CITY OF CLEVELAND, OHIO

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2020

CITY OF CLEVELAND, OHIO

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

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") as of and for the year ended December 31, 2020, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the basic financial statements, the financial statements present only the Divisions and do not purport to, and do not present fairly the financial position of the City of Cleveland as of December 31, 2020, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and OPEB liabilities and pension and OPEB contributions, 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 opinions on the financial statements taken as a whole. The schedule of airport revenues and operating expenses as defined in the airline use agreement for the year ended December 31, 2020 is presented for purpose of additional analysis and is not a required part of the Divisions' basic financial statements. The schedule of airport revenues and operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Divisions' 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 Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Port Control, Divisions of Cleveland Hopkins International (CLE) and Burke Lakefront (BKL) Airports (the Divisions), we offer readers of the Divisions' financial statements this narrative overview and analysis of the financial activities of the Divisions for the year ended December 31, 2020. Please read this information in conjunction with the Divisions' basic financial statements and notes that begin on page 16.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airports of the City. The Divisions operate a major public airport and a reliever airport serving not only the City, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2020, the Divisions were served by eight scheduled United States (U.S.) based airlines, one foreign based airlines, 12 regional U.S. based airlines, three regularly scheduled charters and five U.S. based all – cargo airlines. There were 29,000 scheduled landings with landed weight amounting to 3,514,736,000 pounds. There were approximately 2,060,000 passengers enplaned at Cleveland Hopkins International Airport and 54,000 passengers enplaned at Burke Lakefront Airport during 2020.

COMPARISON OF CURRENT YEAR AND PREVIOUS YEAR DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Divisions exceeded its liabilities and deferred inflows of resources (net position) by $399,951,000 and $390,717,000 at December 31, 2020 and 2019, respectively. Of these amounts, $95,476,000 and $97,221,000 (unrestricted net position) at December 31, 2020 and 2019, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net position increased by $9,234,000 in 2020. The main factors that attributed to this was capital and other contributions, which offset operating losses.

- Additions to construction in progress totaled $31,584,000 in 2020.

- The major capital projects during 2020 were the North Airfield Improvement Projects, Phase III, Snow Removal Equipment Acquisition, CLE Master Plan, CLE Ground Transportation Center Upgrades, Primary Road Fire and Domestic Waterline Improvements.

- The Divisions' total bonded debt decreased by $41,585,000 in 2020. This was the result of the regularly scheduled principal payments made on the Divisions' outstanding bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The basic financial statements of the Divisions can be found on pages 16-21 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 23-52 of this report. The required supplementary information can be found on pages 53-56 of this report. The Schedule of Airport Revenues and Operating Expenses as Defined in the Airline Use Agreement can be found on page 57 of this report. The Report on Compliance for the Passenger Facility Program; Report on Internal Control Over Compliance and the Report on Schedule of Expenditures of Passenger Facility Charges in Accordance with 14 CFR Part 158 can be found on pages 59-60 of this report. The remaining passenger facility charges schedules can be found on pages 61-63 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSTION INFORMATION

Provided below is condensed statement of net position information for the Divisions as of December 31, 2020 and 2019:

	2020	2019
	(Amounts in Thousands)	
Assets and deferred outflows of resources:		
Assets:		
Current assets	$ 132,478	$ 128,260
Restricted assets	224,738	231,982
Capital assets, net	745,315	769,778
Total assets	1,102,531	1,130,020
Deferred outflows of resources	26,586	36,294
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Current liabilities	80,415	75,074
Long-term obligations	638,518	699,774
Total liabilities	718,933	774,848
Deferred inflows of resources	10,233	749
Net position:		
Net investment in capital assets	162,024	154,610
Restricted for debt service	123,710	121,026
Restricted for capital projects	21	21
Restricted for passenger facility charges	18,720	17,839
Unrestricted	95,476	97,221
Total net position	$ 399,951	$ 390,717

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Assets and Deferred Outflow of Resources: Total assets and deferred outflows of resources decreased $37,197,000 or 3.2% in 2020. The changes are primarily due to a decrease in capital assets, restricted assets and deferred outflows of resources.

Capital Assets: The Divisions' investment in capital assets as of December 31, 2020 amounted to $745,315,000 (net of accumulated depreciation), which is a decrease of 3.2%. These investments in capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; vehicles; and construction in progress. There was an increase in vehicles of $72,000. Furniture, fixtures and equipment had a net increase of $39,035,000 of which $4,619,000 was the Snow Removal Equipment placed into service.

