



**CITY OF CLEVELAND  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**



**Auditor of State  
Betty Montgomery**



CITY OF CLEVELAND  
CUYAHOGA COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Schedule of Federal Awards Expenditures .....	1
Notes to the Schedule of Federal Awards Expenditures .....	8
Independent Accountants' Report on Internal Control on Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	9
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Year Findings .....	18

**This page intentionally left blank.**

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Agriculture</b>			
Direct Programs:			
Summer Food Service Program for Children 2005	10.559		\$ 130,445
<b>Total Department of Agriculture</b>			<u>130,445</u>
<b>Department of Energy</b>			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 2003	81.042		(200)
Weatherization Assistance for Low-Income Persons 2004	81.042		229,388
Weatherization Assistance for Low-Income Persons 2005	81.042		656,246
<b>Total Department of Energy</b>			<u>885,434</u>
<b>Department of Health and Human Services</b>			
Direct Programs:			
Healthy Start Initiative Yr 5	93.926		1,116,651
Healthy Start Initiative Yr 6	93.926		735,452
<b>Subtotal</b>			<u>1,852,103</u>
Centers for Disease Control-Investigations and Technical Assistance:			
Steps To A Healthier U.S.	93.283		451,018
Steps To A Healthier U.S. year 2	93.283		65,459
City Readiness Initiative 04-05	93.283		625,904
City Readiness Initiative 05-06	93.283		37,480
<b>Subtotal</b>			<u>1,179,861</u>
Pass Through Programs:			
Cuyahoga County Board of Health:			
Immunization Grants 2004	93.268		1,727
Immunization Grants 2005	93.268		95,655
<b>Subtotal</b>			<u>97,382</u>
Cuyahoga County Department of Workforce Development:			
Temporary Assistance for Needy Families 2005	93.558		124,010
Providing Real Opportunities for ex-Offenders to Succeed	93.558		50,000
<b>Subtotal</b>			<u>174,010</u>
Cuyahoga County Board of Health:			
Preventive Health and Health Services Block Grant:			
Cardiovascular Health 2004	93.991		1,154
Cardiovascular Health 2005	93.991		59,606
<b>Subtotal</b>			<u>60,760</u>

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (CONTINUED)

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Health and Human Services-continued</b>			
Pass Through Programs:			
Cuyahoga County Board of Health: continued			
Centers for Disease Control - Investigations and Technical Assistance:			
Regional Metropolitan Response System	93.283		(4,344)
Regional Medical Response System 2003	93.283		70
Regional Medical Response System 2004	93.283	18-2-002-2-BI-05	68,018
Regional Medical Response System 2005-06	93.283	18-2-002-2-BI-06	358
<b>Subtotal</b>			<u>64,102</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2004	93.197	18-2-001-1-BD-04	10,669
Childhood Lead Poisoning Prevention 2005	93.197	18-2-001-1-BD-05	282,758
Childhood Lead Poisoning Prevention 2006	93.197	18-2-001-1-BD-06	205,703
<b>Subtotal</b>			<u>499,130</u>
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2004	93.977	18-2-001-2-BX-05	875
Sexually Transmitted Diseases Diagnosis & Treatment 2005	93.977	18-2-001-2-BX-06	86,572
<b>Subtotal</b>			<u>87,447</u>
Acquired Immunodeficiency Syndrome (AIDS) Activity 2004			
Acquired Immunodeficiency Syndrome (AIDS) Activity 2004	93.118	18-2-001-2-AS-05	83,238
Acquired Immunodeficiency Syndrome (AIDS) Activity 2005	93.118	18-2-001-2-AS-06	669,189
<b>Subtotal</b>			<u>752,427</u>
Maternal and Child Health Services Block Grant:			
Infant Mortality Reduction Initiative	93.994	18-2-001-1-DM-01	109,147
Ohio Department of Alcohol and Drug Addiction Services:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint/Reward 2005	93.959		160,641
Centerpoint/Reward 2006	93.959		124,333
Student Assistance 2005	93.959		41,765
Student Assistance 2006	93.959		39,143
<b>Subtotal</b>			<u>365,882</u>
Ohio Department of Development:			
Low-Income Home Energy Assistance 2004	93.568		816,814
Low-Income Home Energy Assistance 2005	93.568		864,461
<b>Subtotal</b>			<u>1,681,275</u>
Supplemental Empowerment Zone - Title XX	93.585	G-98-01-244	149,412
<b>Total Department of Health and Human Services</b>			<u><u>7,072,938</u></u>

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (CONTINUED)

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Housing &amp; Urban Development</b>			
Direct Programs:			
Community Development Block Grants:			
CDBG XXI	14.218		20,800
CDBG XXV	14.218		13,729
CDBG Yr 27	14.218		2,930,988
CDBG Yr 28	14.218		1,213,338
CDBG Yr 29	14.218		4,474,171
CDBG Yr 30	14.218		13,800,330
CDBG Yr 31	14.218		9,453,852
CDBG Float Loan	14.218		4,344,163
<b>Subtotal</b>			<u>36,251,371</u>
Multifamily Property Disposition	14.199		929,931
HOME Investment Partnerships Program 1992	14.239		1,590,174
HOME Investment Partnerships Program 1996	14.239		(11,324)
HOME Investment Partnerships Program 1997	14.239		(13,691)
HOME Investment Partnerships Program 1998	14.239		(3,359)
HOME Investment Partnerships Program 1999	14.239		(31,491)
HOME Investment Partnerships Program 2001	14.239		1,397,978
HOME Investment Partnerships Program 2002	14.239		832,431
HOME Investment Partnerships Program 2003	14.239		1,201,735
HOME Investment Partnerships Program 2004	14.239		2,230,667
HOME Investment Partnerships Program 2005	14.239		480,344
<b>Subtotal</b>			<u>7,673,464</u>
Emergency Shelter Grants Program 1998	14.231		8,005
Emergency Shelter Grants Program 2000	14.231		322
Emergency Shelter Grants Program 2001	14.231		16,692
Emergency Shelter Grants Program 2002	14.231		21,403
Emergency Shelter Grants Program 2003	14.231		61,814
Emergency Shelter Grants Program 2004	14.231		903,323
<b>Subtotal</b>			<u>1,011,559</u>
Housing Opportunities for Persons With Aids 2004	14.241		9,171
Housing Opportunities for Persons With Aids 2005	14.241		660,139
Housing Opportunities for Persons With Aids 2006	14.241		252,182
<b>Subtotal</b>			<u>921,492</u>
Lead - Based Paint Hazard Control in Privately - Owned Housing 2001	14.900		882,624
Lead Reduction 2003-2007	14.905		884,817
HUD Independent Agencies Special Project-Brownfield	14.XXX		12,690
Empowerment Zones Program	14.244		<u>12,444,223</u>
<b>Total Department of Housing and Urban Development</b>			<u><u>61,012,171</u></u>

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (CONTINUED)

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Justice</b>			
Direct Programs:			
Local Law Enforcement Block Grants Program 02	16.592		217
Local Law Enforcement Block Grants Program 03	16.592		308,832
Local Law Enforcement Block Grants Program 04	16.592		100,768
<b>Subtotal</b>			<u>409,817</u>
Public Safety Partnership and Community Policing Grants:			
Creating a Culture of Integrity	16.710		78,947
COPS Homeland Security Overtime Program Award	16.710		1,000,000
Cops in School	16.710		296,147
Cleveland Universal Hiring II	16.710		697,395
<b>Subtotal</b>			<u>2,072,489</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders:			
Office of Violence Against Women:			
Cleveland Arrest Program	16.590		214,889
G.R.E.A.T. 2004	16.737		25,109
Pass Through Programs:			
Office of Criminal Justice Services:			
Byrne Formula Grant Program 2004-05:			
2004 Caribbean Gang Task Force	16.579		39,919
2005 Caribbean Gang Task Force	16.579		30,686
Cleveland Team Approach To Domestic Violence	16.579		265
Homeland Security 2004	16.579		(9,658)
Homeland Security 2005	16.579		40,813
Crisis Intervention Training 2005	16.579		23,230
<b>Subtotal</b>			<u>125,255</u>
Violence Against Women Grants :			
Team Approach to VAWA 2000	16.588		44,084
Team Approach to VAWA 2003	16.588		55,909
Team Approach to VAWA 2004	16.588		165,000
Team Approach to VAWA 2005	16.588		106,833
VAWA Team Approach 2004 Law	16.588		139,234
VAWA Team Approach 2005 Law	16.588		141,932
Violence Against Women Grants 2003	16.588		4,896
Team Approach to VAWA	16.588		2,611
<b>Subtotal</b>			<u>660,499</u>
Juvenile Accountability Incentive Block Grants 2003	16.523		51,968
Juvenile Accountability Incentive Block Grants 2004	16.523		90,312
Juvenile Accountability Incentive Block Grants 2005	16.523		116,049
<b>Subtotal</b>			<u>258,329</u>
Law Enforcement Trust Fund	16.XXX		972,100
<b>Total Department of Justice</b>			<u><u>4,738,487</u></u>



CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (CONTINUED)

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Labor</b>			
Pass Through Programs:			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	17.258		6,710,413
WIA Youth Program	17.259		5,175,420
WIA Dislocated Worker Program	17.260		2,489,490
WIA Reed Act	17.XXX		218,427
<b>Total Department of Labor</b>			<u><u>14,593,750</u></u>
<b>Department of Transportation</b>			
Direct Programs:			
Airport Improvement Program	20.106		8,299,296
<b>Subtotal</b>			<u><u>8,299,296</u></u>
Highway Planning and Construction:			
Federal Highway Administration	20.205		64,111
Federal- Memphis Ave	20.205		34,831
<b>Subtotal</b>			<u><u>98,942</u></u>
Pass Through Programs:			
Ohio Department of Transportation			
Highway Planning and Construction:			
Brookpark Road Relocation	20.205		239,919
UPARR Bisbee Park	20.205		18,682
Bessemer Ave	20.205		2,402,346
Bessemer Ave Phase I	20.205		473,810
<b>Subtotal</b>			<u><u>3,134,757</u></u>
<b>Total Department of Transportation</b>			<u><u>11,532,995</u></u>
<b>Environmental Protection Agency</b>			
Direct Programs:			
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach:			
US EPA Lead Poison Prev	66.716		52,159
Brownfields Assessment and Cleanup Cooperative Agreements:			
Brownfield Job Training	66.818		56,041
Brownfield Assessment Program	66.818		156,130

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (CONTINUED)

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Environmental Protection Agency-continued</b>			
Pass Through Programs:			
Ohio Environmental Protection Agency			
Consolidated Research Grants:			
Bio-Watch Program 2005	66.500		265,197
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act:			
PM 2.5 2004	66.034		62,356
PM 2.5 2005	66.034		85,078
<b>Subtotal</b>			<u>147,434</u>
Air Pollution Control Program Support 2005	66.001		480,719
Air Pollution Control Program Support 2006	66.001		111,903
<b>Subtotal</b>			<u>592,622</u>
<b>Total Environmental Protection Agency</b>			<u><u>1,269,583</u></u>
<b>Department of Homeland Security</b>			
Direct Programs:			
Assistance to Firefighters Grant:			
FEMA- Fire 2003	97.044		519,307
Metropolitan Medical Response System 2003	97.071		74,931
Metropolitan Medical Response System 2004	97.071		2,033
Metropolitan Medical Response System 2004-06	97.071		66,884
<b>Subtotal</b>			<u>143,848</u>
National Explosives Detection Canine Team Program:			
TSA Cooperative Agreement	97.072		491,232
Pass Through Programs:			
Cuyahoga County Department of Justice Affairs:			
Urban Area Security Initiative	97.008		1,614,954
Urban Area Security Initiative 2004	97.008		449,743
Homeland Security 2003	97.008		1,001,635
Homeland Security 2004	97.008		636,111
Homeland Security 2005	97.008		254,809
State Homeland Security Part 1	97.008		99,723
<b>Subtotal</b>			<u>4,056,975</u>
State Domestic Preparedness Equipment Support Program: 2003 SHSGP Part 2 Critical Infrastructure Protection Funds	97.004	2003-MU-T3-0015	1,624,056
Office of Criminal Justice Services:			
State Domestic Preparedness 2001	97.004		2,240
State Domestic Preparedness 2002	97.004		10,712
State Domestic Preparedness 2002	97.004		149,437
State Homeland Security Part I Training Program	97.004		49,500
<b>Subtotal</b>			<u>211,889</u>
<b>Total Department of Homeland Security</b>			<u><u>7,047,307</u></u>

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (CONTINUED)

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Commerce</b>			
Direct Programs:			
Grants for Public Works and Economic Development Facilities: West 67th Place	11.300		59,438
Coastal Zone Management Administration Awards: Feasibility Study for Public Access - Dike 14	11.419		<u>50,000</u>
<b>Total Department of Commerce</b>			<u><u>109,438</u></u>
<b>Grand Total</b>			<u><u>\$ 108,392,548</u></u>

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Basis of Presentation**

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity of the City of Cleveland (the "City") and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Longwood Grant**

The United States Department of Housing and Urban Development (HUD) made available an UpFront grant to the City in connection with the demolition, rebuilding and redevelopment of the Longwood apartments.

