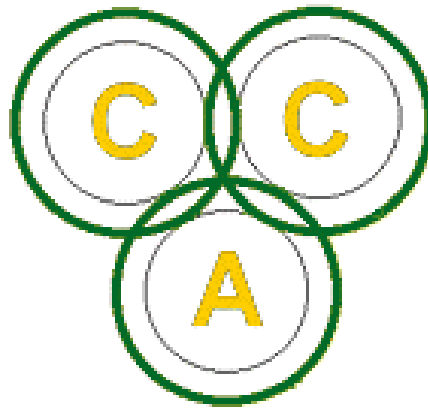


# **CITY OF CLEVELAND, OHIO**

# **CENTRAL COLLECTION AGENCY**



**DEPARTMENT OF FINANCE  
DIVISION OF TAXATION**

**REPORT ON AUDITS OF FINANCIAL STATEMENTS  
For the years ended December 31, 2013 and 2012**

**CITY OF CLEVELAND, OHIO**

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

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## **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, 2013 and 2012 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.

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## **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, 2013 and 2012, 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, 2013 and 2012, 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 26, 2014

**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, 2013 and December 31, 2012. 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 2013 provided a full range of tax collection services for 66 member communities throughout 27 Ohio counties. 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 \$79,312,096, \$85,515,911, and \$80,568,081, at December 31, 2013, 2012 and 2011, respectively. The Agency's total assets and liabilities decreased by \$6,203,815 in 2013. The Agency's total assets and liabilities increased by \$4,947,830 in 2012. Its total assets and liabilities decreased by \$633,553 in 2011. The decrease in 2013 was primarily due to decreases in cash and cash equivalents.
- The agency fund total cash receipts were approximately \$435 million, \$430 million and \$410 million in 2013, 2012 and 2011, respectively. In 2013, cash receipts consisted of \$345 million of employer withholding, \$50 million of business profits, \$35 million of individual payments and \$5 million of other payments.
- The Agency's total operational cost was \$8,597,360, \$8,191,396, and \$7,929,898 in 2013, 2012 and 2011, respectively. In 2013, operational costs consisted of \$5,383,743 of employee's wages and benefits, \$1,265,899 of allocated charges and \$1,947,718 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 printing and mailing large volumes of income tax forms to their taxpayers.
- The purchase of two vehicles for \$42,992 and computer hardware and software upgrades for \$52,404 resulted in an increase of \$95,396 in capital assets during 2013.

**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, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,107,014	\$ 13,993,219	\$ 11,253,433
Capital assets, net of accumulated depreciation	120,400	51,264	62,149
Taxes receivable	69,711,462	70,300,395	68,531,863
Due from CCA internal service fund	998,237	736,482	317,108
Due from member municipalities	<u>374,983</u>	<u>434,551</u>	<u>403,528</u>
Total assets	<u>\$ 79,312,096</u>	<u>\$ 85,515,911</u>	<u>\$ 80,568,081</u>
<b>Liabilities:</b>			
Accounts payable	\$ 144,211	\$ 161,621	\$ 139,472
Due to CCA agency fund	998,237	736,482	317,108
Due to the City of Cleveland	51,606,102	57,407,784	54,309,391
Due to member municipalities	25,953,029	26,387,134	25,049,168
Accrued wages and benefits - current	530,851	717,938	653,504
Accrued wages and benefits - long-term	<u>79,666</u>	<u>104,952</u>	<u>99,438</u>
Total liabilities	<u>\$ 79,312,096</u>	<u>\$ 85,515,911</u>	<u>\$ 80,568,081</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 decreased \$6,203,815 during 2013 and increased \$4,947,830 during 2012. The decrease in 2013 and the increase in 2012 in assets is primarily attributable to the changes in cash and cash equivalents due to timing differences in the receipt of cash and distribution to member communities and increase 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, 2013 amounted to \$120,400 (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, 2013 and 2012 are as follows:

	<b>Balance January 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2013</b>
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>

	<b>Balance January 1, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2012</b>
Furniture, fixtures, equipment and vehicles	\$ 65,310	\$ -	\$ -	\$ 65,310
Total	65,310	-	-	65,310
Less: Accumulated depreciation	(3,161)	(10,885)	-	(14,046)
Total capital assets, net	<u>\$ 62,149</u>	<u>\$ (10,885)</u>	<u>\$ -</u>	<u>\$ 51,264</u>

*Liabilities:* Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2013, the decrease in liabilities was primarily due to a decrease in Due to the City of Cleveland, which is the result of a timing difference between the receipt of cash and distribution. During 2012, the increase in liabilities was primarily due to an increase in Due to the City of Cleveland, which reflects the timing differences in the receipt of cash and distribution to the City.

