall expenses of the Agency, which are charged back to the members.

Wages and benefits increased by \$58,939 as a result of a cost of living increase. Other administrative expenses decreased by \$72,959 in 2014 and is primarily due to efficiencies gained from several major upgrades to the Agency's computer hardware and software.

2013:

In 2013, charges for services increased by \$404,479 as a result of an increase in the overall expenses of the Agency, which are charged back to the members.

Other administrative expenses increased by \$299,099 in 2013 and is primarily due to an increase of more than \$180,000 in professional fees and more than \$96,000 in new computer software and software maintenance.

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

Although the economic recovery is steadily improving, the costs for materials and services continue to increase at a rate that outpaces our economic growth. The Agency continues to pursue ways to manage costs while maintaining service to our community members. The Agency continues to focus on swift and effective methods of collecting income taxes due. In the first quarter of 2015, the Agency showed a 4.0% increase in collections compared to collections for the same period in 2014. The Agency will continue to focus on increased delinquency collections, while concentrating on incurring only necessary operational expenses to achieve the goals of the Agency.

The operating budget for the Agency, as approved by the Cleveland City Council for 2015, provides for an overall increase in budgeted expenditures of approximately 10.9%.

ADDITIONAL INFORMATION

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

FINANCIAL STATEMENTS

This page intentionally left blank.

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

**STATEMENTS OF NET POSITION - ALL FUND TYPES
December 31, 2014 and 2013**

	2014		2013	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,129,287	\$ 8,276,959	\$ 1,705,721	\$ 6,401,293
Taxes receivable		71,948,823		69,711,462
Due from CCA internal service fund		1,192,837		998,237
Due from member municipalities		459,796		374,983
TOTAL CURRENT ASSETS	<u>2,129,287</u>	<u>81,878,415</u>	<u>1,705,721</u>	<u>77,485,975</u>
CAPITAL ASSETS:				
Furniture, fixtures, equipment and vehicles	220,295		160,706	
Less: Accumulated depreciation	<u>(70,662)</u>		<u>(40,306)</u>	
CAPITAL ASSETS, NET	<u>149,633</u>	<u>-</u>	<u>120,400</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,278,920</u>	<u>\$ 81,878,415</u>	<u>\$ 1,826,121</u>	<u>\$ 77,485,975</u>

(Continued)

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

**STATEMENTS OF NET POSITION - ALL FUND TYPES
December 31, 2014 and 2013**

	2014		2013	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 267,478	\$	\$ 144,211	\$
Due to CCA agency fund	1,192,837		998,237	
Due to the City of Cleveland	109,300	54,466,524	73,156	51,532,946
Due to member municipalities		27,411,891		25,953,029
Accrued wages and benefits - current	610,846		530,851	
TOTAL CURRENT LIABILITIES	2,180,461	81,878,415	1,746,455	77,485,975
LONG-TERM LIABILITIES				
Accrued wages and benefits	98,459		79,666	
TOTAL LONG-TERM LIABILITIES	98,459	-	79,666	-
TOTAL LIABILITIES	2,278,920	81,878,415	1,826,121	77,485,975
NET POSITION				
Investment in capital assets	149,633		120,400	
Unrestricted	(149,633)		(120,400)	
TOTAL NET POSITION	-	-	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 2,278,920	\$ 81,878,415	\$ 1,826,121	\$ 77,485,975

(Concluded)

See notes to financial statements.

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Years Ended December 31, 2014 and 2013**