The funding for the Plan is forecast to come from a variety of public and private sources, including, without limitation, tax-exempt bonds issued under Section 103 of the Internal Revenue Code of 1986, private sector equity derived from benefits associated with the low income housing tax credits, HUD section 221 (d)(4) mortgage insurance, HUD UpFront Grant Program Funds, and City general obligation bond, public utility, Housing Trust Fund, and NDA funds.

The UpFront Grant will be allocated and loaned to the Developer throughout the various phases of the project in accordance with a Promissory Note, Interest on this Note shall begin to accrue on April 1, 2006 at a fixed annual rate of 0.25% with this Note maturing on April 1, 2046.

**Park Village**

United States Department of HUD made available an UpFront Grant in the amount of \$981,836 for the rehabilitation of the Park Village Apartments.

In addition to the Upfront Grant, funding for the Plan includes, without limitation, a private lender first mortgage, a Community Development Block Grant Float Loan and private sector equity derived from benefits associated with low income housing tax credits.

The UpFront Grant funds are being loaned to the Developer in accordance with the Promissory Note. Interest on this Note began to accrue on March 19, 2003 at a fixed annual rate of 5.23% per annum with this Note maturing on March 19, 2033.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Cleveland  
Cuyahoga County  
601 Lakeside Avenue  
Cleveland, OH 44114

To the Honorable Frank G. Jackson, Mayor, Members of Council, and the Audit Committee:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 9, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the City's management dated June 9, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, City Council, federal award agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 9, 2006



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Cleveland  
Cuyahoga County  
601 Lakeside Avenue  
Cleveland, OH 44114

To the Honorable Frank G. Jackson, Mayor, Members of Council, and the Audit Committee:

**Compliance**

We have audited the compliance of the City of Cleveland, Cuyahoga County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Cleveland complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the City's management dated June 9, 2006, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### **Schedule of Federal Awards Expenditures**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cleveland as of and for the year ended December 31, 2005, and have issued our report thereon dated June 9, 2006. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intended this report for the information and use of the audit committee, management, City Council, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

June 9, 2006



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2005  
SCHEDULE OF FINDINGS**

<b>SUMMARY OF AUDITOR'S RESULTS</b>		
<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA# 93.568, Low Income Home Energy Assistance CFDA# 14.218, Community Development Block Grants CFDA# 14.239, Home Investment Partnerships Program CFDA# 14.244, Empowerment Zones Program CFDA# 66.001, Air Pollution Control CFDA# 97.008, Homeland Security CFDA# 97.004, Critical Infrastructure Protection
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 3,000,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2005  
SCHEDULE OF FINDINGS  
(CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

<b>Finding Number</b>	<b>2005-001</b>
-----------------------	-----------------

**Division of Water – Inventory Observation**

The Division of Water (Division) has a comprehensive manual governing inventory management and maintains a perpetual inventory system over its storerooms and warehouses. The system is used to provide management with the information necessary for procurement, tracking inventory movement and reporting the value on the Division’s financial statements. As of December 31, 2005, the value of the Division’s inventory was approximately \$4.8 million.

The inventory maintained is both valuable and easily transportable and as such, susceptibility to possible theft or misuse, if internal controls are not operating effectively. The storerooms and warehouses are staffed by personnel responsible for tracking and posting all movements of inventory from the transaction forms submitted to the inventory system. The Division has established a policy which requires that all transactions be posted within 24 business hours of the occurrence of the transaction. Supervisory oversight has been delegated to specific individuals who are responsible for assuring compliance with the inventory management manual.

On November 21, 2005, an inventory observation count was performed at six Division of Water storerooms with an aggregated inventory value of approximately \$3.6 million. The selection process included selecting items from the inventory list and comparing them to an actual count and counting an item and comparing that to the inventory list. We also reviewed the listing for obvious errors and the results are as follows:

<u>Location</u>	<u>Items Tested</u>	<u>Errors</u>	<u>Error Rate</u>	<u>Value of Count and Other Identified Errors (1)</u>
Central/Harvard	60	33	55.00%	\$(20,330)
Crown	61	24	39.34%	(18,463)
Fairmount	30	11	36.67%	(937)
Garrett Morgan	30	7	23.33%	694
Nottingham	43	3	6.98%	(18,906)
Parma	61	8	13.11%	626
<b>Total</b>	<u>285</u>	<u>86</u>	<u>30.18%</u>	<u>\$(57,316)</u>

*(1) The value of the errors is the aggregate of the count errors, and adjustments for negative quantities on hand, duplicates, items on the listings reporting a quantity on hand but no inventory price and items not assigned a stock code and not on the listing.*

As the above table reflects, there was a high rate of errors in which the quantities on hand did not agree with the perpetual inventory records. The Division was provided with the results of the observation and did provide some information but would have required substantial time to analyze all the exceptions.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2005  
SCHEDULE OF FINDINGS  
(CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

<b>Finding Number</b>	<b>2005-001</b>
-----------------------	-----------------

(Continued)

**Division of Water – Inventory Observation (Continued)**

The Division was provided with time to act upon the unfavorable results of the initial observation and a follow-up observation was conducted on March 7, 2006. The focus of the second observation was on the three locations that had an error rate in excess of 35% on the initial observation. The results of the second observation are as follows:

Location	Items Tested	Errors	Error Rate	Value of Count and Other Identified Errors (1)
Central/Harvard	60	30	50.00%	\$61,956
Crown	60	16	26.67%	204
Fairmount	61	32	52.46%	(480)
Total	181	78	43.09%	\$61,680

*(1) The value of the errors is the aggregate of the count errors, and adjustments for negative quantities on hand, duplicates, items on the listings reporting a quantity on hand but no inventory price and items not assigned a stock code and not on the listing.*

As the above table reflects, the error rates at the Crown and Central/Harvard locations decreased and the Fairmount location increased. Significantly, both the Central/Harvard and Fairmount locations had error rates of 50% or greater. The Division was provided with the results of the observation and did provide some information but would have required substantial time to analyze all the exceptions.

Based on the aforementioned results, the movement of inventory through the Division’s storerooms and warehouses is not being posted to the perpetual inventory system in a timely manner and the required forms supporting the movement of items could not be located. It is also apparent that supervisory oversight which has been delegated to specific individuals is not occurring when viewing the error rates from the observation and other obvious errors with the listing. These weaknesses may result in the possible theft or misuse of City assets without being detected as well as under/over reporting the value of the inventory on the City’s financial statements.

We recommend the Division adhere to the policies and procedures outlined in the inventory management manual. The Division should also conduct training for those personnel assigned to the storerooms and warehouses personnel as well as those individuals responsible for supervisory oversight. The Division of Internal Audit should continue to conduct surprise inventory observations of the storerooms and warehouses to ensure the Division’s policies and procedures have been adhered to.

**CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 SCHEDULE OF FINDINGS  
 (CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS        REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

<b>Finding Number</b>	<b>2005-001</b>
-----------------------	-----------------

(Continued)

**Division of Water – Legal Requirements**

The City has established the following legal requirements governing operational responsibility for storerooms and warehouses.

City of Cleveland Charter Section 101 - Division of Purchases and Supplies, states the following:

“There shall be in the Department of Finance a Division of Purchases and Supplies. The Commissioner of Purchases and Supplies shall make all purchases for the City in the manner provided by ordinance, and shall, under such regulations as may be provided by ordinance and by direction of the Board of Control, sell all property, real and personal, of the City not needed for public use or that may have become unsuitable for use or that may have been condemned as useless by the director of a department. He shall have charge of such store rooms and warehouses of the City as the Council may by ordinance provide. (Effective November 9, 1931)”

Cleveland, Codified Ordinance, Section 181.02(a) (1961) - Commissioner's Authority over Storerooms, states the following:

“The Commissioner of Purchases and Supplies, pursuant to the authority of Charter Section 101, shall have charge of and supervise all storerooms and warehouses now established in the several departments and divisions of the City, and all storekeepers, stockkeepers and other persons employed in such storerooms and warehouses shall work under his supervision.”

While the above requirements place responsibility of the store rooms and warehouses with the Commissioner of Purchases and Supplies, the City does not adhere to these requirements. Instead, responsibility is given to each respective division.

We recommend the City review the above ordinances and either adhere to them or legally repeal them.

**City’s Response**

CWD recognizes that daily monitoring and tracking of inventory transactions is needed to assure that on-hand inventories reconcile with inventory quantities in the perpetual inventory system. CWD determined that the majority of errors identified in the audit findings were data entry errors. CWD has instituted a quality control policy that requires checking the accuracy of the data on inventory transaction forms before data is entered into the Ellipse inventory system and after it has been entered to assure data entry is correct. CWD is also reviewing the job description and qualifications statement for the data entry position and will modify the minimum qualifications to emphasize the importance of accuracy in data entry activities.

CWD is developing performance metrics for supervisors and managers to monitor and track how well operations and field personnel are conforming to requirements for inventory transactions (issuances, transfers, returns, receipts, adjustments). CWD will conduct further training for storekeepers, supervisors, and operations managers to assure forms and other documentation are accurately completed and that data is entered into the inventory system within 24 business hours from the transaction performance.

**CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 SCHEDULE OF FINDINGS  
 (CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS        REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

<b>Finding Number</b>	<b>2005-001</b>
-----------------------	-----------------

(Continued)

**City’s Response (Continued)**

CWD improved access control and security measures by placing more materials in locked areas and by installing cyber locks on doors. The cyber lock system emits an audible alarm when triggered, notifies security of unauthorized entry, and records who accesses the areas. Tighter monitoring of personnel who have access to inventory will improve inventory management. In addition, security cameras will be installed in the Central Warehouse area and other CWD storerooms as part of the CWD Security Project.

CWD developed comprehensive policies and procedures that stress the importance of accurate documentation of transaction processes, including accurate completion of forms and proper authorization of transactions. CWD is performing periodic cycle counts and annual wall-to-wall inventories at all storeroom facilities.

Lastly, CWD is systematically reviewing the inventory database to correct historical data conversion errors. Inventory adjustment procedures are now in place to document errors and adjustments, consequently, improving database accuracy.

The City of Cleveland recognizes the fact that inventories are handled in a manner contrary to Charter Section 101 and Codified Ordinance 181.02(a). This charter section was adopted in 1931 and the Codified Ordinance was adopted in 1961. Since that time the volume, type and complexity of the various inventories held by the City has dramatically increased. In addition, the City now maintains several diverse and relatively unique inventories. Therefore, each respective department and division is better equipped to handle the inventory that relates to their operation. The City will explore requesting changes to the charter and applicable ordinances to allow each department and division to manage their respective inventories.