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2020 is as follows:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020
	(Amounts in Thousands)			
Land	$ 166,882	$	$	$ 166,882
Land improvements	94,931			94,931
Buildings, structures and improvements	375,034			375,034
Furniture, fixtures and equipment	67,795	39,127	(92)	106,830
Infrastructure	1,018,128			1,018,128
Vehicles	19,082	94	(22)	19,154
Total	1,741,852	39,221	(114)	1,780,959
Less: Accumulated depreciation	(1,088,231)	(60,666)	114	(1,148,783)
Total	653,621	(21,445)	-	632,176
Construction in progress	116,157	31,584	(34,602)	113,139
Capital assets, net	$ 769,778	$ 10,139	$ (34,602)	$ 745,315

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Major events during 2020 affecting the Divisions' capital assets included the following:

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

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

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

- Snow Removal Equipment Acquisition: In 2019, 7 pieces of new snow removal equipment were purchased to replace aged equipment that had reached the end of its life-cycle. Equipment acquisitions were completed in 2020.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Liabilities: In 2020, total liabilities decreased $55,915,000 or 7.2%. Current liabilities increased $5,341,000 or 7.1% as a result of an increase in the landing fee adjustment payable to airlines. Long-term liabilities decreased due to decrease in revenue bonds payable and net pension liability.

Net Pension/OPEB Liabilities: The net pension liability is reported by the Divisions at December 31, 2020 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. For fiscal year 2018, the Divisions adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Divisions' actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

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

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

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

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

Long-Term Debt: At December 31, 2020 and 2019, the Divisions had $603,930,000 and $645,515,000 respectively, in total bonded debt outstanding. The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2020 is summarized below:

	Balance January 1, 2020	Debt Issued	Debt Retired	Balance December 31, 2020
	(Amounts in Thousands)			
Airport System Revenue Bonds:				
Series 2006	$ 22,535	$	$ (10,055)	$ 12,480
Series 2007	5,205		(765)	4,440
Series 2011	26,175		(8,575)	17,600
Series 2014 (Direct Placement)	1,790		(1,790)	-
Series 2016	138,450		(3,295)	135,155
Series 2018	109,685		(8,680)	101,005
Series 2019	341,675		(8,425)	333,250
Total	$ 645,515	$ -	$ (41,585)	$ 603,930

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

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

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

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Divisions' debt position to management, customers and creditors. The Divisions' revenue bond coverage for 2020 was 145%.

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

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net Position: Net position serves as a useful indicator of an entity's financial position. In the case of the Divisions, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $399,951,000 and $390,717,000 at December 31, 2020 and 2019, respectively. Of the Divisions' net position at December 31, 2020 and 2019, $162,024,000 and $154,610,000, respectively, reflects its investment in capital assets (e.g., construction in progress; land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; vehicles; and infrastructure) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Divisions use these capital assets to provide services to their customers. Consequently, these assets are not available for future spending.

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

An additional portion of the Divisions' net position represents resources that are subject to external restrictions. At December 31, 2020 and 2019, the restricted net position amounted to $142,451,000 and $138,886,000, respectively. The restricted net position include amounts set aside in various fund accounts for capital projects and for payment of revenue bonds, which are limited by the bond indentures and passenger facility charges imposed and collected at CLE based on an approved FAA application. Passenger facility charges are restricted for designated capital projects and approved debt service. The remaining balance of unrestricted net position, $95,476,000 and $97,221,000 for December 31, 2020 and 2019, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Divisions' net position increased by $9,234,000 in 2020. Provided below are key elements of the Divisions' results of operations as of and for the years ended December 31, 2020 and 2019:

	2020	2019
	(Amounts in Thousands)	
Operating revenues:		
Landing fees	$ 15,376	$ 36,567
Terminal and concourse rentals	56,179	51,843
Concessions	28,385	55,977
Utility sales and other	3,148	4,034
Total operating revenues	103,088	148,421
Operating expenses	141,300	145,874
Operating income (loss)	(38,212)	2,547
Non-operating revenue (expense):		
Passenger facility charges revenue	8,230	20,121
Non-operating revenue (expense)	(2,144)	(7,223)
Gain (loss) on disposal of capital asset	65	625
Investment income (loss)	1,338	6,024
Interest expense	(22,417)	(24,024)
Amortization of bond discounts/premiums and loss on debt refundings	2,092	877
Total non-operating revenue (expense), net	(12,836)	(3,600)
Capital and other contributions	60,282	16,942
Change in net position	9,234	15,889
Net position, beginning of year	390,717	374,828
Net position, end of year	$ 399,951	$ 390,717

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

***Operating Revenues**:* Operating revenues for 2020 were $103,088,000. Of this amount, $14,596,000 or 14.2% represented landing fees received from signatory airlines. Signatory terminal rentals accounted for $44,236,000 or 42.9% of total operating revenues. Parking revenues decreased 56.1 % over the prior year due to a decrease in demand for services during the COVID-19 pandemic. Parking revenues amounted to $16,156,000 or 15.7% of total operating revenues for 2020. The fourth largest airport revenue source, rental cars, accounted for 7.9% of total operating revenues.