	2014	2013
OPERATING REVENUES		
Charges for services	\$ 8,658,645	\$ 8,588,465
TOTAL OPERATING REVENUES	<u>8,658,645</u>	<u>8,588,465</u>
 OPERATING EXPENSES		
Salaries and wages	4,113,863	4,034,156
Employee benefits	1,328,819	1,349,587
Postage and office supplies	225,766	213,257
Allocation of City of Cleveland costs	1,331,088	1,265,899
Other administrative expenses	1,614,377	1,687,336
Property rental	21,822	20,865
Depreciation	30,356	26,260
TOTAL OPERATING EXPENSES	<u>8,666,091</u>	<u>8,597,360</u>
OPERATING LOSS	(7,446)	(8,895)
 NON-OPERATING REVENUE		
Interest income	<u>7,446</u>	<u>8,895</u>
CHANGE IN NET POSITION	<u>-</u>	<u>-</u>
NET POSITION AT BEGINNING OF YEAR	<u> </u>	<u> </u>
NET POSITION AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS - INTERNAL SERVICE FUND
For the Years Ended December 31, 2014 and 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member municipalities	\$ 8,853,245	\$ 8,850,220
Cash payments to suppliers of goods and services	(3,081,463)	(3,240,469)
Cash payments for employee services and benefits	(5,296,073)	(5,600,258)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	475,709	9,493
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(59,589)	(95,396)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES	(59,589)	(95,396)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	7,446	8,895
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	7,446	8,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	423,566	(77,008)
Cash and cash equivalents at beginning of year	1,705,721	1,782,729
Cash and cash equivalents at end of year	\$ 2,129,287	\$ 1,705,721
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS		
Operating income (loss)	\$ (7,446)	\$ (8,895)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	30,356	26,260
Changes in assets and liabilities:		
Accounts payable	123,267	(17,410)
Due to CCA agency fund	194,600	261,755
Due to City of Cleveland	36,144	(39,844)
Accrued wages and benefits	98,788	(212,373)
Total adjustments	483,155	18,388
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 475,709	\$ 9,493

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013**

NOTE A--DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

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

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

The following fund types are used by the Agency:

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

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

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June of 2012, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50 – *An Amendment of GASB Statements No. 25 and No. 27* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Agency has determined that GASB Statement No. 67 has no impact on its financial statements as of December 31, 2014.

In January of 2013, Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued. This Statement is effective for fiscal periods beginning after December 15, 2013. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions and transfers of operations. The Agency has determined that GASB Statement No. 69 has no impact on its financial statements as of December 31, 2014.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

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

In April of 2013, Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. This Statement is effective for fiscal periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The Agency has determined that GASB Statement No. 70 has no impact on its financial statements as of December 31, 2014.

The Agency's net position is accounted for in the accompanying Statements of Net Position and is divided into amounts in net investment in capital assets and unrestricted. The negative unrestricted amount will be eliminated as depreciation expense is passed along to members of the Agency.

Basis of Accounting: All financial transactions of the Agency are reported on the accrual basis of accounting. Under this accounting method, assets and the related liabilities at the end of the year primarily consist of individual income taxes receivable arising from payroll tax withholdings in December and a receivable for quarterly and annual payments of income taxes pertaining to net profits, self-employment and residents' taxes earned in the prior years. For accounting purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations. Financial transactions for the internal service fund are reported on the accrual basis of accounting; revenues are recognized when earned and measurable. Expenses are recognized as incurred. For accounting purposes, the operations of the internal service fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities, the economic resources measurement focus is used.

Supplies: Supplies are expensed when purchased.

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

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

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

Allocation of Expenses: The Agency allocates all operating expenses, net of interest income, to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

Allocation of Interest Income: Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue.

The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date, and accordingly, interest income is allocated exclusively to the other members.

Investments: The Agency follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market rates.

The Agency has invested funds in STAROhio during years 2014 and 2013. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

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

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

Compensated Absences: The Agency accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position.

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE C—DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2014 and 2013 totaled \$4,121,502 and \$4,743,514, respectively, and the Agency's bank balances were \$3,543,212 and \$4,742,534, respectively. The differences represent outstanding warrants payable, positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No.3*, \$3,543,212 and \$4,742,534 of the bank balances at December 31, 2014 and 2013, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

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

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAROhio); commercial paper; US Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Agency's investments as of December 31, 2014 and 2013 include STAROhio and mutual funds. Investments in STAROhio and the Federated Government Obligations Fund carry a rating of AAAM, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Agency places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Agency had the following investments at December 31, 2014 and 2013, 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	2014 Fair Value	2014 Cost	2013 Fair Value	2013 Cost	Investment Maturities Less Than One Year
STAROhio	\$ 177,455	\$ 177,455	\$ 2,006,141	\$ 2,006,141	\$ 177,455
Mutual Funds	<u>6,107,289</u>	<u>6,107,289</u>	<u>1,357,359</u>	<u>1,357,359</u>	<u>6,107,289</u>
Total Investments	6,284,744	6,284,744	3,363,500	3,363,500	6,284,744
Total Deposits	<u>4,121,502</u>	<u>4,121,502</u>	<u>4,743,514</u>	<u>4,743,514</u>	<u>4,121,502</u>
Total Deposits and Investments	<u>\$ 10,406,246</u>	<u>\$ 10,406,246</u>	<u>\$ 8,107,014</u>	<u>\$ 8,107,014</u>	<u>\$ 10,406,246</u>