**Priority**  
 High

**Responsible Parties**  
 Commissioner, Cleveland Water Department

**CITY OF CLEVELAND**  
**CUYAHOGA COUNTY**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A-133 § .315 (B)**

Finding Number	Finding Summary	Fully Corrected?	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
2004-001	For the medical and dental fringe benefits the City should document the support received from all of its employees for any dependents the employees are claiming and the City is paying for.	Yes	

# CITY OF CLEVELAND, OHIO



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended December 31, 2005*





To the Citizens of the City of Cleveland:

Throughout my campaign and again at my inaugural address, I spoke about my vision for the City of Cleveland: a Cleveland that is one city, one people, living and working together to ensure that the least of us are better off.

Cleveland is the core city of a region comprised of six counties and 57 municipalities. Our region already has significant assets: an array of beautiful suburbs linked to downtown Cleveland by a transportation network that achieves the second-shortest commute among the nation's top 50 metropolitan areas; world-class institutions (the Cleveland Clinic, Cleveland Museum of Art, Cleveland Orchestra, and the Rock and Roll Hall of Fame and Museum) woven into that same transportation network; a beautiful regional park system known as the Emerald Necklace, and a river valley and lakefront poised for future recreational development.



As our region competes for jobs and residents in the coming years, we must take every opportunity to coordinate our efforts and promote our regional assets and regional economy. To achieve my vision for Cleveland, we must change the way we think and the way we do business. We have to focus on:

- Sound fiscal management;
- High quality and efficiency in municipal services;
- Well-planned and highly maintained infrastructure;
- Collaboration within our regional economy;
- Educational excellence for our children; and
- A safe urban environment.

The City of Cleveland is a \$1.1 billion corporation. Cleveland's enterprise funds-- including the Division of Water, our airports, and Cleveland Public Power—account for \$600 million in annual expenditures.

Our Division of Water is the nation's eighth largest water system, serving Cuyahoga County and parts of three other adjoining counties. While many other regions of the country are already facing—or soon will face—water supply challenges, Cleveland's reliable water resources can be expected to assume increasing strategic importance.

Cleveland Hopkins International Airport is the nation's 34th busiest airport and is served by a Continental Airlines hub. Unlike many of its competitors who cope with increasing air congestion and delays, our airport has room to grow: we anticipate an increasing role for our airport in attraction and retention of business through more nonstop connections and international flights.

On February 1, 2006, I submitted the 2006 Mayor's Estimate (our general fund budget) to Cleveland City Council. It is an operating budget of \$503 million, representing a 5% increase in costs fueled by increased labor costs and dramatic health care and energy cost increases. Yet in battling municipal costs, a great offense is often the best defense. As we plan ahead I have launched several initiatives that promote economic development leading to job creation, achieve increased municipal efficiencies and enhanced infrastructure coordination to improve the quality of life of our citizens.

The City of Cleveland will aggressively welcome the future with these and other initiatives. In so doing, we hope to set a national standard for municipal efficiency within a context of regional collaboration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Frank G. Jackson'.

Frank G. Jackson  
Mayor, City of Cleveland

**This Page is Intentionally Left Blank.**

---

***CITY OF CLEVELAND***



***Comprehensive Annual Financial Report***

***For the year ended December 31, 2005***

---

Issued by the  
Department of Finance

Sharon Dumas  
Director

James E. Gentile, CPA  
City Controller

# CITY OF CLEVELAND, OHIO

## TABLE OF CONTENTS COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2005

---

	Page
<b>Introductory Section</b>	
Transmittal Letter.....	7-18
City Officials.....	19
City Council.....	20
Certificate of Achievement for Excellence in Financial Reporting .....	21
Administrative Organization Chart.....	22
Financial Highlights.....	23
<b>Financial Section</b>	
Independent Accountants' Report.....	27-28
Management's Discussion and Analysis.....	29-47
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	50
Statement of Activities .....	51
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	52
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	53
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities of Governmental Funds .....	54
Statement of Revenues, Expenditures and Changes in Fund Balances (Budget and Actual) - General Fund.....	55
Balance Sheet - Proprietary Funds.....	56-57
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	58
Statement of Cash Flows - Proprietary Funds .....	59-60
Statement of Fiduciary Net Assets - Fiduciary Funds .....	61
Notes to Financial Statements .....	62-99
Supplementary Information:	
Combining and Individual Fund Financial Statements and Schedules:	
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund-Legal Appropriation Level .....	102-109
Nonmajor Governmental Funds:	
Nonmajor Governmental Funds. ....	111-113
Combining Balance Sheet - Nonmajor Governmental Funds .....	114-119
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	120-125
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) - Budgeted Special Revenue Funds - Legal Appropriation Level.....	126-128
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - Budgeted Debt Service Funds - Legal Appropriation Level.....	130-133

	<b>Page</b>
Nonmajor Enterprise Funds:	
Nonmajor Enterprise Funds .....	135
Combining Balance Sheet - Nonmajor Enterprise Funds.....	136-139
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds.....	140-141
Combining Statement of Cash Flows - Nonmajor Enterprise Funds .....	142-145
Internal Service Funds:	
Internal Service Funds.....	147
Combining Balance Sheet - All Internal Service Funds.....	148-151
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - All Internal Service Funds.....	152-153
Combining Statement of Cash Flows - All Internal Service Funds.....	154-155
Agency Funds:	
Agency Funds .....	157
Combining Statement of Changes in Assets and Liabilities - All Agency Funds .....	158-159
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source .....	162
Schedule by Function and Activity .....	163
Schedule of Changes by Function and Activity .....	164

### **Statistical Section**

General Fund Revenues by Source and Expenditures by Function and Other Uses (Budget Basis) - Last Ten Fiscal Years.....	167
Governmental Funds - Revenues and Other Financing Sources and Expenditures by Function and Other Uses - Last Ten Fiscal Years .....	168-169
Ad Valorem Property Tax Levies and Collections - Real, Utility and Tangible Taxes - Last Ten Fiscal Years.....	170
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years .....	171
Ad Valorem Property Tax Rates	
Direct and Overlapping Governments - Last Ten Fiscal Years.....	172
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita - Last Ten Fiscal Years .....	173
Computation of Legal Debt Margin.....	174
Computation of Direct and Overlapping Debt .....	175
Schedule of Direct Debt.....	176
Ratio of Annual Debt Service for General Bonded Debt to Total General Fund Expenditures - (Budget Basis) - Last Ten Fiscal Years.....	177
Revenue Bond Coverage - Airport Bonds - Last Ten Fiscal Years .....	178
Revenue Bond Coverage - Water Bonds - Last Ten Fiscal Years .....	179
Revenue Bond Coverage - Public Power System Bonds - Last Ten Fiscal Years .....	180
Debt Coverage - Sewer and Sewage Disposal Debt - Last Ten Fiscal Years .....	181
Property Values, Construction and Bank Deposits - Last Ten Fiscal Years .....	182
Principal Property Taxpayers.....	183
Schedule of Insurance Coverage.....	184-187
Demographic Statistics .....	188
Demographic Statistics - Employment by Sectors.....	189
Demographic Statistics - Employment.....	190
Demographic Statistics - Corporate Headquarters .....	191
Demographic Statistics - Metropolitan Cleveland .....	192-193
Schedule of Statistics - General Fund .....	194

**This Page Intentionally Left Blank.**

# **INTRODUCTORY SECTION**

**This Page Intentionally Left Blank.**





June 9, 2006

Honorable Mayor Frank G. Jackson  
City of Cleveland Council and  
Citizens of the City of Cleveland, Ohio

### **Introduction**

We are pleased to submit the Comprehensive Annual Financial Report of the City of Cleveland (the "City") for the year ended December 31, 2005. This report, prepared by the Department of Finance, includes the basic financial statements that summarize the various operations and cash flows related to the City's 2005 activities. Our intention is to provide a clear, comprehensive, and materially accurate overview of the City's financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City's finances, including financial trends, financial instruments, and fund performances. The City has complete responsibility for all information contained in this report.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, this comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by the Auditor of the State of Ohio. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Auditor of State concluded, based upon its audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2005 are fairly presented in conformity with GAAP. The Independent Accountants' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Accountants' Report.

### **Structure of this Comprehensive Annual Financial Report**

This Comprehensive Annual Financial Report ("CAFR") is designed to assist the reader in understanding the City's finances. This CAFR consists of the following sections:

- The Introductory Section, which includes this letter of transmittal and contains information pertinent to the City's management and organization.
- The Financial Section contains the Independent Accountants' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, and various other statements and schedules pertaining to the City's funds and activities.
- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 1996 through 2005.

References throughout this report to Note 1, Note 2, etc., are to the Notes to Financial Statements included in the Financial Section of this CAFR.

### **Profile of the Government**

#### *The City*

The City is a municipal corporation and political subdivision of the State of Ohio. It is located on the southern shore of Lake Erie and is the county seat of Cuyahoga County.

The City is included in the Cleveland-Elyria-Mentor, OH Metropolitan Statistical Area ("MSA"), comprised of Cuyahoga, Lake, Lorain, Geauga and Medina counties. This MSA is the 23rd largest of 361 Metropolitan Areas in the United States, and the largest Metropolitan Area in the State of Ohio.

Cleveland is located in the northeast part of the state, approximately 150 miles north-east of Columbus. Bordering Lake Erie, Cleveland is home to world-renowned medical facilities, professional sports venues, Severance Hall, numerous State of Ohio lakefront parks, the Port of Cleveland, the Rock and Roll Hall of Fame and operates the nation's eighth largest water system. Interstate highways I-71, I-480, I-77, and I-90 serve as some of the City's major transportation arteries. The City is rich in educational and medical facilities, including Cleveland State University, Case Western Reserve University, the Cleveland Clinic and University Hospitals of Cleveland.

#### *City Government*

The City operates under, and is governed by, the Charter which was first adopted by the voters in 1913 and has been and may be further amended by the voters from time to time. The City is also subject to certain general State laws that are applicable to all cities in the State. In addition, under Article XVIII, Section 3 of the Ohio Constitution, the City may exercise all powers of local self-government and may exercise police powers to the extent not in conflict with applicable general State laws. The Charter provides for a mayor-council form of government.

The City's chief executive and administrative officer is the Mayor, elected by the voters for a four-year term. Frank G. Jackson was elected as Mayor of the City in November 2005 and began his first term on January 2, 2006. Prior to assuming office as Mayor, Mr. Jackson served as a Ward 5 City Council member for 16 years and in 2002, was elected by the 21-member City Council to serve as Council President. Under the Charter, the Mayor may veto any legislation passed by Council, but a veto may be overridden by a two-thirds vote of all members of the Council.

Legislative authority is currently vested in a 21-member Council. Council members serve four year terms and are elected from wards. The present terms of the Mayor and Council members expire on December 31, 2009. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal functions. The presiding officer is the President of Council, elected by the Council members. Martin J. Sweeney was elected as President of Council in November 2005. The Clerk of Council is appointed by Council. The Charter establishes certain administrative departments; the Council may establish divisions within departments or additional departments. The Mayor appoints all of the directors of the City's 14 departments.

The Director of Finance and City Controller believe that, to the best of their knowledge, the data contained in this report present fairly the financial position and results of operations of the various funds of the City. All necessary disclosures are included in this report to enable the reader to understand the City's financial activities.

#### *Financial Reporting Entity*

The City has applied guidelines established by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. Provisions outlined in this statement define the operational, functional and organizational units for which the City, "acting as Primary Government", is required to include as part of its reporting entity. The inclusion of a component unit as part of the City's reporting entity requires the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Under these provisions, the City's financial reporting entity acts as a single rather than multi-component unit. The provisions permit the entity to include all funds, agencies, and boards and commissions that, by definition, comprise components within the primary government itself. For the City, these components include police and fire protection services, waste collection, parks and recreation, health, select social services and general administrative services. Primary enterprise activities owned and operated by the City include a water system, electric distribution system and two airports.

In accordance with GASB Statement No. 14, the Cuyahoga Metropolitan Housing Authority, Cleveland-Cuyahoga Port Authority and Cleveland Municipal School District are defined as related organizations and Gateway Economic Development Corporation of Greater Cleveland is defined as a jointly governed organization. None of these organizations are included within the City's reporting entity.