***Operating Expenses**:* Total operating expenses for 2020 decreased $4,574,000 or 3.1%. The decrease is primarily due to reduction in operating expenses such as utilities, professional fees, training, supplies, salaries wages and benefits.

Non-Operating Revenue: Non-operating revenues decreased $15,922,000 or 57.6%. The main factor that attributed to this change was the decrease in passenger facility charges of $11,891,000 and investment income of $4,686,000, offset by an increase in bond amortization expense of $1,215,000.

Non-Operating Expenses: Non-operating expenses decreased $6,686,000 or 21.4%. This decrease is attributed to decreased interest expense related to lower interest paid and fewer capital expenses.

Capital and Other Contributions: In 2020 and 2019, the Divisions received $60,282,000 and $16,942,000 respectively, in CARES Act, Federal Airport Improvement, Transportation Security Administration Law Enforcement Officer and Canine Grants. In both 2020 and 2019, Airport Improvement Program Grant revenue primarily consisted of proceeds from the 2000, amended in 2017, Letter of Intent and airfield safety improvements.

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

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

CLE Concessions developer Fraport Cleveland opened two (2) new retailers, TUMI on Concourse C and Cleveland Mask on Concourse A. In-terminal Concessions sales decreased by 49% from 2019, from $55,977,000 to $28,385,000.

Despite the Covid-19 pandemic and related devastating effect on airlines and airline-related businesses, there were some bright spots in 2020. CLE executed a space agreement with Constant Aviation, a Cleveland based aircraft maintenance, repair & operations (MRO) company to expand their footprint at the Northeast corner of CLE, increasing their hangar space from 75,000 to 175,000 square feet as they look to expand at their CLE home base. Concessions developer Fraport Cleveland welcomed the opening of three new in-terminal concessions in Cantina Taqueria (Concourse C), TUMI (Concourse C), and a Covid-19 testing business, TACKL Health (Ticketing Lobby), while securing an agreement for a new common use airline lounge, opening in 2021, to replace the closed Airspace Lounge (Main Terminal). CLEAR, a secure identity platform, that allows customers to bypass the travel document checker at security checkpoints by using fingerprint and/or iris identification enjoyed its' first full year operating at CLE.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
December 31, 2020
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	111,822
Restricted cash and cash equivalents		4,404
Receivables:		
Accounts-net of allowance for doubtful accounts of $1,954		1,845
Unbilled revenue		3,120
Total receivables		4,965
Prepaid expenses		684
Due from other funds		2
Due from other governments		7,860
Materials and supplies-at cost		2,741
TOTAL CURRENT ASSETS		132,478
RESTRICTED ASSETS		
Cash and cash equivalents		223,668
Accrued interest receivable		4
Accrued passenger facility charges		1,066
TOTAL RESTRICTED ASSETS		224,738
CAPITAL ASSETS		
Land		166,882
Land improvements		94,931
Buildings, structures and improvements		375,034
Furniture, fixtures and equipment		106,830
Infrastructure		1,018,128
Vehicles		19,154
		1,780,959
Less: Accumulated depreciation		(1,148,783)
		632,176
Construction in progress		113,139
CAPITAL ASSETS, NET		745,315
TOTAL ASSETS		1,102,531
DEFERRED OUTFLOW OF RESOURCES		
Loss on refunding		18,064
Pension		5,123
OPEB		3,399
TOTAL DEFERRED OUTFLOWS OF RESOURCES		26,586

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

STATEMENT OF NET POSITION
December 31, 2020
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt, due within one year	$ 44,250
Accounts payable	6,824
Landing fee settlement payable to airlines	3,364
Due to other funds	1,255
Current portion of accrued wages and benefits	4,164
Accrued interest payable	11,638
Accrued property taxes	4,516
Construction fund payable from restricted assets	4,404
TOTAL CURRENT LIABILITIES	80,415
LONG-TERM OBLIGATIONS - excluding amounts due within one year	
Revenue bonds	584,664
Net pension liability	30,925
Net OPEB liability	22,219
Accrued wages and benefits	710
TOTAL LONG-TERM OBLIGATIONS	638,518
TOTAL LIABILITIES	718,933
DEFERRED INFLOWS OF RESOURCES	
Pension	6,924
OPEB	3,309
TOTAL DEFERRED OUTFLOW OF RESOURCES	10,233
NET POSITION	
Net investment in capital assets	162,024
Restricted for capital projects	21
Restricted for debt service	123,710
Restricted for passenger facility charges	18,720
Unrestricted	95,476
TOTAL NET POSITION	$ 399,951