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

As of December 31, 2014, the investments in STAROhio and mutual funds are approximately 3% and 97%, respectively, of the Agency's total investments. As of December 31, 2013, the investments in STAROhio and mutual funds are approximately 60% and 40%, respectively, of the Agency's total investments.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE D--CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	\$ 160,706	\$ 59,589	\$	\$ 220,295
Total capital assets, being depreciated	160,706	59,589	-	220,295
Less: Total accumulated depreciation	(40,306)	(30,356)		(70,662)
Total capital assets, being depreciated, net	120,400	29,233	-	149,633
Capital assets, net	<u>\$ 120,400</u>	<u>\$ 29,233</u>	<u>\$ -</u>	<u>\$ 149,633</u>

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	\$ 65,310	\$ 95,396	\$	\$ 160,706
Total capital assets, being depreciated	65,310	95,396	-	160,706
Less: Total accumulated depreciation	(14,046)	(26,260)		\$ (40,306)
Total capital assets, being depreciated, net	51,264	69,136	-	120,400
Capital assets, net	<u>\$ 51,264</u>	<u>\$ 69,136</u>	<u>\$ -</u>	<u>\$ 120,400</u>

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE E--DUE TO AND DUE FROM TRANSACTIONS

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

Individual fund due to and due from and certain payables balances as of December 31, 2014 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	\$	\$ 1,192,837	\$ 1,192,837
Due from member municipalities		459,796	459,796
Total Due From	\$ -	\$ 1,652,633	\$ 1,652,633
Due to the CCA agency fund	\$ 1,192,837	\$	\$ 1,192,837
Due to the City of Cleveland	109,300	54,466,524	54,575,824
Due to member municipalities		27,411,891	27,411,891
Total Due To	\$ 1,302,137	\$ 81,878,415	\$ 83,180,552

Individual fund due to and due from and certain payables balances as of December 31, 2013 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	\$	\$ 998,237	\$ 998,237
Due from member municipalities		374,983	374,983
Total Due From	\$ -	\$ 1,373,220	\$ 1,373,220
Due to the CCA agency fund	\$ 998,237	\$	\$ 998,237
Due to the City of Cleveland	73,156	51,532,946	51,606,102
Due to member municipalities		25,953,029	25,953,029
Total Due To	\$ 1,071,393	\$ 77,485,975	\$ 78,557,368

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE F--DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

- 1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- 3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2014, 2013 and 2012. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012.

The Agency's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2014, 2013 and 2012 were \$464,000, \$510,000 and \$381,000 each year, respectively. The required payments due in 2014, 2013 and 2012 have been made.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE G-- OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2014, 2013 and 2012. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Postemployment Health Care plan was established under and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 2.00% for members of the Traditional Plan in 2014 and 1.00% in 2013 and 4.00% in 2012, 2.00% for members of the Combined Plan in 2014 and 1.00% for 2013 and 6.05% for 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees 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 Agency's actual contributions to OPERS to fund postemployment benefits were \$77,000 in 2014, \$39,000 in 2013 and \$152,000 in 2012. The required payments due in 2014, 2013 and 2012 have been made.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE G-- OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE H--RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. These costs, as reported in the statement of revenues and expenses of the internal service fund for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
City administration	\$ 435,000	\$ 434,533
Office rent	425,000	425,000
Telephone	32,488	90,110
Utilities	125,716	83,621
Parking Facilities	2,473	2,662
Printing services	294,325	215,516
Motor Vehicle Maintenance	16,086	14,457
Total	\$1,331,088	\$1,265,899

NOTE I--DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling \$459,796 at December 31, 2014 and \$374,983 at December 31, 2013 as accrued wages and benefits. These amounts are recorded as due from member municipalities in the agency fund.