#### *Internal Control*

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure ensures that accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City is also responsible for maintaining a rigorous internal control structure that ensures full compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management, external auditors and the internal audit staff of the City. The City is required to undergo an annual audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. The information related to the Single Audit, including the schedule of federal awards expenditures, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separate report.

## *Accounting and Financial Reporting*

The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds to be used are determined by GAAP and the number of individual funds established is determined by sound financial administration. Each fund is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities and fund balance. The City's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. The City's Proprietary Funds are its Enterprise Funds that provide services to the general public, including utilities and airport service, and Internal Service Funds that provide services to City departments, divisions and other governments. The City also maintains Fiduciary Funds to account for assets held by the City in an agent capacity for individuals, private organizations and other governments.

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. All governmental funds are accounted for using a current financial resources (current assets and current liabilities) measurement focus. The modified accrual basis of accounting is utilized for governmental funds. Revenues are recognized when they are susceptible to accrual (both measurable and available). Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.

The measurement focus of the City's proprietary and internal service funds is on the flow of total economic resources (all assets and liabilities). The accrual basis of accounting (revenues are recognized when earned and expenses when incurred) is utilized for the enterprise and internal service funds.

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available), and encumbrances and pre-encumbrances are included as expenditures rather than included in fund balances.

The accounting policies and financial reporting practices of the City comply with accounting principles generally accepted in the United States of America applicable to governmental units. Beginning January 1, 2002, the City changed its financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Effective January 1, 2005, the City implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is effective for the year ended December 31, 2005. The City has determined that GASB Statement No. 42 has no impact on its financial statements as of December 31, 2005.

### *Budgeting Procedures*

Detailed provisions regulating the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The Mayor is required to submit the appropriation budget, called "The Mayor's Estimate" to City Council by February 1 of each year. The Council may adopt a temporary appropriation measure for the first three months of the year, but must adopt a permanent appropriation measure for the fiscal year by April 1. The Cuyahoga County Auditor must certify that the City's appropriation measure does not exceed the amounts set forth in the County Budget Commission's Certificate of Estimated Resources.

The City maintains budgetary control on a non-GAAP basis at the character level (personnel and related expenditures and other expenditures) within each division. Lower levels within each character are accounted for and reported internally. Lower levels are referred to as the program level. Estimated expenditure amounts must be pre-encumbered and subsequently encumbered prior to the release of purchase orders to vendors or finalization of other contracts. Pre-encumbrances and encumbrances that would exceed the available character level appropriation are not approved or recorded until the Council authorizes additional appropriations or transfers. Unencumbered appropriations lapse at the end of each calendar year. As an additional control over expenditures, the City Charter requires that all contracts in excess of \$10,000 shall first be authorized and directed by ordinance of City Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 55 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 101.

## **Factors Affecting Financial Condition**

### *Local Economic Indicators*

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

While Cleveland, like the rest of the nation, felt the impact of a stagnant economy, the City continued to dedicate resources to the development of both affordable and market rate housing opportunities. The result of our efforts was a dramatic increase in housing stock value in nearly every neighborhood. In a recent report issued by the Office of the Cuyahoga County Auditor, Cleveland's assessed housing values increased over 13.8 percent between the 2000 and the 2003 reappraisal. The overall assessed housing value in Cuyahoga County increased by 9.31 percent for the same time period.

In 2005, within the eight county Cleveland market areas, the City was ranked first in single family residential housing starts with 355 units.

Cleveland's economic condition also draws strength and stability from its evolving role as the focal point of a growing, changing and substantial regional economy. The City is located at the center of one of the nation's heaviest population concentrations. The Cleveland metropolitan area is a significant local market, housing 2.2 million people. Cleveland also provides superior links to the global markets. The Cleveland-Cuyahoga Port Authority handles the largest amount of overseas cargo on Lake Erie and includes a Foreign Trade Zone. The City is also well-served with extensive highways, and Cleveland Hopkins International Airport serves as a Continental Airlines Hub and is serviced by all major airlines. The re-emergence of downtown Cleveland as a vibrant center for national and regional entertainment and major cultural activities signals a turning point in the City's overall fortunes and is paving the way for further economic expansion that will be significantly more entrepreneurial in scope.

Another key indicator of the City's continued economic recovery is construction activity, as indicated by the value of building permits issued by the City. The construction value of building permits issued in 2005 was \$652.5 million, which represents an increase of over \$94.2 million from 2004.

### *Major Industries, Economic Conditions and Employment*

Cleveland, as well as most large urban municipalities across the nation, faced significant economic challenges in recent years. Like all manufacturing cities across the country, Cleveland has tried to combat the declining industry base with more professional and service industry opportunities. The City's budget basis income tax collections increased approximately five percent in 2005.

While the City's economy has shifted more toward health care and financial services, its manufacturing base has assumed a smaller, yet still vital, role. Competitive pressures in manufacturing have limited job creation, but the competitive position of Cleveland based industrial companies has improved.

The 2000 census indicates that Cleveland's employment base has become more diversified. The table summarizes the percentage of Clevelanders employed by industry type based on 2000 census figures.

<u>Industry</u>	<u>Percent of Workforce</u>
Agriculture	0.20 %
Construction	4.50
Manufacturing	18.20
Wholesale Trade	3.10
Retail Trade	10.00
Transportation and Utilities	6.00
Information	2.50
Finance, Insurance and Real Estate	6.80
Professional, Scientific Management	8.50
Education, Health, Social Services	21.00
Arts, Entertainment, Recreation	9.00
Other Services	4.80
Public Administration	5.40
Total	<u>100.00 %</u>

*Current Projects and 2005 Accomplishments*

The 2005 budget focused on continuing the City's commitment to improve the quality of life by strengthening our neighborhoods, fostering a favorable business climate, and providing superior services.

Despite fiscal constraints and economic challenges, the City achieved the following 2005 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- The Department exceeded the goal of creating 1,500 new housing units. Certificates of occupancy were issued for 1,577 new homes for Clevelanders at every income level.
- The City, in partnership with the Home Builders of Greater Cleveland and the Glenville Development Corporation, hosted the 2005 CiTiRAMA Home show which showcased 11 newly constructed homes near the Rockefeller Park and University Circle area.
- The Collinwood Village Commons housing development is under construction and will include 18 single-family housing units.
- Repaired or improved 2,454 homes through various programs that will continue to strengthen the City's neighborhoods.
- Rehabilitated 91 vacant houses that were sold to new homeowners through the Afford-A-Home Program.
- Provided over \$2.5 million of community development funds to support social service activities and an additional \$631,000 for homeless services.

Department of Building and Housing

- Utilized on-line plumbing, heating, and electrical permits through the internet for the first time in 2005 and issued over 400 permits on-line.
- Issued 9,347 Notices of Building Code Violations and boarded up 2,235 condemned structures.
- Performed 44,066 building inspections in 2005.

#### Department of Economic Development

- Provided financial assistance to 46 companies which will create 1,514 permanent jobs and retain over 2,700 jobs. Six of these companies are located in the Central Business District of Downtown and will create over 320 new jobs.
- Project “Advance Cleveland Trade” (ACT) was continued and over 850 local companies were contacted and visited by the staffs of the Department of Economic Development and Cleveland Industrial Retention Initiative (CIRI) to discuss the economic development needs of the businesses.
- The Division of Workforce Development provided training and job placement services for over 1,000 City residents. The Division provides citizens with job training, job placement, supportive services, dislocated workers assistance and referral guidance.
- The Division of Workforce Development sponsored the Annual Workforce Summit with national speakers and a job fair that attracted over 3,500 individuals seeking local employment.

#### Department of Health

- Applied and secured \$14.4 million of overall grant funding. Major grant funding included \$2 million for the Moms First program, \$2.8 million relating to lead reduction and lead poisoning grants and \$2.4 million relating to Air Quality grant programs.
- Secured grant funding for \$2.5 million for HIV/Aids screening, testing and prevention programs.
- The Office of Biostatistics collaborated with the Data Users Coalition of Cleveland Region Prenatal Network and the Ohio Department of Health to improve the accuracy of Cleveland’s birth and death information recorded by hospitals, nursing and funeral homes to aid citizens.
- The Department provides excellent low cost or free health care to Cleveland residents at four health centers. These centers provided services to over 9,000 individuals for HIV counseling and socially transmitted diseases.
- Continued a West Nile Virus Response Plan, including larviciding over 20,000 catch basins and trapping and testing over 10,000 mosquitoes for the virus.
- The Environmental Health Division inspected 8,238 food establishments, investigated over 17,000 citizen complaints and issued 898 health code violations.
- The Office of Mental Health and Substance Abuse provided 1,000 Cleveland high school students with drug refusal skills training and provided information and education to over 350 Cleveland school faculty and staff members on drug abuse and treatment.

#### Department of Aging

- The Department provided supportive services to more than 2,200 seniors, provided 1,189 benefit checkups to seniors, and helped over 2,600 seniors secure prescription savings through the greater Cleveland Access to Benefits coalition. The Department also secured over \$355,000 of external grants which included such services as assisting Cleveland grandparents or other aging relatives raising children.
- The annual Senior Day program attracted more than 1,800 senior citizens.

#### The Office of Equal Opportunity

- The Office of Equal Opportunity aggressively monitored and enforced the Resident Employment Law (“Fannie Lewis Law”) and the inclusion of minority and female owned businesses in City contracts totaling \$381 million.

#### Department of Finance

- The Division of Financial Reporting and Control completed the 2004 comprehensive annual financial report and received the earliest audit opinion date since 1993. Also, total audit comments have been reduced from 135 in 2001 to 26 comments in 2004.
- Citywide Information Technology projects included a state of the art Emergency Operation Center (EOC) to ensure City operations in the event of a major disaster and support the City-wide alert system and an \$8.9 million comprehensive upgrade of voice and data network infrastructure.

#### Department of Public Service

- Completed or started 21 road and bridge projects at the costs of \$105 million. The Department also constructed over 1,200 compliant curb ramps throughout the City for easier accessibility for the physically challenged.
- Purchased 209 vehicles for various City divisions at a cost of over \$8 million.
- The Division of Streets provided snow removal services to over 1,200 miles of City roadways and used over 81,000 tons of salt throughout the 2005 winter season which had a record snowfall of 114 inches.
- The Division of Streets used over 12,000 tons of asphalt, approximately 3,500 cubic yards of concrete for street repairs and 144 streets (83 lane miles) were resurfaced. The Division also provided leaf recycling services to the citizens.
- The Division of Waste collected and disposed over 335,000 tons of debris. The Division also collected over 1,500 tons of recyclables in 2005.
- The Division of Traffic Engineering maintained 6,500 crosswalks, approximately 600 miles of lane lines and over 1,100 traffic signals and 250 school sign flashers.

#### Department of Public Safety

- In 2005, the Division of Police maintained a stable crime rate with a flexible deployment plan that allowed the Division to address crime aggressively.
- The goal to reduce uniformed police overtime was also achieved. The regular monitoring of uniformed police overtime coupled with changes in policy led to a 2.6 % reduction in overtime.
- The Division of Fire installed 1,339 smoke detectors in residential units and businesses and had a 11.5% reduction in arson related fires. The Division also implemented a Human Resource Committee to address and resolve internal organizational issues and its Weapons of Mass Destruction Unit was named the country's outstanding Haz-Mat response team.
- The Division of Emergency Medical Services continued to provide the citizens of Cleveland with superior service. The Division transported a record 54,883 medical patients and responded to 91,161 calls for service in 2005.

#### Department of Parks, Recreation and Properties

- Initiated and completed 18 construction projects during 2005 exceeding \$8 million. These projects included improvements to the playground and basketball area at Luke Easter Park, site improvements at the Lonnie Burton Recreation Center football field, the Earle B. Turner Recreation Center and the artificial turf installation at Bump Taylor Field. Also, major rehabilitation was completed at the R.J. Taylor Park which included the playground area, baseball diamond and water spray ground.
- Construction began on the \$4.2 million Collinwood Athletic Complex which will feature seating for 3,600 spectators. This project will provide Cleveland's youth with a safe and secure environment to enjoy indoor and outdoor recreational activities.
- The Department also offered many summer programs to its citizens in 2005. These summer programs allowed over 232,514 residents to utilize the summer pool facilities, served over 65,000 healthy meals to youths through the summer lunch program and had approximately 722 attendees at Camp Forbes.
- In addition, the Convention Center, which is managed by the Department of Parks, Recreation and Properties, held events on 194 days which were attended by over 195,339 people.