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2020
(Amounts in Thousands)

OPERATING REVENUES	
Landing fees:	
Scheduled airlines	$ 14,596
Other	780
	15,376
Terminal and concourse rentals:	
Scheduled airlines	44,236
Other	11,943
	56,179
Concessions	28,385
Utility sales and other	3,148
TOTAL OPERATING REVENUES	103,088
OPERATING EXPENSES	
Operations	76,260
Maintenance	4,374
Depreciation	60,666
TOTAL OPERATING EXPENSES	141,300
OPERATING INCOME (LOSS)	(38,212)
NON-OPERATING REVENUE (EXPENSE)	
Passenger facility charges revenue	8,230
Non-operating revenue (expense)	(2,144)
Gain (loss) on disposal of capital asset	65
Investment income (loss)	1,338
Interest expense	(22,417)
Amortization of bond discounts/premiums and loss on debt refundings	2,092
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(12,836)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(51,048)
Capital and other contributions	60,282
INCREASE (DECREASE) IN NET POSITION	9,234
NET POSITION, BEGINNING OF YEAR	390,717
NET POSITION, END OF YEAR	$ 399,951

See notes to financial statements.

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 112,098
Cash payments to suppliers for goods and services	(45,582)
Cash payments to employees for services	(32,626)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	33,890
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(35,685)
Cash receipts for passenger facility charges	9,587
Principal paid on long-term debt	(41,585)
Interest paid on long-term debt	(21,699)
Capital grant proceeds	61,315
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(28,067)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	1,576
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITES	1,576
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,399
Cash and cash equivalents, beginning of year	332,495
Cash and cash equivalents, end of year	$ 339,894

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

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
(Amounts in Thousands)

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

OPERATING INCOME (LOSS)	$ (38,212)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	60,666
Changes in assets:	
Accounts receivables	3,352
Unbilled revenue	2,908
Prepaid expenses	(54)
Due from other City of Cleveland departments, divisions or funds	12
Materials and supplies, at cost	(67)
Changes in deferred outflows of resources:	
Pension	8,552
OPEB	(1,602)
Changes in liabilities:	
Accounts payable	(1,964)
Due to other City of Cleveland departments, divisions or funds	(470)
Accrued wages and benefits	436
Landing fee adjustment	2,617
Accrued property taxes	(71)
Net pension liability	(12,613)
Net OPEB liability	916
Changes in deferred inflows of resources:	
Pension	6,231
OPEB	3,253
TOTAL ADJUSTMENTS	72,102
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 33,890

Schedule of Noncash Capital and Related Financing Activities:	
Capital assets added from accounts payable	$ 4,404

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In November of 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2019. The objective of this Statement is to provide financial statement users with information about asset retirement obligations (ARO) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The Divisions has determined that GASB Statement No. 83 has no impact on its financial statements as of December 31, 2020.

In January of 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. This Statement is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The Divisions has determined that GASB Statement No. 84 has no impact on its financial statements as of December 31, 2020.

In March of 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued. This Statement is effective for reporting periods beginning after June 15, 2019. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. As required, the Divisions have implemented GASB Statement No. 88 as of December 31, 2020.

In August of 2018, GASB Statement No. 90, *Majority Equity Interests an Amendment of GASB Statements No. 14 and No. 61,* was issued. This Statement is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve consistency in the measurement and comparability of the financial statement presentation of majority interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The Divisions has determined that GASB Statement No. 90 has no impact on its financial statements as of December 31, 2020.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Divisions have invested funds in the STAR Ohio during 2020. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Divisions measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

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

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Divisions' policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Divisions apply GASB guidance pertaining to capitalization of interest cost in situations involving certain tax-exempt borrowings and certain gifts and grants, for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2020, total interest costs incurred amounted to $23,300,000, of which $859,000 was capitalized, net of interest income of $24,000.

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

NOTE B – LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt outstanding at December 31, 2020 is as follows:

	Interest Rate	Original Issuance	2020
		(Amounts in Thousands)	
Airport System Revenue Bonds:			
Series 2006, due through 2021	5.25%	$ 107,750	$ 12,480
Series 2007, due through 2027	5.00%	11,255	4,440
Series 2011, due through 2024	4.00%-5.00%	74,385	17,600
Series 2016, due through 2031	5.00%	144,355	135,155
Series 2018, due through 2048	3.50%-5.00%	109,685	101,005
Series 2019, due through 2033	2.18%-5.00%	341,675	333,250
		$ 789,105	603,930
Unamortized (discount) premium			24,984
Current portion (due within one year)			(44,250)
Total Long-Term Debt			$ 584,664