NOTE J--CONTINGENT LIABILITIES AND RISK MANAGEMENT

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

Risk Management: The Agency is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2014 or 2013.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2014 and 2013**

NOTE J--CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

The City provides the choice of four separate health insurance plans to its employees. On April 1, 2014 the City became self-insured for three of the four health care plans offered while one health care plan continues to be provided to employees through commercial insurance. The Agency is charged a monthly rate per employee by type of coverage.

The City participates in the State of Ohio Workers' Compensation retrospective rating program.

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

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

**SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Years Ended December 31, 2014 and 2013**

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
ASSETS				
Cash and cash equivalents	\$ 6,401,293	\$ 443,847,182	\$ (441,971,516)	\$ 8,276,959
Taxes receivable	69,711,462	71,948,823	(69,711,462)	71,948,823
Due from the CCA internal service fund	998,237	1,192,837	(998,237)	1,192,837
Due from member municipalities	<u>374,983</u>	<u>459,796</u>	<u>(374,983)</u>	<u>459,796</u>
TOTAL ASSETS	<u>\$ 77,485,975</u>	<u>\$ 517,448,638</u>	<u>\$ (513,056,198)</u>	<u>\$ 81,878,415</u>
LIABILITIES				
Due to the City of Cleveland	\$ 51,532,946	\$ 405,492,524	\$ (402,558,946)	\$ 54,466,524
Due to member municipalities	<u>25,953,029</u>	<u>111,956,114</u>	<u>(110,497,252)</u>	<u>27,411,891</u>
TOTAL LIABILITIES	<u>\$ 77,485,975</u>	<u>\$ 517,448,638</u>	<u>\$ (513,056,198)</u>	<u>\$ 81,878,415</u>
	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
ASSETS				
Cash and cash equivalents	\$ 12,210,490	\$ 435,339,098	\$ (441,148,295)	\$ 6,401,293
Taxes receivable	70,300,395	69,711,462	(70,300,395)	69,711,462
Due from the CCA internal service fund	736,482	998,237	(736,482)	998,237
Due from member municipalities	<u>434,551</u>	<u>374,983</u>	<u>(434,551)</u>	<u>374,983</u>
TOTAL ASSETS	<u>\$ 83,681,918</u>	<u>\$ 506,423,780</u>	<u>\$ (512,619,723)</u>	<u>\$ 77,485,975</u>
LIABILITIES				
Due to the City of Cleveland	\$ 57,294,784	\$ 400,242,211	\$ (406,004,049)	\$ 51,532,946
Due to member municipalities	<u>26,387,134</u>	<u>106,181,569</u>	<u>(106,615,674)</u>	<u>25,953,029</u>
TOTAL LIABILITIES	<u>\$ 83,681,918</u>	<u>\$ 506,423,780</u>	<u>\$ (512,619,723)</u>	<u>\$ 77,485,975</u>