**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, 2013, 2012 and 2011:

	<b>Internal Service Fund</b>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>			
Charges for services	\$ 8,588,465	\$ 8,183,986	\$ 7,923,161
Total operating revenues	8,588,465	8,183,986	7,923,161
<b>Operating Expenses</b>			
Salaries and wages	4,034,156	3,904,075	3,652,130
Employee benefits	1,349,587	1,337,688	1,200,388
Postage and office supplies	213,257	316,428	314,709
Allocation of City of Cleveland costs	1,265,899	1,214,372	1,263,593
Other administrative expenses	1,687,336	1,388,237	1,495,917
Property rental	20,865	19,711	
Depreciation	<u>26,260</u>	<u>10,885</u>	<u>3,161</u>
Total operating expense	<u>8,597,360</u>	<u>8,191,396</u>	<u>7,929,898</u>
Operating loss	(8,895)	(7,410)	(6,737)
<b>Non-operating Revenue</b>			
Interest income	<u>8,895</u>	<u>7,410</u>	<u>6,737</u>
<b>Change in net position</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position at beginning of year</b>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net position at end of year</b>	<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)**

**2013:**

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

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.

**2012:**

There was an increase in the combined costs for salaries and wages and employee benefits of \$389,245 in 2012. This was due to an employee pay increase of 3% and an increase in the cost of benefits.

Other administrative expenses decreased \$107,680 in 2012. This was due to a decrease of approximately \$100,000 in the professional services account.

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

The continuous but relatively slow pace of the economic recovery has not been strong enough to adequately absorb the relentless rise in the substantial costs of operating the Agency in a meaningful and efficient way. The Agency remains diligent in its efforts to reduce the impact of the ever increasing expenses with its sustained aggressive efforts to collect income taxes due and thus spreading the incremental cost over a larger base. In the first quarter of 2014 the Agency shows a 5.4% increase in collections compared to collections for the same period in 2013. 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 2014, provides for an overall decrease in budgeted expenditures of approximately 0.6%.

**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**

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

**STATEMENTS OF NET POSITION - ALL FUND TYPES  
December 31, 2013 and 2012**

	2013		2012	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 1,705,721	\$ 6,401,293	\$ 1,782,729	\$ 12,210,490
Taxes receivable		69,711,462		70,300,395
Due from CCA internal service fund		998,237		736,482
Due from member municipalities		374,983		434,551
<b>TOTAL CURRENT ASSETS</b>	<u>1,705,721</u>	<u>77,485,975</u>	<u>1,782,729</u>	<u>83,681,918</u>
<b>CAPITAL ASSETS:</b>				
Furniture, fixtures, equipment and vehicles	160,706		65,310	
Less: Accumulated depreciation	<u>(40,306)</u>		<u>(14,046)</u>	
<b>CAPITAL ASSETS, NET</b>	<u>120,400</u>	<u>-</u>	<u>51,264</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,826,121</u>	<u>\$ 77,485,975</u>	<u>\$ 1,833,993</u>	<u>\$ 83,681,918</u>

(Continued)

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

**STATEMENTS OF NET POSITION - ALL FUND TYPES  
December 31, 2013 and 2012**

	2013		2012	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 144,211	\$	\$ 161,621	\$
Due to CCA agency fund	998,237		736,482	
Due to the City of Cleveland	73,156	51,532,946	113,000	57,294,784
Due to member municipalities		25,953,029		26,387,134
Accrued wages and benefits - current	<u>530,851</u>		<u>717,938</u>	
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,746,455</b>	<b>77,485,975</b>	<b>1,729,041</b>	<b>83,681,918</b>
<b>LONG-TERM LIABILITIES</b>				
Accrued wages and benefits	<u>79,666</u>		<u>104,952</u>	
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>79,666</b>	<b>-</b>	<b>104,952</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,826,121</b>	<b>77,485,975</b>	<b>1,833,993</b>	<b>83,681,918</b>
<b>NET POSITION</b>				
Net investment in capital assets	120,400		51,264	
Unrestricted	<u>(120,400)</u>		<u>(51,264)</u>	
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,826,121</b>	<b>\$ 77,485,975</b>	<b>\$ 1,833,993</b>	<b>\$ 83,681,918</b>

(Concluded)

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

**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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 8,588,465	\$ 8,183,986
<b>TOTAL OPERATING REVENUES</b>	<u>8,588,465</u>	<u>8,183,986</u>
 <b>OPERATING EXPENSES</b>		
Salaries and wages	4,034,156	3,904,075
Employee benefits	1,349,587	1,337,688
Postage and office supplies	213,257	316,428
Allocation of City of Cleveland costs	1,265,899	1,214,372
Other administrative expenses	1,687,336	1,388,237
Property rental	20,865	19,711
Depreciation	26,260	10,885
<b>TOTAL OPERATING EXPENSES</b>	<u>8,597,360</u>	<u>8,191,396</u>
<b>OPERATING LOSS</b>	(8,895)	(7,410)
 <b>NON-OPERATING REVENUE</b>		
Interest income	<u>8,895</u>	<u>7,410</u>
<b>CHANGE IN NET POSITION</b>	<u>-</u>	<u>-</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>                    </u>	<u>                    </u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>