## Department of Public Utilities

- The Division of Water Pollution Control invested over \$6.4 million in capital sewer replacements, repairs and improvements. The 2005 major initiatives were the Rockwell Avenue, Broadview Road and the Euclid Corridor Avenue sewer repair and replacement projects.
- The Division of Cleveland Public Power invested \$24.2 million in capital improvements to better serve its 78,000 residential, commercial, and industrial customers. Major improvements included investing \$4.4 million for the continuing Ridge Road substation expansion, \$6.1 million for defective pole replacement and \$1.2 million for needed motor vehicle purchases.
- In 2005, the Division of Water invested over \$112.5 million of capital improvements for various projects such as the Morgan Water Plant, Baldwin Water Plant, and Nottingham Water Plant to ensure the future operation of the eighth largest public water supply system in the United States. Other major initiatives included the Euclid Corridor Avenue water main replacement and the Coordinated GIS System projects.

The following projects currently underway will provide the momentum necessary to continue rebuilding the City's economic base:

- The continuation of improving our school facilities for the City's students with major neighborhood school renovations underway. This will help provide the business community with the needed educated Cleveland job market of the future.
- Site preparation and construction will start on the Avenue District project. This \$200 million project involves a private developer's conversion of parking lots previously owned by the City at East 12<sup>th</sup> Street and East 13<sup>th</sup> Street into 400 market rate condominium and townhouse units with structured parking, street level retail/commercial space and green space.
- Current projects underway will allow the City to meet the goal of creating 1,500 new housing units again in 2006. The City is committed to restoring the new housing stock in Cleveland to ensure job creation, a sound school system and retaining Cleveland residents.
- The completion of the \$8.6 million rehabilitation of four historic apartment buildings in the Ohio City and Detroit-Shoreway neighborhoods, which created 52 units of affordable housing units. The project also included seven storefronts for commercial space that will add to local job creation.
- Environmental cleanup and redevelopment of the former Joseph & Feiss/Hugo Boss Clothing Factory was completed and construction is nearing completion for a \$19 million project, known as the Ashbury Towers, that will develop a mix of 150 residential townhouses and loft-style flats.
- The completion and opening of the \$3.8 million Bessemer Connector. This connector directly benefits approximately 125 companies with 3,500 employees. In addition to solidifying job retention in this area, the potential economic impact of the connector could be 1,500 new jobs through the reuse of abandoned industrial facilities and the development of newly accessible vacant land sites.
- The City has established an Industrial Land Bank (ILB) for the purpose of assembling and consolidating existing targeted properties into industrial park sites for economic development. Currently, the ILB has five major industrial sites that will be remediated and used for future development projects.
- The \$120 million Steelyard Commons commercial redevelopment project is underway and scheduled to open in the spring of 2007. The project is expected to generate 1,800 local jobs, a \$40 million annual payroll tax base and increase property taxes by \$3 million annually.
- The \$230 million, Phase 1, of the East Bank of the Flats project, which will include 200,000 square feet of entertainment, retail and commercial space, 300 residential units and over 1,600 parking spaces. The project is projected to provide over 679 jobs and create an additional \$22 million annual payroll tax base.
- The Euclid Corridor Transportation Project construction continues along Euclid Avenue. The project will provide shorter travel times along Euclid Avenue and linkages with other Regional Transit Authority (RTA) services. The total project cost is expected to be \$246 million and is anticipated to be finished in 2007.
- In the summer of 2005, construction began on the uncoupling and extension of Runway 6R-24L which will allow for unrestricted direct international service from Cleveland to any world-wide destination. Also, construction began on a centralized deicing pad which will significantly reduce the amount of time relating to deicing operations at Cleveland Hopkins International Airport and will enhance environmental stewardship and operational efficiency.

*Future Economic Outlook*

The City has undergone a dramatic restructuring in its manufacturing sector and has bolstered its services sector base significantly. Health care, financial services and higher education have been major contributors to the service sector employment expansion. Leading employers include the Cleveland Clinic Health System, Key Corp, National City Corporation, Continental Airlines Inc., Cleveland State University, Case Western Reserve University and Sherwin Williams.

The manufacturing base includes a number of prominent durable goods manufacturers. Many have added value through production of specialized products and are more competitive internationally.

The City's Neighborhood Reinvestment Program is a joint effort by the City's Department of Community Development, local area banks and secondary market enterprises to offer creative home financing, consumer credit, small business loans, and various financing options to City residents with low or moderate incomes.

The following amounts were committed from 1991 through 2005:

	<b>(Amounts in Millions)</b>
Key Bank	\$ 1,450
Bank One	766
National City Bank	665
Firststar Bank	873
FirstMerit Bank	523
Fifth Third Bank	574
Huntington National Bank	478
Charter One	239
Skybank	140
Fannie Mae and Freddie Mac	<u>2,400</u>
Total	<u>\$ 8,108</u>

As the economy in the region stagnates, the City has maintained its commitment to prudent fiscal policies. The City, like most large urban municipal governments nationwide is facing many fiscal challenges. High unemployment and slower than anticipated expansion of an economic base, that would replace prior job losses, continue to impede the fiscal recovery.

*2006 Budget*

In preparing its 2006 budget, the City assumed a slight increase in income tax collection and steady collection of other core revenues. Total 2006 estimated available General Fund revenues, including other financing sources, are \$489,699,615 which represents a modest 3.1% increase as compared to 2005 actual General Fund revenues. The City also considered several anticipated expenditure increases including:

- The funding of various union contract agreements that include a 3% wage increase effective April 1, 2006.
- A 12% increase in the cost of health care benefits.
- Increases in rates for gasoline, natural gas, electricity and steam.

The City does not anticipate a 2006 year-end operating deficit. The City will implement aggressive cost saving measures in the areas of purchasing and employee deployment, which will control overtime costs, in a continued effort to implement expenditure controls.

During 2006, the City will continue the expansion of housing and economic development throughout City neighborhoods, sustaining core public safety, public service and public health programs and maintaining services at City parks and recreational facilities.

Key programs in the 2006 budget are:

- The continued enhancement of Homeland Security readiness through the funding of equipment purchases and training of the safety forces.
- The continuing revitalization of the City's neighborhood housing stock with an anticipated 1,500 new housing unit start-ups.
- The continuing funding of technology information and services to maintain and support the application and network infrastructure operations of the City to ensure maximum services to the citizens.
- Funding increases in City's overall energy costs.

### **Major Initiative**

As the City plans ahead to achieve increased municipal efficiencies and enhanced infrastructure coordination, the Mayor has launched the following initiatives:

- *Operations Efficiency*, in which we will enlist business leaders and leadership organizations to provide recommendations on how Cleveland can improve the efficiency and effectiveness of City operations and make City Hall more business friendly in the process;
- *Clean Cleveland*, in which we engage numerous City departments in coordinated efforts to clean neighborhoods and eradicate eyesores and nuisances;
- *The Mayor's Leadership Group on Economic Development and Jobs*, in which we will enlist our local companies to accelerate their commitments to local suppliers and bring national vendors and suppliers home to Cleveland; and
- *Five Year Capital Improvement Program*, in which we will enhance this traditional infrastructure planning tool with Geographical Information System applications to achieve: reduced capital costs through coordination; a centralized database of capital project information; and computer mapping of infrastructure comparable to state-of-the-arts systems in Clarke County, Nevada and Sacramento, California.

### **Cash Management**

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, \$91,395,000 of bank deposits are either insured by federal depository insurance or collateralized by securities held by the City or by its agent in the City's name. The remaining balance of \$16,139,000 of deposits is uninsured and uncollateralized.

The City's investment policies ensure efficient and profitable use of the City's cash resources and reduce the credit and market risks associated with the deposit and investment of City funds. Significant elements of the City's current cash management program include the following objectives:

- On-line connection to banks that advise the City of available funds each day for disbursement and investment.
- Improved control over the timing of disbursements.
- Sophisticated management of the City's investment portfolio.
- Reconciliation of investments to the market value of the collateral pledged.
- Investments transacted on a delivery versus payment basis.

In 2005, the Division of Treasury finalized the implementation and is currently utilizing Treasury Management Solution software to monitor, analyze and report the City's investments. The software enables the City to improve investment forecasting and planning with an emphasis on increasing interest income.

## Risk Management

The City has developed a risk management program in its Department of Finance assisted by Law Department personnel. The risk management program serves to implement qualitative controls, programs and safeguards in the delivery of basic City services for the protection of both the public and City employees. In addition, the program identifies and controls exposure the City may have to financial loss. Periodic review of the City's funding arrangements with respect to general liability and employee benefit costs maintains the City's assumption of risk at a reasonable and affordable level. In January of 2003, the City exercised the option of retrospective rating as the premium rating mechanism for its workers' compensation program. This change was implemented to reduce the City's overall worker compensation expenditures. The City utilizes the Workers Compensation Reserve Internal Service Fund to accumulate needed resources to fund future workers' compensation claims. In 2006, the City will also be piloting an employee safety program in a select department that will focus on preventing workplace injuries, safe return to work policy and improving over program accountability.

## Awards and Acknowledgements

*The Independent Audit:* The City Charter requires an annual audit of the financial statements of all accounts of the City by an Independent Certified Public Accountant. Accordingly, this year's audit was completed by the Auditor of the State of Ohio. The year ended December 31, 2005 represents the 25<sup>th</sup> consecutive year the City has prepared a Comprehensive Annual Financial Report (CAFR). In addition to the independent auditors, the City maintains its own Internal Audit Division. Along with the duty of assisting the independent auditors, the Internal Audit Division is responsible for strengthening and reviewing the City's internal controls. The Internal Audit Division performs its own independent operational and financial audits of the City's many funds, departments and divisions. We believe that the City's internal control structure adequately safeguards its assets and provides reasonable assurance of proper recording of all financial transactions.

*GFOA Certificate of Achievement Award:* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland, Ohio for its CAFR for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

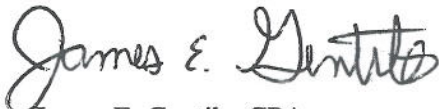
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 21 years (years ended 1984 – 2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

*Acknowledgements:* The preparation of this report could not have been accomplished without the efficient and dedicated service of the Finance Department, particularly the Financial Reporting and Control Division. We would also like to thank the Mayor, the cabinet and members of City Council. Without their continued support, the Department of Finance could not have maintained the financial management practices required to ensure the financial integrity of the City. We would like to thank the representatives of the Auditor of the State of Ohio for their efforts and professional conduct throughout the audit engagement.