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

Summary: Changes in long-term obligations for the year ended December 31, 2020 are as follows:

	Balance January 1, 2020	Increase	Decrease	Balance December 31, 2020	Due Within One Year
	(Amounts in Thousands)				
Airport System Revenue Bonds:					
Series 2006	$ 22,535	$	$ (10,055)	$ 12,480	$ 12,480
Series 2007	5,205		(765)	4,440	805
Series 2011	26,175		(8,575)	17,600	7,575
Series 2014 (Direct Placement)	1,790		(1,790)	-	
Series 2016	138,450		(3,295)	135,155	3,405
Series 2018	109,685		(8,680)	101,005	8,965
Series 2019	341,675		(8,425)	333,250	11,020
Total revenue bonds	645,515	-	(41,585)	603,930	44,250
Accrued wages and benefits	4,438	3,894	(3,458)	4,874	4,164
Net pension liability	43,538		(12,613)	30,925	
Net OPEB liability	21,303	916		22,219	
Total	$ 714,794	$ 4,810	$ (57,656)	$ 661,948	$ 48,414

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

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

	Principal	Interest	Total
	(Amounts in Thousands)		
2021	$ 44,250	$ 22,222	$ 66,472
2022	44,575	20,125	64,700
2023	43,535	18,070	61,605
2024	45,760	15,995	61,755
2025	47,550	14,073	61,623
2026-2030	271,090	43,211	314,301
2031-2035	74,870	9,849	84,719
2036-2040	10,280	6,437	16,717
2041-2045	12,785	3,879	16,664
2046-2048	9,235	708	9,943
Total	$ 603,930	$ 154,569	$ 758,499

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

As of December 31, 2020, the Divisions were in compliance with the terms and requirements of the bond indenture.

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

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

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

Effective October 4, 2018, the City issued $87,940,000 Airport System Revenue Bonds, Series 2018A (AMT) and $21,745,000 Airport System Revenue Bonds, Series 2018B (Non-AMT). The Series 2018A Bonds were issued to provide $14,150,000 of funds for improvements to the Airport System and to currently refund $80,505,000 of outstanding Airport System Revenue Bonds, Series 2009C. Bond proceeds in the amount of $80,503,916, along with $970,972 from the Series 2009C Bond Fund and $560,004 released from the debt service reserve fund, were placed in an irrevocable escrow account for the payment of the principal and interest on the refunded bonds on January 1, 2019. As a result of this refunding, the refunded bonds were defeased and the liability for those bonds has been removed from long-term debt. The City completed this refunding in order to achieve debt service savings of approximately $7,966,000 and to realize an economic gain (the difference between the present values of the old and new debt service) of $6,316,000 or 7.8%. The Series 2018B Bonds were issued to provide $20,600,000 in funds for various capital improvements at the Airports.

From time to time, the Divisions have defeased certain Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. At December 31, 2020, the Airport System had $235,150,000 of defeased Series 2012A Airport System Revenue Bonds outstanding.

The City has pledged future airport revenues to repay $603,930,000 in Airport System Revenue Bonds issued in various years since 2006. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 67.0% of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $758,499,000. Principal and interest funded for the current year and total net revenues (including other available funds) were $66,589,000 and $96,766,000, respectively.

NOTE C – SPECIAL FACILITY REVENUE BONDS

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

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2020, totaled approximately $14,434,000 and the Divisions' bank balance was approximately $22,318,000. The difference represents positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $22,318,000 of the bank balances at December 31, 2020 was insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

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

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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

The following is a summary of the fair value hierarchy of the fair value of investments of the Divisions (excluding STAR Ohio and money market mutual funds) as of December 31, 2020.

Type of Investment	Fair Value	Fair Value Measurement Using Level 2
	(Amounts in Thousands)	
Other Investments	$ 3,064	$ 3,064
Total Investments	$ 3,064	$ 3,064

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

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

Credit Risk: The Divisions' investments as of December 31, 2020 include STAR Ohio, money market mutual funds and other. The Divisions maintain the highest ratings for their investments. Investments in STAR Ohio, the Dreyfus Government Cash Management Fund, Morgan Stanley Government Institutional Mutual Funds and the Federated Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by S&P Global. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Divisions place a limitation on the amount that may be invested in any one issuer to help minimize the concentration of credit risk. The Divisions had the following investments at December 31, 2020, 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	2020 Value	2020 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 127,247	$ 127,247	$ 127,247
Money Market Mutual Funds	195,149	195,149	195,149
Other Investments	3,064	3,064	3,064
Total Investments	325,460	325,460	325,460
Total Deposits	14,434	14,434	14,434
Total Deposits and Investments	$ 339,894	$ 339,894	$ 339,894