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



**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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from member municipalities	\$ 8,850,220	\$ 8,603,360
Cash payments to suppliers of goods and services	(3,240,469)	(2,932,038)
Cash payments for employee services and benefits	<u>(5,600,258)</u>	<u>(5,167,672)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	9,493	503,650
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	<u>(95,396)</u>	<u>                    </u>
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED ACTIVITIES</b>	(95,396)	-
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	<u>8,895</u>	<u>7,410</u>
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>8,895</u>	<u>7,410</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(77,008)	511,060
 Cash and cash equivalents at beginning of year	<u>1,782,729</u>	<u>1,271,669</u>
 Cash and cash equivalents at end of year	<u>\$ 1,705,721</u>	<u>\$ 1,782,729</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATIONS</b>		
Operating income (loss)	\$ (8,895)	\$ (7,410)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	26,260	10,885
Changes in assets and liabilities:		
Accounts payable	(17,410)	22,149
Due to CCA agency fund	261,755	419,374
Due to City of Cleveland	(39,844)	(11,296)
Accrued wages and benefits	<u>(212,373)</u>	<u>69,948</u>
Total adjustments	<u>18,388</u>	<u>511,060</u>
 <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 9,493</u>	<u>\$ 503,650</u>

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

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

**NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2013 and 2012**

**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 March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As required, the Agency implemented GASB Statement No. 65 has no impact on its financial statements as of December 31, 2013.

In March of 2012, Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 as amendment of GASB Statements No. 10 and No. 62* was issued. This Statement is effective for fiscal periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, and *No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Agency has determined that GASB Statement No. 66 has no impact on its financial statements as of December 31, 2013.

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

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

In November of 2010, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* was issued. This Statement is effective for fiscal periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 requires reporting a component unit as if they were part of the primary government (that is, blending) in circumstances where the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Agency has determined that GASB Statement No. 61 has no impact on its financial statements as of December 31, 2013.

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 and 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.

**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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

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

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 2013 and 2012. 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, 2013 and 2012.

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

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

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

**NOTE C—DEPOSITS AND INVESTMENTS**

**Deposits:** The carrying amount of the Agency's deposits at December 31, 2013 and 2012 totaled \$4,743,514 and \$2,967,406, respectively, and the Agency's bank balances were \$4,742,534 and \$2,166,208, 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*, \$4,742,534 and \$2,166,208 of the bank balances at December 31, 2013 and 2012, 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 table on the following page.

**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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

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

**Credit Risk:** The Agency's investments as of December 31, 2013 and 2012 include STAROhio and mutual funds. Investments in STAROhio and Federated Government Obligation Mutual 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, 2013 and 2012, which include those classified as cash and cash equivalents in the Statements of Net Position in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

<b>Type of Investment</b>	<b>2013 Fair Value</b>	<b>2013 Cost</b>	<b>2012 Fair Value</b>	<b>2012 Cost</b>	<b>Investment Maturities Less Than One Year</b>
STAROhio	\$ 2,006,141	\$ 2,006,141	\$ 10,052,926	\$ 10,052,926	\$ 2,006,141
Mutual Funds	<u>1,357,359</u>	<u>1,357,359</u>	<u>972,887</u>	<u>972,887</u>	<u>1,357,359</u>
Total Investments	3,363,500	3,363,500	11,025,813	11,025,813	3,363,500
Total Deposits	<u>4,743,514</u>	<u>4,743,514</u>	<u>2,967,406</u>	<u>2,967,406</u>	<u>4,743,514</u>
Total Deposits and Investments	<u>\$ 8,107,014</u>	<u>\$ 8,107,014</u>	<u>\$ 13,993,219</u>	<u>\$ 13,993,219</u>	<u>\$ 8,107,014</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, 2013, the investments in STAROhio and mutual funds are approximately 60% and 40%, respectively, of the Agency's total investments. As of December 31, 2012, the investments in STAROhio and mutual funds are approximately 91% and 9%, respectively, of the Agency's total investments.