Very truly yours,



Sharon Dumas, Director  
Department of Finance



James E. Gentile, CPA  
City Controller

# CITY OF CLEVELAND, OHIO

## City Officials

**Frank G. Jackson, Mayor**

### EXECUTIVE STAFF

Ken Silliman..... Chief of Staff  
Darnell Brown ..... Chief Operating Officer  
Valarie J. McCall..... Chief of Government Affairs  
Maureen Harper..... Chief of Communications  
Tracy Martin..... Chief of Education  
Michael House..... Press Secretary  
Rebecca Schaltenbrand.....Special Assistant to the Mayor  
Natoya Walker..... Special Assistant to the Mayor  
Barry Withers .....Special Assistant to the Mayor  
Jason Wood ..... Special Assistant to the Mayor

### ADMINISTRATION

Jane E. Fumich ..... Director, Department of Aging  
Debra Linn Talley..... Director, Office of Equal Opportunity  
Sharon Dumas .....Director, Department of Finance  
Robert J. Triozzi ..... Director, Department of Law  
Blaine Griffin.....Director, Community Relations Board  
Martin Flask..... Director, Department of Public Safety  
Michael C. McGrath..... Police Chief  
Paul Stubbs..... Fire Chief  
Daryl Rush..... Director, Department of Community Development  
Michael Cox .....Director, Department of Parks, Recreation and Properties  
Julius Ciaccia..... Interim Director, Department of Public Utilities  
Angel Guzman.....Director, Department of Consumer Affairs  
Robert N. Brown..... Director, City Planning Commission  
Trudy Hutchinson ..... Director, Personnel and Human Resources  
Jomarie Wasik ..... Director, Department of Public Service  
Ricky D. Smith .....Director, Department of Port Control  
Brian Reilly .....Director, Economic Development  
Lucille Ambroz.....Secretary, Civil Service Commission  
Matthew Carroll..... Interim Director, Department of Public Health  
Edward W. Rybka..... Interim Director, Department of Building and Housing

# CITY OF CLEVELAND, OHIO

## City Council

Martin J. Sweeney .....	President of Council /Ward 20
Emily Lipovan .....	Clerk of Council
Nina Turner.....	Ward 1
Robert J. White .....	Ward 2
Zachary Reed .....	Ward 3
Kenneth L. Johnson .....	Ward 4
Phyllis E. Cleveland.....	Ward 5
Patricia J. Britt .....	Ward 6
Fannie M. Lewis .....	Ward 7
Sabra Pierce Scott.....	Ward 8
Kevin Conwell .....	Ward 9
Roosevelt Coats .....	Ward 10
Michael D. Polensek.....	Ward 11
Anthony Brancatelli.....	Ward 12
Joseph Cimperman.....	Ward 13
Joseph Santiago. ....	Ward 14
Brian J. Cummins .....	Ward 15
Kevin J. Kelly .....	Ward 16
Matthew Zone.....	Ward 17
Jay Westbrook .....	Ward 18
Dona Brady.....	Ward 19
Michael A. Dolan.....	Ward 21

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland,  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



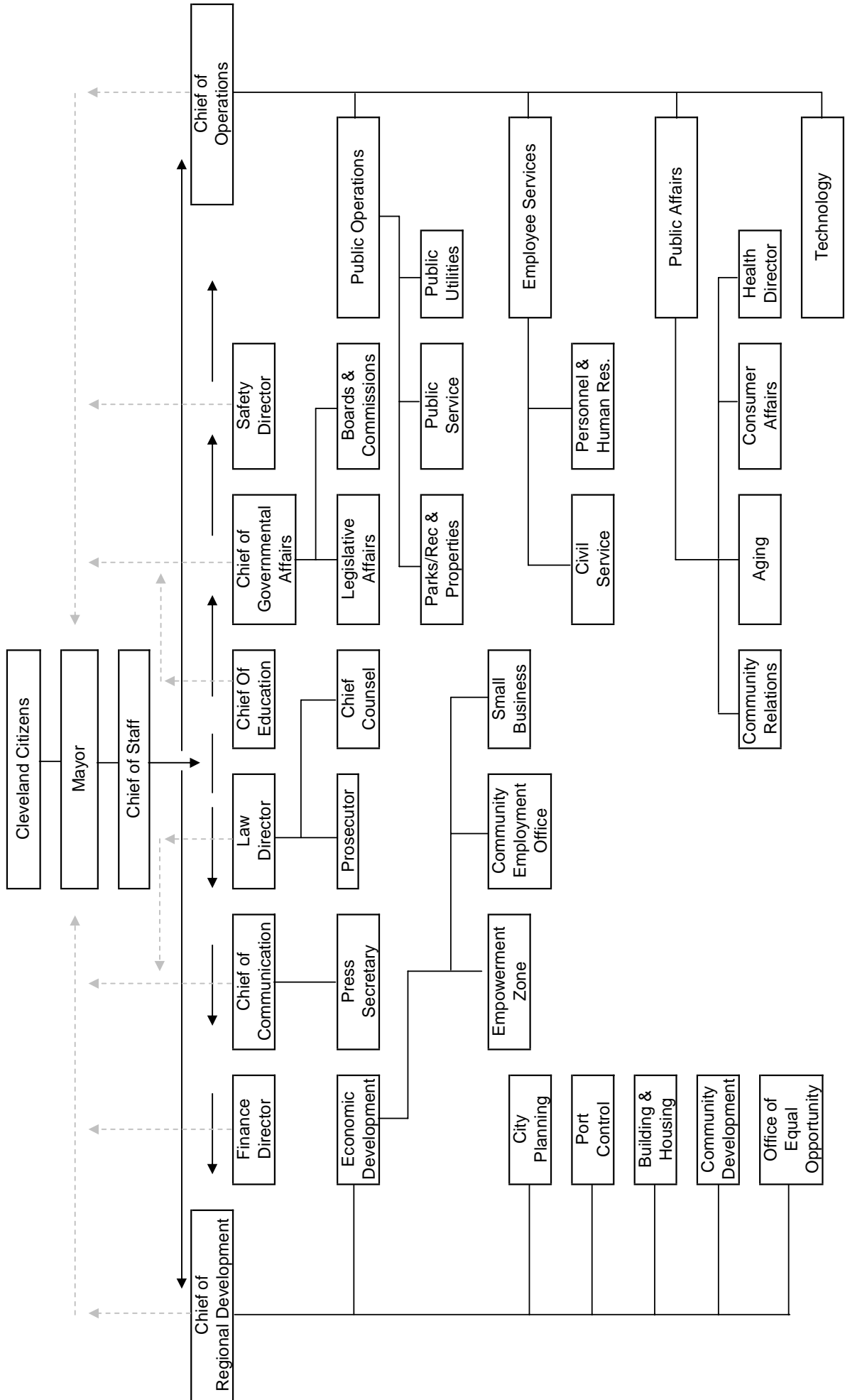
*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF CLEVELAND, OHIO  
ADMINISTRATIVE ORGANIZATION CHART**

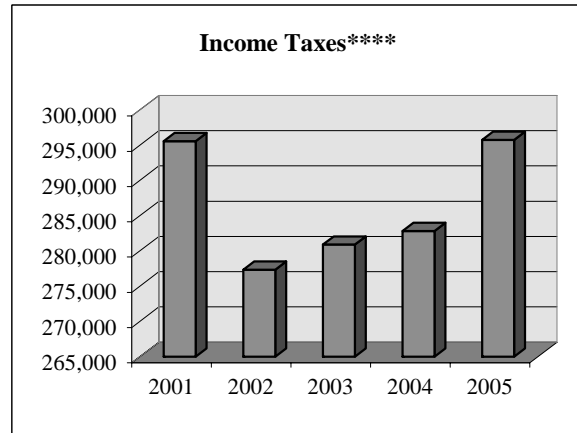
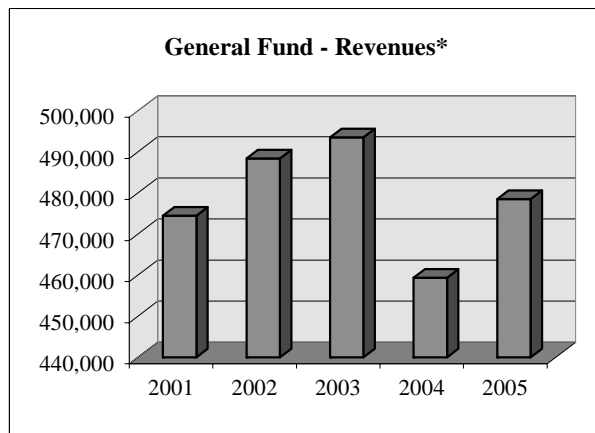
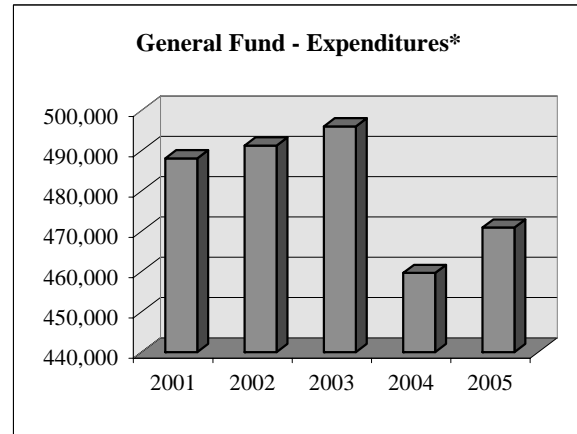
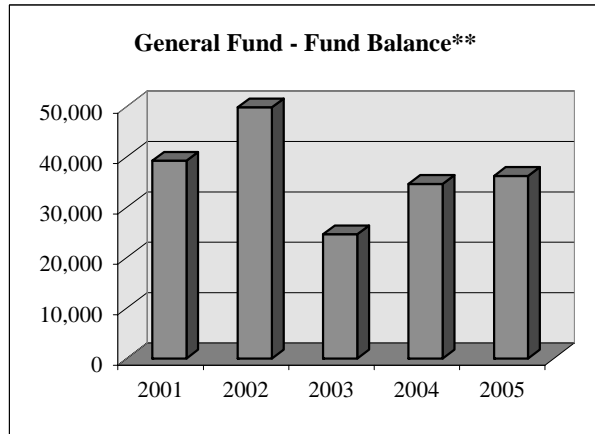




# CITY OF CLEVELAND, OHIO

## FINANCIAL HIGHLIGHTS

(in thousands of dollars)



For Year Ended***	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes****
2001	39,250	474,442	488,102	295,559
2002	49,837	488,415	491,258	277,321
2003	24,651	493,569	496,010	280,890
2004	34,634	459,374	459,647	282,824
2005	36,213	478,522	470,905	295,759

\* *Budget Basis* - General Fund revenues and expenditures include transfers in and out.

\*\* *GAAP Basis*

\*\*\* The 2002 and 2003 General Fund fund balance includes restatements.

\*\*\*\* *Budget Basis* - Income Taxes includes General Fund and Restricted Income Tax Fund.

**This Page Intentionally Left Blank.**

# **FINANCIAL SECTION**

**This Page Intentionally Left Blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

City of Cleveland  
Cuyahoga County  
601 Lakeside Avenue  
Cleveland, Ohio 44114

To the Honorable Frank G. Jackson, Mayor, Members of Council, and the Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund statements and schedules, and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 9, 2006

# CITY OF CLEVELAND, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cleveland (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2005. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 49.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2005 by approximately \$2.137 billion (net assets). Of this amount, \$422.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Of the approximately \$2.137 billion of net assets, governmental activities accounted for approximately \$537 million of net assets, while business-type activities net assets approximately \$1.6 billion.
- The City's net assets increased by \$75.3 million as compared to 2004. The governmental net assets increased by \$19.1 million and the business-type activities net assets increased by \$56.2 million.

The major factors contributing to the \$19.1 million increase to governmental activities net assets are a \$34.8 million increase in capital outlay which was offset by a \$6.3 million decrease in revenue and a \$9.8 million decrease in governmental fund balance. The \$34.8 million increase in capital outlay is reported on the fund statements as expenditures; however, on the government-wide statements these expenditures are capitalized and recorded as capital assets and depreciated over their useful lives. The \$6.3 million decrease in revenue is recognized on the government-wide financial statements, but deferred on the fund financial statements. This decrease is primarily made up of a decrease in income tax revenue. The decrease of \$9.8 million in governmental fund balance is discussed below.

The primary components of the \$9.8 million decrease in governmental fund balance are as follows: the General Fund had an increase in fund balance of approximately \$1.6 million. This increase was primarily due to a \$2.4 million increase in EMS service charges, a \$1.3 million increase in commercial waste collection revenue and a net increase of \$7.4 million in other financing sources and uses. These increases were offset by a \$7.9 million expenditure increase in Safety. The decrease in fund balance of \$11.4 million in Other Governmental Funds is as follows: Restricted Income Tax and Core City funds had increases of \$3.2 million and \$1.6 million, respectively. These increases were offset by decreases in the following: Capital Projects funds had a net asset decrease of \$4.8 million related to various City athletic complexes, recreation centers and the Euclid Avenue Corridor project. The Economic Development, Urban Development Action and the Empowerment Zone Special Revenue Funds had a combined net asset decrease of \$6.7 million due to funding development projects. The Debt Service fund net assets decreased by \$3.1 million relating to higher principal debt payments from the previous year. Parks, Recreation and Properties Special Revenue Fund decreased by \$1.0 million primarily due to the continued funding of the St. Michael's development project.