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

As of December 31, 2020, the investments in STAR Ohio, money market mutual funds and other investments are approximately 39.1%, 60.0% and 0.9%, respectively, of the Divisions' total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020
	(Amounts in Thousands)			
Capital Assets, not being depreciated:				
Land	$ 166,882	$	$	$ 166,882
Construction in progress	116,157	31,584	(34,602)	113,139
Total capital assets, not being depreciated	283,039	31,584	(34,602)	280,021
Capital assets, being depreciated:				
Land improvements	94,931			94,931
Buildings, structures and improvements	375,034			375,034
Furniture, fixtures and equipment	67,795	39,127	(92)	106,830
Infrastructure	1,018,128			1,018,128
Vehicles	19,082	94	(22)	19,154
Total capital assets, being depreciated	1,574,970	39,221	(114)	1,614,077
Less: Total accumulated depreciation	(1,088,231)	(60,666)	114	(1,148,783)
Total capital assets being depreciated, net	486,739	(21,445)	-	465,294
Capital assets, net	$ 769,778	$ 10,139	$ (34,602)	$ 745,315

Commitments: As of December 31, 2020, the Divisions had capital expenditure purchase commitments outstanding of approximately $39,624,000.

NOTE F – LEASES AND CONCESSIONS

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

NOTE F – LEASES AND CONCESSIONS (Continued)

Portions of the building costs in the statement of net position are held by the Divisions for the purpose of rental use. The net book value of property held for operating leases as of December 31, 2020 is approximately $94,365,000.

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

		(Amounts in Thousands)
2021	$	17,858
2022		12,591
2023		12,354
2024		6,436
2025		4,162
Thereafter		31,487
	$	84,888

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT

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

Risk Management: The Divisions are exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Divisions carry insurance to cover particular liabilities and property protection. Otherwise, the Divisions are generally self-insured. No material losses, including incurred but not reported losses, occurred in 2020. There was no significant decrease in any insurance coverage in 2020. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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

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

NOTE H – DEFINED BENEFIT PENSION PLANS

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

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

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

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Funding Policy: The ORC provides statutory authority for member and employer contributions. For 2020, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Divisions' contractually required contribution was $3,351,000 for 2020. All required payments have been made.

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability for OPERS was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Divisions' proportion of the net pension liability was based on the Divisions' share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

		OPERS (Amounts in Thousands)
Proportionate Share of the Net Pension Liability	$	30,925
Proportion of the Net Pension Liability		0.158846%
Change in Proportion		(0.001874%)
Pension Expense	$	5,418

At December 31, 2020, the Divisions reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		OPERS (Amounts in Thousands)
Deferred Outflows of Resources		
Change in assumptions	$	1,687
Change in Divisions' proportionate share and difference in employer contributions		85
Contributions subsequent to the measurement date		3,351
Total Deferred Outflows of Resources	$	5,123
Deferred Inflows of Resources		
Differences between expected and actual experience	$	464
Net difference between projected and actual earnings on pension plan investments		6,221
Change in Divisions' proportionate share and difference in employer contributions		239
Total Deferred Inflows of Resources	$	6,924

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The $3,351,000 reported as deferred outflows of resources related to pension resulting from the Divisions' contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS (Amount in Thousands)	
2021	$	(764)
2022		(2,079)
2023		236
2024		(2,489)
2025		(17)
Thereafter		(39)
Total	$	(5,152)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2019
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25 to 10.75 %
COLA or Ad Hoc COLA	3.25%, simple
	Pre 1/7/2013 retirees: 3%, simple
	Post 1/7/2013 retirees: 1.4%, simple
	through 2020, then 2.15%, simple
Investment Rate of Return	7.2%
Actuarial Cost Method	Individual Entry Age

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit Portfolio, the Health Care Portfolio and the Defined Contribution Portfolio. The Defined Benefit Portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit Portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the Defined Benefit Portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit Portfolio was 17.2% for 2019.

NOTE H – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	100.00 %	5.61 %

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

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

	1% Decrease 6.20%	Discount Rate 7.20%	1% Increase 8.20%
	(Amounts in Thousands)		
Divisions' proportionate share of the net pension liability	$ 46,068	$ 30,925	$ 18,382

NOTE I – DEFINED BENEFIT OPEB PLANS

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

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

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

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

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

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

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% for both plans in 2020. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0%.