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

**NOTE D--CAPITAL ASSETS**

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

	<b>Balance January 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2013</b>
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>

*Capital Asset Activity:* Capital Asset Activity for the year ended December 31, 2012 was as follows:

	<b>Balance January 1, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2012</b>
Capital assets, being depreciated				
Furniture, fixtures, equipment and vehicles	\$ 65,310	\$ -	\$ -	\$ 65,310
Total capital assets, being depreciated	65,310	-	-	65,310
Less: Total accumulated depreciation	(3,161)	(10,885)	-	(14,046)
Total capital assets, being depreciated, net	62,149	(10,885)	-	51,264
Capital assets, net	<u>\$ 62,149</u>	<u>\$ (10,885)</u>	<u>\$ -</u>	<u>\$ 51,264</u>

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

**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, 2013 are as follows:

	<b>Internal Service Fund</b>	<b>Agency Fund</b>	<b>Total</b>
Due from CCA internal service fund	\$	\$ 998,237	\$ 998,237
Due from member municipalities	<u>                    </u>	<u>374,983</u>	<u>374,983</u>
<b>Total Due From</b>	<b>\$ -</b>	<b>\$ 1,373,220</b>	<b>\$ 1,373,220</b>
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	<u>                    </u>	<u>25,953,029</u>	<u>25,953,029</u>
<b>Total Due To</b>	<b>\$ 1,071,393</b>	<b>\$ 77,485,975</b>	<b>\$ 78,557,368</b>

Individual fund due to and due from and certain payables balances as of December 31, 2012 are as follows:

	<b>Internal Service Fund</b>	<b>Agency Fund</b>	<b>Total</b>
Due from CCA internal service fund	\$	\$ 736,482	\$ 736,482
Due from member municipalities	<u>                    </u>	<u>434,551</u>	<u>434,551</u>
<b>Total Due From</b>	<b>\$ -</b>	<b>\$ 1,171,033</b>	<b>\$ 1,171,033</b>
Due to the CCA agency fund	\$ 736,482	\$	\$ 736,482
Due to the City of Cleveland	113,000	57,294,784	57,407,784
Due to member municipalities	<u>                    </u>	<u>26,387,134</u>	<u>26,387,134</u>
<b>Total Due To</b>	<b>\$ 849,482</b>	<b>\$ 83,681,918</b>	<b>\$ 84,531,400</b>



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**NOTES TO FINANCIAL STATEMENTS (Continued)  
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**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 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 2013, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2013, 2012 and 2011. The employer contribution rates were 14.00% of covered payroll in 2013, 2012 and 2011.

The Agency's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2013, 2012 and 2011 were \$510,000, \$381,000 and \$363,000 each year, respectively. The required payments due in 2013, 2012 and 2011 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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

**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. 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 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 2013, 2012, and 2011. 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 Retirement Board 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 1.00% for members of the Traditional Plan in 2013 and 4.00% in 2012 and 2011, 1.00% for members of the Combined Plan in 2013 and 6.05% for 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. 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 \$39,000 in 2013, \$152,000 in 2012 and \$145,000 in 2011. The required payments due in 2013, 2012 and 2011 have been made.

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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Years Ended December 31, 2013 and 2012**

**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, 2013 and 2012 were as follows:

	<b>2013</b>	<b>2012</b>
City administration	\$ 434,533	\$ 414,261
Office rent	425,000	425,000
Telephone	90,110	84,184
Utilities	83,621	24,743
Parking Facilities	2,662	2,652
Printing services	215,516	247,724
Motor Vehicle Maintenance	14,457	15,808
Total	\$1,265,899	\$1,214,372

**NOTE I--DUE FROM MEMBER CITIES**

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling \$374,983 at December 31, 2013 and \$434,551 at December 31, 2012 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 2013 or 2012.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

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**NOTES TO FINANCIAL STATEMENTS (Continued)  
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**NOTE J--CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)**

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.

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**SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND  
For the Years Ended December 31, 2013 and 2012**

	<b>Balance 1/1/2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 12/31/2013</b>
<b>ASSETS</b>				
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	434,551	374,983	(434,551)	374,983
<b>TOTAL ASSETS</b>	<b>\$ 83,681,918</b>	<b>\$ 506,423,780</b>	<b>\$ (512,619,723)</b>	<b>\$ 77,485,975</b>
<b>LIABILITIES</b>				
Due to the City of Cleveland	\$ 57,294,784	\$ 400,242,211	\$ (406,004,049)	\$ 51,532,946
Due to member municipalities	26,387,134	106,181,569	(106,615,674)	25,953,029
<b>TOTAL LIABILITIES</b>	<b>\$ 83,681,918</b>	<b>\$ 506,423,780</b>	<b>\$ (512,619,723)</b>	<b>\$ 77,485,975</b>