The contributing factors for the net assets increase of \$56.2 million in business-type activities were significant increases in the following departments: Cleveland Public Power's total net assets decreased by \$1.1 million which was attributed to the increase in purchased power costs. The Water Division's overall net assets increased by \$43.3 million and was mainly due to an increase in customer rates. Airport Facilities total net assets increased by \$15.2 million due to an increase in terminal rental rates and concession revenue offset by an increase in depreciation and a decrease in net non-operating expense.

- At the end of the current year, unreserved fund balance for the General Fund was \$24.7 million and is available for spending at the City's discretion. The unreserved fund balance equals 5.3% of the total current General Fund expenditures and other financing uses.
- In 2005, the City's total long-term debt and other obligations net of premiums, discounts and unamortized loss on debt refunding decreased by \$11.2 million. The decrease was primarily attributed to the retirement and refunding of \$114.8 million of General Obligation Bonds offset by the issuance of \$121.4 million General Obligation Bonds, the retirement and defeasance of \$9.7 million of Public Power System Revenue Bonds, the retirement and defeasance of \$96.3 million of Water Revenue Bonds offset by the issuance of \$64.5 million of Waterworks Improvement Revenue Bonds and an additional \$27.0 million of Ohio Water Development Authority and Public Works Commission loans. Also, the City retired \$9.4 million relating to Airport System Revenue Bonds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) general fund budget and actual statement, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City principally include: general government; public service; public safety; community development; building and housing; public health; parks, recreation and properties; and economic development. The business-type activities of the City principally include: water; electricity; and airport facilities.

The government-wide financial statements can be found on pages 50-51 of this report.

**Fund financial statements.** 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. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 35 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.



The City adopts an annual appropriated budget for its General Fund, and for some special revenue, debt service, enterprise, and internal service funds. The General Fund budgetary comparison has been provided as a separate financial statement to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 52 - 55 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, electric, airport, sewer, convention center, markets, parking lots, cemeteries, and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally throughout the City's various functions. The second type of proprietary fund the City uses are internal service funds to account for its motor vehicle maintenance, printing and reproduction, storage and warehousing, utilities administration, sinking fund administration, municipal income tax administration, telephone exchange, radio communications operations and workers compensation reserve. Because most of the internal services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements, except for the utilities administration fund which has been classified as a business-type activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Division of Water, Cleveland Public Power, and Department of Port Control Funds, which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 56 - 60 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. All of the City's fiduciary funds are agency funds.

The basic fiduciary fund financial statement can be found on page 61 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 62 - 99 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year-ended December 31, 2002, the City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement requires a comparative analysis of government-wide data in the Management's Discussion and Analysis section. Information regarding the government-wide net assets of the City is provided below:

### Summary Statement of Net Assets as of December 31, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	(Amounts in 000's)					
	2005	2004	2005	2004	2005	2004
Assets:						
Current and other assets	\$712,551	\$726,505	\$1,263,957	\$1,322,834	\$1,976,508	\$2,049,339
Capital assets	<u>843,706</u>	<u>808,839</u>	<u>2,577,812</u>	<u>2,479,077</u>	<u>3,421,518</u>	<u>3,287,916</u>
Total assets	1,556,257	1,535,344	3,841,769	3,801,911	5,398,026	5,337,255
Liabilities:						
Long-term obligations	795,786	785,933	2,079,244	2,100,278	2,875,030	2,886,211
Other liabilities	<u>224,018</u>	<u>232,053</u>	<u>162,447</u>	<u>157,712</u>	<u>386,465</u>	<u>389,765</u>
Total liabilities	1,019,804	1,017,986	2,241,691	2,257,990	3,261,495	3,275,976
Net assets:						
Invested in capital assets, net of related debt	303,683	274,854	510,205	385,563	813,888	660,417
Restricted	285,446	295,785	614,998	680,129	900,444	975,914
Unrestricted	<u>(52,676)</u>	<u>(53,281)</u>	<u>474,875</u>	<u>478,229</u>	<u>422,199</u>	<u>424,948</u>
Total net assets	<u>\$536,453</u>	<u>\$517,358</u>	<u>\$1,600,078</u>	<u>\$1,543,921</u>	<u>\$2,136,531</u>	<u>\$2,061,279</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. The City's assets exceeded liabilities by approximately \$2.137 billion at the close of the most recent fiscal year. This represents an increase of 3.6% in 2005. Of the City's net assets, 25.1% represents its governmental net assets and 74.9% represents its business-type net assets.

Of the net assets from governmental activities, \$303.7 million represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructure, furniture, fixtures, equipment and vehicles), net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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. Another significant portion of net assets, \$285.4 million, represents resources that are subject to external restrictions on how they may be used. There was a modest increase in unrestricted net assets of \$605,000.

The total assets from governmental activities increased by \$20.9 million in 2005. This increase is primarily attributed to an increase in net capital asset additions of \$34.9 million. This increase was offset by a decrease of \$12.9 million of net receivables.

The total liabilities from governmental activities increased by \$1.8 million. The increase was primarily attributed to the issuance of \$121.4 million General Obligation Bonds which was offset by the retirement and refunding of \$114.8 million of General Obligation Bonds and a decrease in Due to other governments and Loans payable.

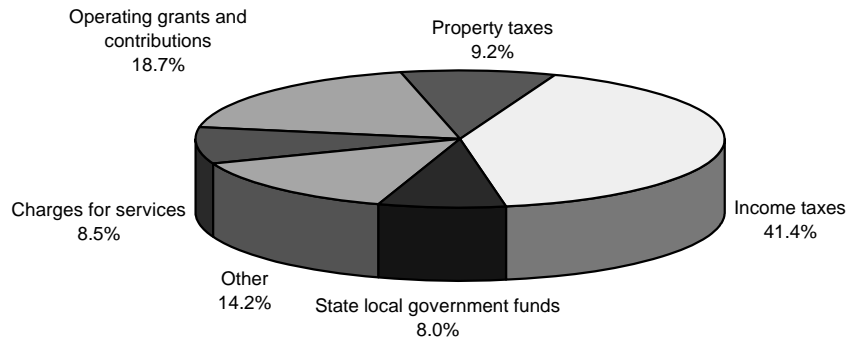
At the end of the current year, the City is able to report positive balances in total net assets for both the governmental activities as well as its business-type activities. Information regarding government-wide changes in net assets is provided below:

**Changes in Net Assets  
For Fiscal Years Ended December 31, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u> (Amounts in 000's)		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 59,083	\$ 58,239	\$ 517,828	\$ 496,726	\$ 576,911	\$ 554,965
Operating grants and contributions	130,592	124,867	7,826	48	138,418	124,915
Capital grants and contributions	26,988	14,870	61,173	61,602	88,161	76,472
General revenues:						
Income taxes	288,191	293,387			288,191	293,387
Property taxes	64,390	69,483			64,390	69,483
Other taxes	25,051	22,011			25,051	22,011
Shared revenues	22,468	20,470			22,468	20,470
Other grants and contributions	1	94			1	94
State local government funds	55,696	57,072			55,696	57,072
Unrestricted investment earnings	2,989	1,273	2,205	1,215	5,194	2,488
Miscellaneous	21,135	18,855	946	93	22,081	18,948
<b>Total revenues</b>	<u>696,584</u>	<u>680,621</u>	<u>589,978</u>	<u>559,684</u>	<u>1,286,562</u>	<u>1,240,305</u>
<b>Expenses:</b>						
General government	86,332	77,077			86,332	77,077
Public service	80,888	78,634			80,888	78,634
Public safety	293,242	281,140			293,242	281,140
Community development	56,413	65,603			56,413	65,603
Building and housing	10,650	10,703			10,650	10,703
Public health	24,950	22,537			24,950	22,537
Parks, recreation and properties	44,840	42,734			44,840	42,734
Economic development	41,030	49,372			41,030	49,372
Other	11,212	11,510			11,212	11,510
Interest on debt	27,557	30,815			27,557	30,815
Water			192,187	188,118	192,187	188,118
Electricity			153,676	136,927	153,676	136,927
Airport facilities			146,807	145,749	146,807	145,749
Non-major activities			41,526	41,333	41,526	41,333
<b>Total expenses</b>	<u>677,114</u>	<u>670,125</u>	<u>534,196</u>	<u>512,127</u>	<u>1,211,310</u>	<u>1,182,252</u>
Changes in net assets before transfers	19,470	10,496	55,782	47,557	75,252	58,053
Transfers	<u>(375)</u>	<u>(2,283)</u>	<u>375</u>	<u>2,283</u>		
<b>Changes in net assets</b>	19,095	8,213	56,157	49,840	75,252	58,053
Net assets at beginning of year	<u>517,358</u>	<u>509,145</u>	<u>1,543,921</u>	<u>1,494,081</u>	<u>2,061,279</u>	<u>2,003,226</u>
<b>Net assets at end of year</b>	<u>\$ 536,453</u>	<u>\$ 517,358</u>	<u>\$ 1,600,078</u>	<u>\$ 1,543,921</u>	<u>\$ 2,136,531</u>	<u>\$ 2,061,279</u>

Business-type net assets increased \$56.2 million in 2005. Of the business-type net assets, \$510.2 million represents its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. These capital assets are used to provide services to their customers. Consequently, these assets are not available for future spending. Although the City's 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. \$615 million of net assets are subject to external restrictions on their use. The remaining balance of \$474.9 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

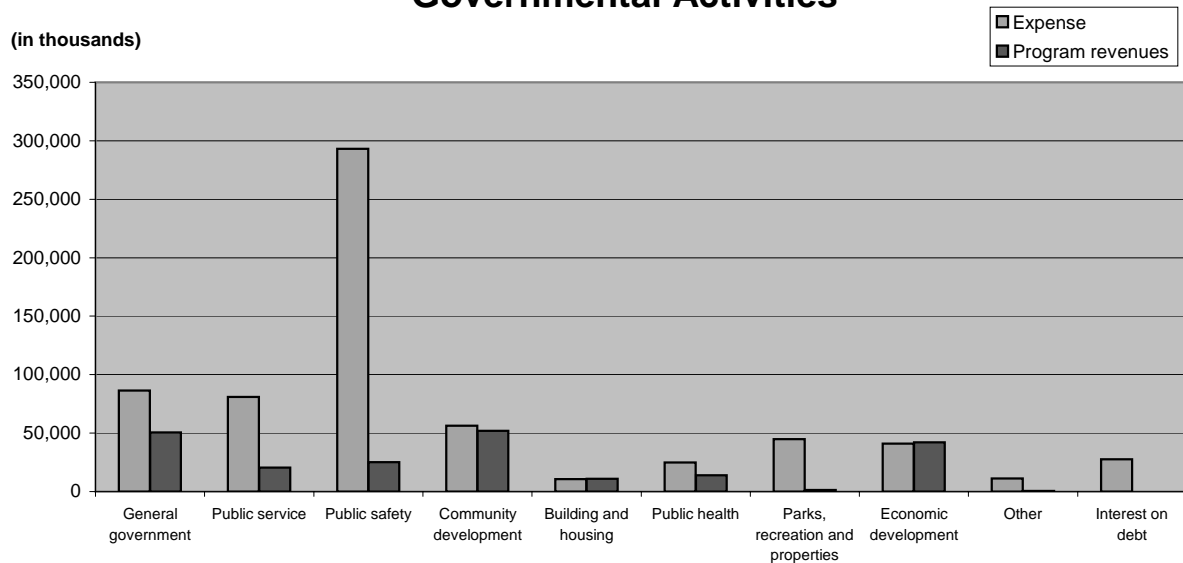
## Revenues by Sources - Governmental Activities



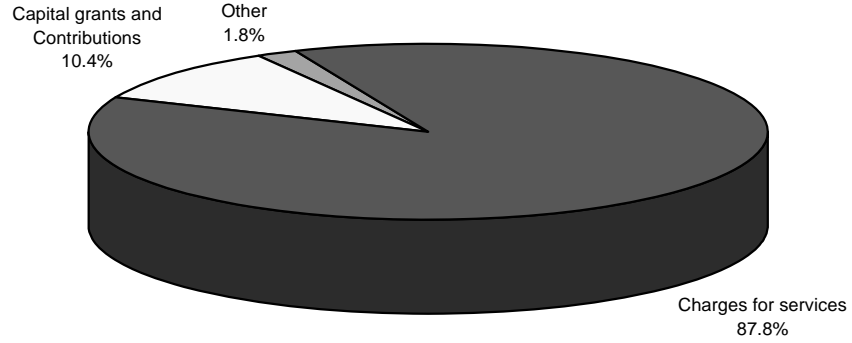
Other includes capital grants and contributions, other taxes, shared revenues, other grants and contributions, unrestricted investment earnings and miscellaneous revenue.