For the year ended December 31, 2020, OPERS did not allocate any employer contributions to the OPEB plan.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date as of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Divisions' proportion of the net OPEB liability was based on the Divisions' share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS Amounts in Thousands
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.156651%
Prior Measurement Date	0.158845%
Change in Proportionate Share	(0.002194%)
Proportionate Share of the Net OPEB Liability	$ 22,219
OPEB Expense	$ 2,567

At December 31, 2020, the Divisions reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS (Amounts in Thousands)
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 1
Change in assumptions	3,382
Change in Divisions' proportion share and difference in employers contributions	16
Total Deferred Outflows of Resources	$ 3,399
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 1,954
Net difference between projected and actuals earnings on OPEB plan investments	1,088
Change in Divisions' proportion share and difference in employers contributions	267
Total Deferred Inflows of Resources	$ 3,309

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

Year Ending December 31:	OPERS (Amounts in Thousands)	
2021	$	373
2022		180
2023		1
2024		(464)
Total	$	90

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date as of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% to 10.75%
Single Discount Rate:	
Current Measurement Date	3.16%
Prior Measurement Date	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate	
Current Measurement Date	2.75%
Prior Measurement Date	3.71%
Health Care Cost Trend Rate:	
Current Measurement Date	10.50%, initial 3.50%, ultimate in 2030
Prior Measurement Date	10.00% initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health-care related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighed rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested for the Health Care portfolio was 19.7% for 2019.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate: A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2034. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE I – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Divisions' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Divisions' proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the Divisions' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16%) or one-percentage-point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net OPEB liability	$ 28,576	$ 22,219	$ 16,444

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease (2.50%)	Cost Trend Rate Assumption (3.50%)	1% Increase (4.50%)
	(Amounts in Thousands)		
Divisions' proportionate share of the net OPEB liability	$ 21,188	$ 22,219	$ 22,482

NOTE J – RELATED PARTY TRANSACTIONS

The Divisions are provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2020 are as follows:

	(Amounts in Thousands)	
City Central Services, including police	$	11,084
Telephone Exchange		1,118
Electricity purchased		272
Motor vehicle maintenance		3
Radio Communication		292

NOTE K – LANDING FEE ADJUSTMENT AND INCENTIVE COMPENSATION

Under the terms of the airline use agreements, if the annual statement for the preceding term demonstrates that airport revenues over expenses (both as defined) is greater or less than that used in calculating the landing fee for the then current term, such difference shall be charged or credited to the airlines over the remaining billing periods in the current term. The landing fee adjustment for 2020 was a payable to the Airlines from the Division in the amount of $3,364,000.

The airline use agreements also provide an incentive for the City to provide the highest quality management for the airport system. There was no incentive compensation expense in 2020.

NOTE L – PASSENGER FACILITY CHARGES

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

As of December 31, 2020, CLE had the authority from the FAA to collect approximately $589 million, of which an estimated 14.5% was spent on noise abatement for the residents of communities surrounding the airport. An additional 59.6% is being spent on runway expansion and improvements with the remaining 25.9% being spent on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

NOTE M – MAJOR CUSTOMER

In 2020, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 32.0% of total operating revenue.

NOTE N – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the pandemic and the ensuing emergency measures will impact subsequent periods of the Division. In addition, the impact on the Division's future operating revenues, expenses, and any recovery from emergency funding cannot be estimated.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

Note to Schedule:

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

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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

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

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

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

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate change from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.50% initial to 10.00% initial. In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030.

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

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Divisions' Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2016	$ 423	$ (423)	$ -	$ 21,125	2.00%
2017	215	(215)	-	21,508	1.00
2018	-	-	-	23,029	0.00
2019	-	-	-	23,393	0.00
2020	-	-	-	23,936	0.00

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

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

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

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

SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2020
(Amounts in Thousands)

	Cleveland Hopkins International	Burke Lakefront	Total
REVENUE			
Airline revenue:			
Landing fees	$ 14,596	$	$ 14,596
Terminal rental	44,236		44,236
Other	4,414		4,414
	63,246	-	63,246
Operating revenues from other sources:			
Concessions	28,205	180	28,385
Rentals	7,538	421	7,959
Landing fees	680	100	780
Other	2,537	181	2,718
	38,960	882	39,842
Non-operating revenue:			
Interest income	562		562
TOTAL REVENUE	$ 102,768	$ 882	$ 103,650
OPERATING EXPENSES			
Salaries and wages	$ 23,264	$ 845	$ 24,109
Employee benefits	13,436	308	13,744
City Central Services, including police	12,071	426	12,497
Materials and supplies	7,409	426	7,835
Contractual services	22,046	403	22,449
TOTAL OPERATING EXPENSES	$ 78,226	$ 2,408	$ 80,634

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REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES IN ACCORDANCE WITH 14 CFR PART 158