	<b>Balance 1/1/2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 12/31/2012</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,981,764	\$ 430,398,251	\$ (428,169,525)	\$ 12,210,490
Taxes receivable	68,531,863	70,300,395	(68,531,863)	70,300,395
Due from the CCA internal service fund	317,108	736,482	(317,108)	736,482
Due from member municipalities	403,528	434,551	(403,528)	434,551
<b>TOTAL ASSETS</b>	<b>\$ 79,234,263</b>	<b>\$ 501,869,679</b>	<b>\$ (497,422,024)</b>	<b>\$ 83,681,918</b>
<b>LIABILITIES</b>				
Due to the City of Cleveland	\$ 54,185,095	\$ 394,567,927	\$ (391,458,238)	\$ 57,294,784
Due to member municipalities	25,049,168	107,301,752	(105,963,786)	26,387,134
<b>TOTAL LIABILITIES</b>	<b>\$ 79,234,263</b>	<b>\$ 501,869,679</b>	<b>\$ (497,422,024)</b>	<b>\$ 83,681,918</b>

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SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

Members	Balance Collected and Due Members January 1, 2013	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected and Due Members December 31, 2013
Adm	\$ 138,855.72	\$ 1,744,865.04	\$ 1,883,720.76	\$ 1,696,440.15	\$ 48,904.57	\$ 1,745,344.72	\$ 138,376.04
Aiiger	(1,035.31)	52,530.51	51,495.20	44,605.69	5,872.23	50,475.92	1,019.28
Akron	(9.28)	452,592.26	452,592.26	426,978.95	41,936.28	478,915.23	(26,322.97)
Albans	(9.28)	220,331.96	220,331.96	203,056.99	12,857.69	211,914.68	4,417.28
Barberton	891,926.35	11,073,605.04	11,965,531.39	10,865,355.15	269,897.21	11,135,252.36	830,279.03
Barnesville	(314.52)	7,679.21	7,679.21	6,522.84	863.62	7,386.46	292.75
Bedford	(314.52)	24,080.95	23,766.43	21,390.59	2,114.90	23,505.49	260.94
Bradford	5,083.58	114,522.52	119,406.10	109,463.48	9,979.10	119,442.58	(36.48)
Braunah	170,382.34	2,187,714.34	2,338,096.68	1,901,868.01	43,710.74	1,945,578.75	412,517.93
Buron	27,970.63	464,796.66	492,767.29	436,645.17	26,724.63	463,369.80	29,397.49
Canterville	6,693,679.69	48,152.65	48,152.65	45,064.63	5,206.19	50,270.82	(2,118.17)
Cleveland	13,207.44	340,251,307.28	346,944,986.97	339,557,200.00	5,588,337.97	345,145,537.97	1,799,449.00
Cridersville	(256.78)	288,989.75	302,197.19	280,743.96	21,386.67	302,130.63	66.56
Cuyahoga Falls	(230.59)	13,369.20	13,112.42	12,510.30	3,494.68	16,004.98	(2,892.56)
Dayton	(162.92)	457,742.64	457,512.05	276,146.61	183,176.07	459,322.68	(1,810.63)
Dresden	(162.92)	181,414.96	181,414.96	161,418.52	9,829.51	171,248.03	10,166.93
Eastlake	(162.92)	8,264.36	8,101.44	7,480.15	917.55	8,397.70	(296.26)
Elida	(1,149.12)	455,020.61	473,045.28	416,317.16	26,613.22	442,930.38	30,114.90
Englewood	(1,149.12)	2,442.09	2,292.97	2,379.47	524.17	2,903.64	(1,610.67)
Franklin	194,182.69	24,360.38	22,791.73	22,791.73	1,448.49	24,240.22	120.16
Frazzysburg	4,070.14	125,464.52	125,464.52	112,273.56	9,256.05	121,529.61	3,934.91
Gates Mills	12,294.51	1,461,217.33	1,655,400.02	1,500,594.90	49,945.15	1,550,540.05	104,859.97
Geneva-on-the-Lake	189,925.24	189,925.24	193,999.38	175,880.56	14,563.58	190,444.14	3,555.24
Grand Rapids	23,156.86	219,700.19	231,994.70	207,376.83	18,521.87	220,898.70	6,096.00
Grand River	7,617.02	282,911.90	306,068.76	280,389.90	8,566.42	288,956.32	17,112.44
Hamilton	(1,149.12)	206,878.83	214,495.85	198,796.14	15,134.73	213,930.87	564.98
Harville	211,685.92	576.72	576.72	541.72	145.57	687.29	(110.57)
Highland Hills	2,425.77	3,115,845.75	3,327,531.67	2,965,416.58	43,704.40	3,009,120.98	318,410.69