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Members	Balance	Cash Receipts	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance
	Collected and Due Members January 1, 2014						Net
Ada	138,376.04	1,776,842.19	1,915,218.23	1,723,774.97	51,244.57	1,775,019.54	140,198.69
Alliance		128.87	128.87	123.87	236.71	360.58	(231.71)
Alger	1,019.28	59,024.68	60,043.96	55,896.40	6,140.71	62,037.11	(1,993.15)
Akron	(26,322.97)	57,231.82	30,908.85	23,574.06	7,585.64	31,159.70	(250.85)
Athens	4,417.28	71,801.54	76,218.82	70,377.23	3,661.72	74,038.95	2,179.87
Barberton	830,279.03	12,620,731.54	13,451,010.57	12,161,962.63	296,297.76	12,458,260.39	992,750.18
Barnesville	292.75	7,342.31	7,635.06	7,064.10	442.07	7,506.17	128.89
Bedford	260.94	7,482.24	7,743.18	6,790.83	603.94	7,394.77	348.41
Bradner	(36.48)	113,430.74	113,394.26	102,278.56	10,456.51	112,735.07	659.19
Bratenahl	412,517.93	1,916,957.07	2,329,475.00	2,092,730.48	42,471.65	2,135,202.13	194,272.87
Burton	29,397.49	461,603.58	491,001.07	420,433.27	27,546.93	447,980.20	43,020.87
Centerville	(2,118.17)	16,349.44	14,231.27	12,155.99	1,220.58	13,376.57	854.70
Cleveland	1,799,448.88	343,454,678.02	345,254,126.90	335,426,649.32	5,722,486.36	341,149,135.68	4,104,991.22
Cridersville	66.56	4,362.58	4,429.14	3,782.58	646.56	4,429.14	
Cuyahoga Falls	(2,892.56)	3,354.68	462.12	427.12	758.79	1,185.91	(723.79)
Dayton	(1,810.63)	258,448.62	256,637.99	175,800.10	24,144.49	199,944.59	56,693.40
Dresden	10,166.93	252,202.25	262,369.18	235,829.51	15,910.25	251,739.76	10,629.42
Eastlake	(296.26)	8,110.62	7,814.36	7,289.48	438.41	7,727.89	86.47
Elida	30,114.90	418,137.50	448,252.40	400,631.18	26,473.70	427,104.88	21,147.52
Englewood	(1,610.67)	1,584.09	(26.58)		255.42	255.42	(282.00)
Franklin	120.16	4,997.22	5,117.38	4,587.38	425.90	5,013.28	104.10
Frazesburg	3,934.91	155,511.20	159,446.11	146,384.00	11,233.31	157,617.31	1,828.80
Gates Mills	104,859.97	1,465,681.41	1,570,541.38	1,312,327.42	52,030.12	1,364,357.54	206,183.84
Geneva-on-the-Lake	3,555.24	204,709.26	208,264.50	185,796.43	15,265.79	201,062.22	7,202.28
Grand Rapids	6,096.00	201,614.37	207,710.37	187,430.27	19,487.69	206,917.96	792.41
Grand River	17,112.44	298,255.76	315,368.20	281,504.24	10,000.12	291,504.36	23,863.84
Hamilton	564.98	117,383.50	117,948.48	108,274.04	8,469.33	116,743.37	1,205.11
Hartville	(110.57)	76.00	(34.57)	70.00	43.52	113.52	(148.09)
Highland Hills	318,410.69	3,019,521.16	3,337,931.85	3,049,847.77	43,111.39	3,092,959.16	244,972.69
Huber Heights		63,350.39	63,350.39	54,548.00	5,147.27	59,695.27	3,655.12
Huntsville	3,371.61	66,879.63	70,251.24	61,826.81	6,062.89	67,889.70	2,361.54
Lakewood	318.86	14,004.60	14,323.46	10,659.48	7,654.34	18,313.82	(3,990.36)
Lancaster	10,011.99	8,780.49	18,792.48	17,662.35	833.79	18,496.14	296.34
Liberty Center	9,006.86	198,716.24	207,723.10	189,168.04	14,472.10	203,640.14	4,082.96
Lima	(315.65)	1,899.50	1,583.85	1,360.06	333.25	1,693.31	(109.46)