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

Report on Compliance for the Passenger Facility Charge Program

We have audited the Divisions' of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the "Divisions") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), for its passenger facility charge program for the year ended December 31, 2020.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions applicable to the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with the passenger facility charge program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Divisions' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Divisions' compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Divisions is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Divisions' internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Divisions' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the Divisions as of and for the year ended December 31, 2020 and have issued our report thereon dated June 24, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the Divisions' basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated in all material respects in relation to the Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2021

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

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2020

Projects	Approved Project Budget	Cumulative Expenditures thru 2019	2020 1st Quarter Expenditures	2020 2nd Quarter Expenditures	2020 3rd Quarter Expenditures	2020 4th Quarter Expenditures	2020 YTD Expenditures	Cumulative Expenditures thru 2020
Insulate Residences - Full Program Phase I	$ 16,960,400	$ 16,960,400	$	$	$	$	$ -	$ 16,960,400
Extension of Taxiway "Q"	2,155,743	2,155,743					-	2,155,743
Land Acquisition-Resident Relocation	14,689,459	14,689,459					-	14,689,459
Asbestos Removal in Terminal CHIA	729,842	729,842					-	729,842
Acquisition of Analex Office Bldg & Vacant Land	13,025,000	13,025,000					-	13,025,000
Waste Water - Glycol Collection System Construction	5,835,921	5,835,921					-	5,835,921
NASA Feasibility & Pre-Engineering Study	355,000	355,000					-	355,000
Sewers for Confined Disposal Facility-BKL (app 1)	5,500,000	5,500,000					-	5,500,000
Sound Insulation	8,595,641	8,595,641					-	8,595,641
Land Acquisition - Midvale, Brysdale, Forestwood, Rocky River	25,282,298	25,282,298					-	25,282,298
Environmental Assessment / Impact Studies	1,725,000	1,725,000					-	1,725,000
Part 150 Noise Compatibility Program Update	584,570	584,570					-	584,570
Brook Park Land Transfer	8,750,000	8,750,000					-	8,750,000
Analex Demolition	1,229,000	1,229,000					-	1,229,000
Sound Insulation	20,000,000	20,000,000					-	20,000,000
Baggage Claim/Expansion	9,526,087	9,526,087					-	9,526,087
Tug Road Replacement	1,019,000	668,553					-	668,553
Interim Commuter Ramp	5,560,338	5,560,338					-	5,560,338
Concourse D Ramp/Site Utilities	51,305,804	51,305,804					-	51,305,804
Burke Runway Overlay 6L/24R	530,286	530,286					-	530,286
Burke ILS	2,181,400	2,181,400					-	2,181,400
Runway 6L/23R	270,550,360	211,968,074					-	211,968,074
Runway 6R/24L Uncoupling	2,148,000	2,148,000					-	2,148,000
Runway 28 Safety Improvements	2,200,000	2,010,454					-	2,010,454
Midfield Deicing Pad	39,100,000	39,100,000					-	39,100,000
Taxiway M Improvements	10,000,000	9,579,060					-	9,579,060
Doan Brook Restoration	1,727,796	1,727,796					-	1,727,796
Deicing Environmental Upgrades	2,800,222	2,800,222					-	2,800,222
Main Terminal Roof Replacement	992,986	992,986					-	992,986
Roadway Expansion Joint Repair/Replacement	1,985,973	1,985,973					-	1,985,973
Airport-wide Flight Information Display System (FIDS)/Baggage Information Display System (BIDS) and Signage Replacement	7,681,742	7,681,742					-	7,681,742
Airport-wide In-line Baggage System Design	1,688,077	1,688,077	(1,688,077)				(1,688,077)	-
Airport Master Plan Update	4,170,543	1,857,696	2,312,847				2,312,847	4,170,543
Runway 10/28- Runway Safety Area Improvements	23,155,051	14,249,358					-	14,249,358
South Cargo Ramp Rehabilitation	5,957,918	2,557,683	1,135,127	569,705	1,673,642	21,761	3,400,235	5,957,918
Taxiway N Rehabilitation	8,738,280	3,751,268				1,347,394	1,347,394	5,098,662
SIDA Security System Enhancements	1,985,973	1,985,973					-	1,985,973
Interactive Part 139 Airport Operations Training Program	496,493	496,493					-	496,493
Main Substation (MS1 & MS2) Redundant Electrical Power Feed & Emergency Generators	8,261,646	4,834,045	3,427,601	-	-	-	3,427,601	8,261,646
Total	**$ 589,181,849**	**$ 506,605,242**	**$ 5,187,498**	**$ 569,705**	**$ 1,673,642**	**$ 1,369,155**	**$ 8,800,000**	**$ 515,405,242**

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

NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2020

GENERAL

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

BASIS OF PRESENTATION

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