Huntsville	(212.50)	57,938.65	60,364.42	51,475.51	5,517.30	56,992.81	3,371.61
Lakewood	6,813.19	25,735.03	23,316.34	23,316.34	1,887.33	25,203.67	318.86
Lancaster	5,054.35	194,438.33	47,872.18	35,573.10	2,287.09	37,860.19	10,011.99
Liberty Center	(868.86)	199,492.68	177,461.53	130,24.29	13,024.29	190,485.82	9,006.86
Lima	4,535.18	7,865.58	6,994.72	6,299.39	1,010.98	7,310.37	(315.65)
Lindale	54,999.38	69,322.20	73,857.38	65,715.14	2,741.02	68,456.16	5,401.22
Lorain	1,717.33	35,413.21	37,130.54	29,676.00	3,810.53	33,486.53	3,644.01
Madison	1,089,744.62	837,949.92	892,949.30	794,915.43	52,488.47	847,403.90	45,545.40
Medina	55,665.92	13,136,813.92	14,226,558.54	12,770,689.68	457,231.38	13,227,921.06	998,637.48
Memor-on-the-Lake	90,581.44	50.00	50.00	848,797.66	44,198.47	892,996.13	57,787.64
Mt. Orab	99,815.82	1,132,822.57	1,223,404.01	1,114,917.43	48,238.55	1,163,155.98	60,248.03
Minor Falls	70,497.56	1,198,097.10	1,297,912.92	1,136,150.45	46,297.34	1,182,447.79	115,465.13
Northfield	77,824.61	744,616.42	815,113.98	706,282.49	32,878.08	739,160.57	75,953.41
North Baltimore	79,492.40	1,685,820.75	1,763,645.36	1,579,460.71	24,036.29	1,603,497.00	160,148.36
North Perry	375,934.26	2,014,185.44	2,093,677.84	1,848,591.96	36,624.18	1,885,216.14	208,461.70
North Randall	3,808.48	4,924,969.82	5,300,904.08	4,805,267.20	170,001.64	4,975,268.84	325,635.24
Norton	740,460.85	77,070.50	80,878.98	72,078.47	7,872.66	79,951.13	927.85
Village of Oakwood	15,403.79	656,818.94	1,377,279.79	1,361,904.79	15,375.12	1,377,279.91	(0.12)
Painesville	18,750.40	448,158.01	463,561.80	412,281.38	36,811.31	449,092.69	14,469.11
Pandling	11,199.26	285,307.99	304,058.39	275,040.01	16,287.00	291,327.01	12,731.38
Peinavida	714,785.18	9,644,747.91	10,359,533.09	9,152,172.95	354,842.07	9,507,015.02	852,518.07
Rocky River	67,575.23	233,482.29	244,681.55	216,014.98	17,288.99	233,303.97	11,377.58
Russells Point	1,684.12	34,887.01	34,887.01	32,966.28	4,990.85	37,457.13	(2,570.12)
Salem	1,064,352.00	1,131,927.23	1,131,927.23	1,002,072.42	48,337.70	1,050,410.12	81,517.11
Seville	99,091.31	934.05	934.05	1,628,332.73	596.63	1,693,722.06	111,839.01
South Russell	2,046.89	1,706,469.76	1,805,561.07	1,628,332.73	65,389.33	1,693,722.06	(1,419.27)
Springfield	4,658.88	84,292.53	86,339.42	78,871.65	2,463.91	81,335.23	86,923.95
Stow	10,181.77	13,356.84	13,356.84	16,131.71	1,212.51	17,344.22	671.50
Timberlake	641,662.45	8,149,770.35	8,791,432.80	7,898,944.74	322,190.30	8,221,135.10	570,297.70
Troy	4,392.37	67,272.65	71,665.02	65,108.74	4,302.90	69,411.64	2,253.38
Wadsworth	1,105,545.57	13,777,840.19	14,883,385.76	13,547,514.60	250,022.01	13,797,536.61	1,085,849.15
Warren	4,765.40	135,533.63	140,299.03	123,834.99	8,755.13	132,590.12	7,708.91
Warrensville Heights	83,527.11	83,527.11	62,048.57	62,048.57	2,774.43	64,823.00	18,704.11
Waynesfield	21,682.38	21,682.38	21,682.38	20,447.39	22,615.77	22,615.77	(933.39)
West Liberty	897.94	897.94	897.94	304.97	304.97	304.97	592.97
Wickliffe	427,199,554.40	441,068,565.86	441,068,565.86	423,952,373.51	8,588,464.58	432,540,838.09	8,527,727.77
Wilmington	13,869,011.46	427,199,554.40	441,068,565.86	423,952,373.51	8,588,464.58	432,540,838.09	8,527,727.77
Totals	\$ 13,869,011.46	\$ 427,199,554.40	\$ 441,068,565.86	\$ 423,952,373.51	\$ 8,588,464.58	\$ 432,540,838.09	\$ 8,527,727.77