Linddale	5,401.22	62,861.67	68,262.89	61,503.65	2,819.58	64,323.23	3,939.66
Lorain	3,644.01	13,425.94	17,069.95	14,235.83	1,027.82	15,263.65	1,806.30
Madison	45,545.40	885,117.21	930,662.61	815,013.13	54,251.95	869,265.08	61,397.53
Medina	998,637.48	13,643,983.82	14,642,621.30	13,103,211.31	472,628.83	13,575,840.14	1,066,781.16
Mentor-on-the-Lake	57,787.64	861,889.81	919,677.45	813,588.36	45,704.25	859,292.61	60,384.84
Montgomery		27,799.75	27,799.75	24,866.83	3,943.24	28,810.07	(1,010.32)
Mt. Orab	(4.40)	3,472.45	3,468.05	3,273.05	567.16	3,840.21	(372.16)
Napoleon		8,357.65	8,357.65	7,527.80	1,805.69	9,333.49	(975.84)
Munroe Falls	60,248.03	1,174,099.93	1,234,347.96	1,102,656.52	51,159.21	1,153,815.73	80,532.23
Northfield	115,465.13	2,840,561.23	2,956,026.36	2,628,113.40	66,088.13	2,694,201.53	261,824.83
North Baltimore	75,953.41	684,257.09	760,210.50	681,465.89	32,640.68	714,106.57	46,103.93
North Perry	160,148.36	1,046,372.54	1,206,520.90	1,098,840.17	18,977.54	1,117,817.71	88,703.19
North Randall	208,461.70	2,116,352.08	2,324,813.78	2,117,670.93	38,819.36	2,156,490.29	168,323.49
Norton	325,635.24	5,072,900.63	5,398,535.87	4,788,603.15	174,736.18	4,963,339.33	435,196.54
Village of Oakwood	927.85	70,967.64	71,895.49	55,774.59	8,043.53	63,818.12	8,077.37
Paulding	14,469.11	760,806.91	775,276.02	680,907.49	41,666.85	722,574.34	52,701.68
Peninsula	12,731.38	555,026.61	567,757.99	505,744.68	19,780.28	525,524.96	42,233.03
Rocky River	852,518.07	10,031,027.28	10,883,545.35	9,725,582.97	373,150.35	10,098,733.32	784,812.03
Rushsylvania		5.00					5.00
Russells Point	11,377.58	252,849.73	264,227.31	232,351.20	19,090.52	251,441.72	12,785.59
Salem	(2,570.12)	4,901.52	2,331.40	1,997.01	596.32	2,593.33	(261.93)
Seville	81,517.11	1,075,275.85	1,156,792.96	1,014,876.76	50,231.22	1,065,107.98	91,684.98
Springfield	337.42	164,214.30	164,551.72	153,068.95	11,623.62	164,692.57	(140.85)
South Russell	111,839.01	1,665,054.62	1,776,893.63	1,567,800.74	67,958.92	1,635,759.66	141,133.97
Stow	(1,419.27)	6,037.44	4,618.17	3,499.27	729.87	4,229.14	389.03
Timberlake	(584.53)	71,272.59	70,688.06	62,719.70	8,324.68	71,044.38	(356.32)
Trotwood	671.50	11,847.81	12,519.31	11,463.74	734.99	12,198.73	320.58
Troy	6,308.85	8,689.90	14,998.75	13,897.25	962.96	14,860.21	138.54
Wadsworth	570,297.70	8,596,103.99	9,166,401.69	8,168,705.23	350,768.96	8,519,474.19	646,927.50
Warren	2,253.38	19,723.40	21,976.78	20,355.78	1,305.07	21,660.85	315.93
Warrensville Heights	1,085,849.15	15,106,799.17	16,192,648.32	14,557,992.59	276,686.94	14,834,679.53	1,357,968.79
Waynesfield	7,708.91	136,917.99	144,626.90	128,944.46	9,644.20	138,588.66	6,038.24
West Liberty	18,704.11	310,129.81	328,833.92	290,294.67	15,777.88	306,072.55	22,761.37
Wickliffe	(933.39)	2,109.15	1,175.76	938.65	378.00	1,316.65	(140.89)
Wilmington	592.97	15,938.76	16,531.73	15,479.73	2,426.60	17,906.33	(1,374.60)
Totals	8,527,727.77	434,638,336.38	443,166,064.15	423,011,983.45	8,658,644.96	431,670,628.41	11,495,435.74