CITY OF CLEVELAND, OHIO  
CENTRAL COLLECTION AGENCY  
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities Other Than Cleveland	Allocation of Net Operating Expenses
ADA	0.618271%	2.021592%	\$ 49,084.39	\$ 179.82	\$ 48,904.57
ALGER	0.074034%	0.060862%	5,877.64	5.41	5,872.23
AKRON	0.654781%	0.524371%	51,982.92	46.64	51,936.28
ATHENS	0.162242%	0.255286%	12,880.40	22.71	12,857.69
BARBERTON	3.414020%	12.829824%	271,038.44	1,141.23	269,897.21
BARNESVILLE	0.010888%	0.008897%	864.41	0.79	863.62
BEDFORD	0.026671%	0.027900%	2,117.38	2.48	2,114.90
BRADNER	0.125846%	0.132454%	9,990.88	11.78	9,979.10
BRATENAHL	0.553424%	2.534674%	43,936.20	225.46	43,710.74
BURTON	0.337229%	0.538511%	26,772.53	47.90	26,724.63
CENTERVILLE	0.065640%	0.055789%	5,211.15	4.96	5,206.19
CLEVELAND	64.036273%	0.000000%	5,588,337.97		5,588,337.97
CRIDERSVILLE	0.269763%	0.334822%	21,416.45	29.78	21,386.67
CUYAHOGA FALLS	0.044037%	0.015489%	3,496.06	1.38	3,494.68
DAYTON	0.421551%	0.530338%	183,223.24	47.17	183,176.07
DRESDEN	0.124049%	0.210186%	9,848.21	18.70	9,829.51
EASTLAKE	0.011568%	0.009574%	918.40	0.85	917.55
ELIDA	0.335813%	0.527185%	26,660.11	46.89	26,613.22
ENGLEWOOD	0.006606%	0.002829%	524.42	0.25	524.17
FRANKLIN	0.018277%	0.028224%	1,451.00	2.51	1,448.49
FRAZEYSBURG	0.116753%	0.145363%	9,268.98	12.93	9,256.05
GATES MILLS	0.631010%	1.692959%	50,095.74	150.59	49,945.15
GENEVA O-T LAKE	0.183690%	0.220051%	14,583.15	19.57	14,563.58
GRAND RAPIDS	0.235588%	0.254544%	18,544.51	22.64	18,521.87
GRAND RIVER	0.108271%	0.327780%	8,595.58	29.16	8,566.42
HAMILTON	0.190907%	0.239689%	15,156.05	21.32	15,134.73
HARTVILLE	0.001834%	0.000668%	145.63	0.06	145.57
HIGHLAND HILLS	0.554549%	3.610004%	44,025.52	321.12	43,704.40
HUNTSVILLE	0.069572%	0.067127%	5,523.27	5.97	5,517.30
LAKEWOOD	0.023806%	0.029816%	1,889.98	2.65	1,887.33
LANCASTER	0.028862%	0.047571%	2,291.32	4.23	2,287.09
LIBERTY CENTER	0.164307%	0.225275%	13,044.33	20.04	13,024.29
LIMA	0.012744%	0.009111%	1,011.79	0.81	1,010.98
LINNDALE	0.034616%	0.080316%	2,748.16	7.14	2,741.02
LORAIN	0.048044%	0.041030%	3,814.18	3.65	3,810.53
MADISON	0.662236%	0.970845%	52,574.83	86.36	52,488.47
MEDINA	5.776374%	15.220250%	458,585.25	1,353.87	457,231.38
MENTOR-O-T-LK	0.557889%	1.037079%	44,290.72	92.25	44,198.47
MT ORAB	0.000684%	0.000058%	54.41	0.01	54.40
MUNROE FALLS	0.609087%	1.312483%	48,355.30	116.75	48,238.55
NORTHFIELD	0.584720%	1.388109%	46,420.81	123.47	46,297.34
N. BALTIMORE	0.415101%	0.862709%	32,954.82	76.74	32,878.08
N. PERRY	0.304951%	1.953184%	24,210.03	173.74	24,036.29
N. RANDALL	0.463936%	2.333625%	36,831.76	207.58	36,624.18
NORTON	2.147746%	5.706046%	170,509.20	507.56	170,001.64
VLG OF OAKWOOD	0.099265%	0.089294%	7,880.60	7.94	7,872.66
PAINESVILLE	0.141877%	0.000000%	15,375.12		15,375.12
PAULDING	0.464260%	0.519234%	36,857.50	46.19	36,811.31
PENINSULA	0.205523%	0.330556%	16,316.40	29.40	16,287.00
ROCKY RIVER	4.482137%	11.174360%	355,836.05	993.98	354,842.07
RUSSELLS POINT	0.218077%	0.270511%	17,313.05	24.06	17,288.99
SALEM	0.056612%	0.040420%	4,494.45	3.60	4,490.85
SEVILLE	0.610247%	1.233153%	48,447.39	109.69	48,337.70
SPRINGFIELD	0.007516%	0.001082%	596.73	0.10	596.63
S. RUSSELL	0.825864%	1.977108%	65,565.20	175.87	65,389.33
STOW	0.031059%	0.020889%	2,465.77	1.86	2,463.91
TIMBERLAKE	0.101537%	0.097661%	8,060.99	8.69	8,052.30
TROTWOOD	0.015290%	0.015475%	1,213.89	1.38	1,212.51
TROY	0.037400%	0.042628%	2,969.20	3.79	2,965.41
WADSWORTH	4.068913%	9.442284%	323,030.27	839.91	322,190.36
WARREN	0.054287%	0.077942%	4,309.83	6.93	4,302.90
WARR. HTS.	3.167181%	15.962940%	251,441.94	1,419.93	250,022.01
WAYNESFIELD	0.110456%	0.157029%	8,769.10	13.97	8,755.13
WEST LIBERTY	0.035055%	0.096774%	2,783.04	8.61	2,774.43
WICKLIFFE	0.027341%	0.025121%	2,170.62	2.23	2,168.39
WILMINGTON	0.003843%	0.001040%	305.06	0.09	304.97
TOTALS	100.000000%	100.000000%	\$ 8,597,359.72	\$ 8,895.14	\$ 8,588,464.58

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

**SCHEDULES OF INCOME TAXES RECEIVABLE  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Income Taxes Receivable Dec. 31, 2013	Income Taxes Receivable Dec. 31, 2012
Ada	\$ 311,768.35	\$ 287,695.99
Alliance	106.03	
Alger	29,408.73	29,310.91
Akron	12,609.35	
Athens	17,091.14	53,599.17
Barberton	1,769,457.01	1,831,823.64
Barnesville	1,023.21	
Bedford	1,165.60	2,360.56
Bradner	41,654.64	45,933.97
Bratenahl	712,522.92	504,917.23
Burton	131,463.84	130,734.19
Centerville	3,060.33	
Cleveland	49,733,496.58	50,601,104.01
Cridersville	105,858.85	104,407.84
Cuyahoga Falls	247.12	1,888.27
Dayton	42,576.04	34,425.93
Dresden	23,621.98	
Eastlake	392.92	1,727.33
Elida	157,798.68	169,972.19
Englewood	619.10	1,077.67
Franklin	1,079.30	
Frazeytsburg	23,726.39	
Gates Mills	538,564.59	674,927.21
Geneva-on-the-Lake	69,584.54	57,603.53
Grand Rapids	95,895.70	99,563.72
Grand River	58,510.81	57,513.97
Hamilton	12,764.40	41,375.15
Hartville	75.00	
Highland Hills	456,167.61	452,776.23
Huber Heights	16,083.43	
Huntsville	19,541.81	20,482.71
Lakewood	5,374.47	6,716.89
Lancaster	3,329.96	8,944.21
Liberty Center	48,440.79	46,360.77
Lima	423.53	3,034.51
Linndale	9,103.65	10,711.15
Lorain	5,270.17	9,708.68
Madison	294,884.06	301,217.06
Medina	3,346,557.11	3,507,821.88
Mentor-on-the-Lake	232,105.38	221,636.88
Mt. Orab	1,019.65	
Munroe Falls	255,535.14	249,824.08
Northfield	308,983.98	267,887.35
North Baltimore	155,407.07	136,744.80
North Perry	197,761.45	104,171.19
North Randall	364,709.12	165,821.85
Norton	1,243,159.72	1,199,095.38
Village of Oakwood	21,961.80	21,827.00
Painesville		503,872.84
Paulding	110,266.43	105,130.53
Peninsula	69,430.78	72,324.25
Rocky River	2,764,974.26	2,558,965.40
Russells Point	76,846.81	76,113.73
Salem	688.03	
Seville	321,304.56	317,959.58
Springfield	55,886.98	
South Russell	582,277.28	506,003.88
Stow	2,324.64	5,560.19
Timberlake	31,843.36	34,109.34
Trotwood	1,765.93	2,919.33
Troy	1,717.80	9,096.47
Wadsworth	2,041,205.58	2,003,237.57
Warren	4,987.05	18,819.48
Warrensville Heights	2,689,351.61	2,582,004.35
Waynesfield	39,521.37	37,532.82
West Liberty	28,244.17	
Wickliffe		
Wilmington	6,861.99	
	<u>\$ 69,711,461.68</u>	<u>\$ 70,300,394.86</u>