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities (Excluding Cleveland)	Allocation of Net Operating Expenses
Ada	0.638742%	1.948734%	51,389.64	145.10	51,244.54
Alliance	0.002942%	0.000141%	236.70	0.01	236.69
Alger	0.076385%	0.064735%	6,145.51	4.81	6,140.70
Akron	0.094343%	0.062768%	7,590.31	4.66	7,585.65
Athens	0.045586%	0.078748%	3,667.60	5.85	3,661.75
Barberton	3.695611%	13.841664%	297,328.35	1,030.61	296,297.74
Barnesville	0.005502%	0.008053%	442.66	0.60	442.06
Bedford	0.007514%	0.008206%	604.53	0.61	603.92
Bradner	0.130083%	0.124404%	10,465.76	9.25	10,456.51
Bratenahl	0.529842%	2.102404%	42,628.15	156.55	42,471.60
Burton	0.342860%	0.506259%	27,584.61	37.70	27,546.91
Centerville	0.015188%	0.017931%	1,221.94	1.34	1,220.60
Cleveland	63.583938%	0.000000%	5,722,486.34		5,722,486.34
Cridersville	0.012877%	0.000000%	646.53		646.53
Cuyahoga Falls	0.009435%	0.003679%	759.09	0.27	758.82
Dayton	0.207046%	0.283451%	24,165.59	21.11	24,144.48
Dresden	0.198011%	0.276600%	15,930.87	20.59	15,910.28
Eastlake	0.005457%	0.008895%	439.04	0.66	438.38
Elida	0.329476%	0.458588%	26,507.81	34.15	26,473.66
Englewood	0.003176%	0.001737%	255.52	0.13	255.39
Franklin	0.005299%	0.005481%	426.33	0.41	425.92
Frazeytsburg	0.139781%	0.170555%	11,246.00	12.70	11,233.30
Gates Mills	0.648191%	1.607472%	52,149.85	119.69	52,030.16
Geneva-on-the-Lake	0.189952%	0.224513%	15,282.48	16.72	15,265.76
Grand Rapids	0.242425%	0.221119%	19,504.17	16.46	19,487.71
Grand River	0.124598%	0.327109%	10,024.46	24.36	10,000.10
Hamilton	0.105388%	0.128739%	8,478.93	9.59	8,469.34
Hartville	0.000541%	0.000083%	43.53	0.01	43.52
Highland Hills	0.538913%	3.311630%	43,357.95	246.58	43,111.37
Huber Heights	0.064042%	0.069479%	5,152.46	5.17	5,147.29
Huntsville	0.075426%	0.073350%	6,068.36	5.46	6,062.90
Lakewood	0.016382%	0.015359%	7,655.50	1.14	7,654.36
Lancaster	0.006333%	0.009630%	834.52	0.72	833.80
Liberty Center	0.180081%	0.217940%	14,488.32	16.23	14,472.09
Lima	0.004144%	0.002083%	333.40	0.16	333.24
Linndale	0.035109%	0.068943%	2,824.68	5.13	2,819.55
Lorain	0.012789%	0.014725%	1,028.93	1.10	1,027.83
Madison	0.675217%	0.970744%	54,324.21	72.28	54,251.93
Medina	5.888338%	14.963906%	473,743.00	1,114.18	472,628.82
Mentor-on-the-Lake	0.568951%	0.945269%	45,774.64	70.38	45,704.26
Montgomery	0.049040%	0.030489%	3,945.49	2.27	3,943.22
Mt. Orab	0.007053%	0.003808%	567.45	0.28	567.17
Napoleon	0.022452%	0.009166%	1,806.36	0.68	1,805.68
Munroe Falls	0.637070%	1.287683%	51,255.12	95.88	51,159.24
Northfield	0.824319%	3.115358%	66,320.13	231.96	66,088.17
North Baltimore	0.406398%	0.750452%	32,696.53	55.88	32,640.65
North Perry	0.236941%	1.147599%	19,062.96	85.45	18,977.51
North Randall	0.484649%	2.321088%	38,992.17	172.82	38,819.35
Norton	2.177014%	5.563654%	175,150.47	414.26	174,736.21
Village of Oakwood	0.100048%	0.077833%	8,049.31	5.80	8,043.51
Paulding	0.518666%	0.834408%	41,728.99	62.13	41,666.86
Peninsula	0.246420%	0.608720%	19,825.59	45.32	19,780.27
Rocky River	4.648214%	11.001431%	373,969.51	819.14	373,150.37
Rushsylvania	0.000134%	0.000005%			-
Russells Point	0.237540%	0.277310%	19,111.15	20.65	19,090.50
Salem	0.007417%	0.005376%	596.73	0.40	596.33
Seville	0.625435%	1.179298%	50,319.03	87.81	50,231.22
Springfield	0.144641%	0.180100%	11,637.01	13.41	11,623.60
South Russell	0.846378%	1.826132%	68,094.88	135.97	67,958.91
Stow	0.009078%	0.006622%	730.37	0.49	729.88
Timberlake	0.103543%	0.078168%	8,330.50	5.82	8,324.68
Trotwood	0.009147%	0.012994%	735.92	0.97	734.95
Troy	0.011978%	0.009531%	963.67	0.71	962.96
Wadsworth	4.368570%	9.427693%	351,470.90	701.96	350,768.94
Warren	0.016241%	0.021631%	1,306.66	1.61	1,305.05
Warrensville Heights	3.454385%	16.568234%	277,920.65	1,238.63	276,687.02
Waynesfield	0.120011%	0.150163%	9,655.42	11.18	9,644.24
West Liberty	0.196425%	0.340132%	15,803.27	25.33	15,777.94
Wickliffe	0.004701%	0.002314%	378.22	0.17	378.05
Wilmington	0.030178%	0.017482%	2,427.98	1.30	2,426.68
Totals	100.000000%	100.000000%	8,666,090.71	7,445.75	8,658,644.96

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

**SCHEDULES OF INCOME TAXES RECEIVABLE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Income Taxes Receivable Dec. 31, 2014	Income Taxes Receivable Dec. 31, 2013
Ada	317,694.96	311,768.35
Alliance	31,038.98	106.03
Alger	28,695.28	29,408.73
Akron	1,939.79	12,609.35
Athens	6,014.11	17,091.14
Barberton	2,067,702.01	1,769,457.01
Barnesville	371.92	1,023.21
Bedford	1,625.00	1,165.60
Bradner	40,104.12	41,654.64
Bratenahl	710,969.88	712,522.92
Burton	129,068.54	131,463.84
Centerville	119.72	3,060.33
Chillicothe	17,934.39	
Cleveland	50,361,533.16	49,733,496.58
Cridersville		105,858.85
Cuyahoga Falls		247.12
Dayton	24,952.68	42,576.04
Dresden	76,706.54	23,621.98
Eastlake	239.76	392.92
Elida	140,484.63	157,798.68
Englewood	50.00	619.10
Franklin	240.00	1,079.30
Frazeyburg	48,299.16	23,726.39
Gates Mills	527,322.76	538,564.59
Geneva-on-the-Lake	73,056.31	69,584.54
Grand Rapids	72,466.05	95,895.70
Grand River	59,484.93	58,510.81
Hamilton	54,074.23	12,764.40
Hartville		75.00
Highland Hills	290,173.99	456,167.61
Huber Heights	7,933.09	16,083.43
Huntsville	22,894.92	19,541.81
Lakewood	1,800.00	5,374.47
Lancaster	573.01	3,329.96
Liberty Center	49,842.39	48,440.79
Lima	1,210.79	423.53
Linndale	8,120.39	9,103.65
Lorain	633.51	5,270.17
Madison	302,560.75	294,884.06
Medina	3,531,360.04	3,346,557.11
Mentor-on-the-Lake	224,297.33	232,105.38
Montgomery	322.80	
Mt. Orab	210.78	1,019.65
Napoleon	415.13	
Munroe Falls	279,539.81	255,535.14
Northfield	759,537.43	308,983.98
North Baltimore	141,286.03	155,407.07
North Perry	163,626.06	197,761.45
North Randall	339,189.46	364,709.12
Norton	1,352,039.94	1,243,159.72
Village of Oakwood	26,258.62	21,961.80
Paulding	208,946.94	110,266.43
Peninsula	140,619.73	69,430.78
Rocky River	2,924,374.93	2,764,974.26
Russells Point	85,206.19	76,846.81
Salem	36.75	688.03
Seville	362,753.58	321,304.56
Springfield	36,088.13	55,886.98
South Russell	602,923.44	582,277.28
Stow	480.12	2,324.64
Timberlake	31,094.59	31,843.36
Trotwood	707.10	1,765.93
Troy	549.30	1,717.80
Wadsworth	2,170,329.26	2,041,205.58
Warren	984.61	4,987.05
Warrensville Heights	3,005,031.84	2,689,351.61
Waynesfield	44,630.28	39,521.37
West Liberty	37,141.54	28,244.17
Wickliffe	25.00	
Wilmington	884.03	6,861.99
	<u>71,948,822.54</u>	<u>69,711,461.68</u>