## Expenses and Program Revenues - Governmental Activities

(in thousands)

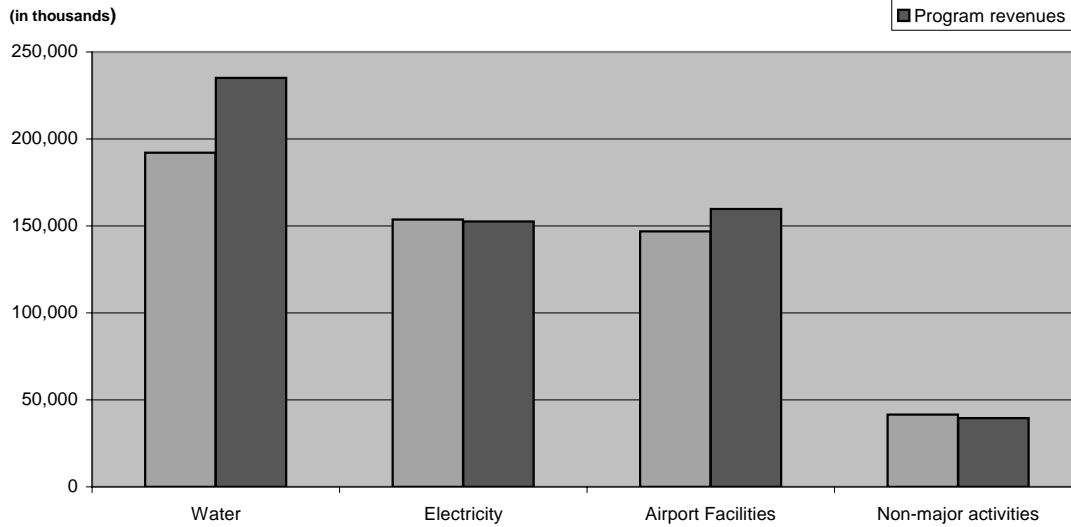


## Revenues by Source - Business-type Activities



Other includes operating grants and contributions, unrestricted investment earnings, other revenue and transfers in.

## Expense and Program Revenues - Business-type Activities



Business-type total assets increased by \$39.9 million primarily due to a net increase in capital assets of \$98.7 million offset by a decrease in restricted assets of \$80.9 million. Business-type total liabilities decreased by \$16.3 million primarily due to the retirement and defeasance of \$9.7 million of Public Power System Revenue Bonds, retirement of \$9.4 million relating to Airport System Revenue Bonds, retirement and defeasance of \$96.3 million offset by an issuance of \$64.5 million of Waterworks Improvement Revenue Bonds and an additional \$27.0 million of Ohio Water Development Authority and Public Works Commission loans.

Business-type activities are principally accounted for in the City's enterprise funds. The City operates three principal Enterprise Funds encompassing two airports, a water system, and an electric distribution system. The City also operates other Enterprise Funds consisting of a sewer system, cemeteries, a convention center, golf courses, municipal parking lots and public market facilities. The operating results of the City's principal enterprise funds are discussed below.

**Department of Port Control:** The City's Department of Port Control consists of the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport, which employ approximately 370 individuals in administration, airfield and building maintenance, vehicle maintenance, and aircraft rescue and fire fighting. Currently, 24 passenger airlines provide scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities. The airports' operating revenue in 2005 amounted to \$111.1 million. This represents a \$200,000 increase from 2004 operating revenues of \$110.9 million. This increase was primarily due to increases in terminal rental rates. Cleveland Hopkins International Airport served 11,463,000 passengers in 2005. This reflects a 1.8% increase from the number of passengers served in 2004. This increase is attributed to the returning public confidence in the airlines ability to provide safe and secure service based on security steps taken since the tragic events of September 11, 2001.

**Division of Water:** The Division operates a major public water supply system, the eighth largest in the United States that serves not only the City, but also 70 suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Division is an emergency standby provider for systems in three other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2005, the aggregate metered consumption of water in the City constituted 34% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 55% and 11%, respectively. Operating revenue in 2005 increased approximately 6.2% to \$222.6 million from \$209.6 million in 2004. This increase was mainly attributed to a 3.5% rate increase in 2005 and a 2.11% increase in billed consumption. Operating expenses, exclusive of depreciation, decreased to \$123.9 million compared to \$127.0 million in 2004.

**Division of Cleveland Public Power:** The Division supplies electrical service to over 78,000 customers in the City. The Division is responsible for supplying, transmitting and distributing electricity and providing related electrical services to customers within its service area. The Division's 2005 operating revenue increased 6.5% to \$150.3 million from \$141.1 million in 2004. Purchased power expense increased 19.7% to \$89.3 million in 2005 from \$74.6 million in 2004, primarily due to a \$8.1 million Seams Elimination Cost Adjustment payment and the increase in kilowatt hour sales. Operating expenses, exclusive of depreciation and purchased power, increased slightly to \$36.6 million, compared to \$34.7 million a year ago.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$431.8 million, a decrease of \$9.8 million in comparison with the prior year. The total governmental unreserved fund balance is \$140.2 million of which \$78.7 million is undesignated. The components of the total undesignated governmental fund balance include \$24.7 million in the General Fund which is available for spending at the City's discretion; an additional \$50.6 million of undesignated Special Revenue Funds available for expenditures that are legally restricted for a particular purpose; and the Capital Project Fund has \$3.4 million of undesignated fund balance to be used for the acquisition or construction of major capital projects. An additional \$61.5 million is designated for future capital improvements. The remaining \$291.6 million of the fund balance is reserved which indicates that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$110.4 million), 2) to make future loans (\$162.1 million), 3) to pay debt service (\$15.9 million), and 4) for a variety of other restricted purposes (\$3.2 million).

The General Fund is the chief operating fund of the City. At the end of the current year, the unreserved fund balance of the General Fund was \$24.7 million while the total fund balance was \$36.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 5.3% of total General Fund expenditures and transfers out, while total fund balance represents approximately 7.8% of that same amount.

A two-year comparison of General Fund activity is shown below. The revenues, expenditures and changes in fund balance shown in these comparisons are presented on the modified accrual basis of accounting applicable to governmental funds.

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance Information - GAAP Basis**  
**2005 and 2004**  
**(Amounts in thousands)**

	<u>2005</u>	<u>2004</u>
Revenues:		
Income taxes	\$259,727	\$261,511
Property taxes	43,439	44,708
State local government funds	55,899	55,808
Other shared revenues	38,487	38,170
Licenses and permits	11,780	12,858
Charges for services	20,790	16,544
Fines, forfeits and settlements	16,699	15,528
Investment earnings	2,351	963
Grants	831	2,389
Miscellaneous	9,566	11,996
Total revenues	<u>459,569</u>	<u>460,475</u>
Expenses:		
General government	65,123	62,894
Public service	35,852	32,701
Public safety	273,608	265,723
Community development	2,192	2,405
Building and housing	10,472	10,497
Public health	11,819	11,835
Parks, recreation and properties	34,046	31,895
Economic development	965	959
Other	11,212	11,510
Total expenses	<u>445,289</u>	<u>430,419</u>
Excess of revenues over expenditures	14,280	30,056
Other financing sources (uses):		
Transfers in	5,544	2,007
Transfers out	(18,332)	(22,080)
Proceeds from the sale of land	87	
Excess of revenues and other financing sources over expenditures and other financing uses	<u>1,579</u>	<u>9,983</u>
Fund balance at beginning of year	<u>34,634</u>	<u>24,651</u>
Fund balance at end of year	<u>\$36,213</u>	<u>\$34,634</u>

## ***Analysis of General Fund Revenues***

General Fund revenues and other sources totaled \$465.2 million in 2005, an increase of approximately \$2.7 million from 2004. A discussion of each of the major types of General Fund revenues follows.

### ***Municipal Income Taxes***

Ohio law authorizes a municipal income tax on both corporate income (net profits from the operation of a business or profession) and employee wages, salaries, and other compensation at a rate of up to 1% without voter authorization and at a rate above 1% with voter authorization. In 1979 and in 1981, the voters in the City approved increases of one-half of one percent to the rate of the income tax, bringing it to the current 2% rate. By the terms of the 1981 voter approval, as amended in 1985, one-ninth of the receipts of the total 2% tax (the "Restricted Income Tax") must be used only for capital improvements, debt service or obligations issued for capital improvements or the payment of past deficits. The remaining eight-ninths of the municipal income tax is recorded in the General Fund and is pledged to, and may also be used for, debt service on general obligation bonds of the City, to the extent required, and certain other obligations of the City.

The income tax is also imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 50% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City. In 2005, approximately 85% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax collections decreased approximately \$1.8 million in 2005 over the comparable amount in 2004 primarily as a result of a moderate downturn in local economic conditions.

### ***Property Taxes***

Taxes collected from real property in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Taxes collected from tangible personal property in one calendar year are levied in the same calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year, and at the rates determined in the preceding year. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

The "assessed valuation" of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate multiplied by the assessed value.



The assessed values of taxable property in the City for the past two years were as follows:

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Tangible Personal (Other Than Public Utility)</u> (in thousands)	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
2005	\$ 4,985,131	\$ 671,795	\$ 350,690	\$ 6,007,616
2004	4,898,754	722,499	355,889	5,977,142

Property tax revenues decreased by \$1.3 million in 2005 principally due to a slightly higher assessed valuation which was offset by an increase in delinquencies relating to real and public utilities property taxes in 2005.

***State Local Government Funds and Other Shared Revenues***

State Local Government Funds and Other Shared Revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other shared revenues include state income, sales, corporate franchise, homestead and rollback, public utility, estate, and cigarette taxes as well as liquor fees. State Local Government Funds and other shared revenues have increased in total by approximately \$408,000 in 2005.

Since 1993, the State Local Government Funds (“LGF”) and Local Government Revenue Assistance Fund (“LGRAF”) have been the City’s largest source of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State’s collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amount in the funds has been capped at specified levels.

Pursuant to statutory law in Ohio, State LGF revenues are divided into county and municipal portions. The county portion, the larger of the two, is distributed to each of the State’s 88 counties and is allocated based upon a statutory formula utilizing county population and county municipal property values. Once received by a county, the funds can either be distributed to all subdivisions using the statutory formula or the county and its subdivisions may agree upon an alternate method for allocating the funds. Cuyahoga County and its recipient communities have chosen the latter method which is comprised of a base allocation and an excess allocation. The excess allocation takes into account such factors as assessed value per capita, per capita income, population density and the number of individuals receiving public assistance. The municipal portion of the LGF is distributed directly by the State to those municipalities that collect an income tax. A municipality receives its share of the funds based upon its percentage of total municipal income taxes collected throughout the state in a given year.

The LGRAF, which was created in 1989, is distributed to all counties based upon population. Either the statutory allocation method or an agreed upon alternative allocation is used to apportion the funds. Cuyahoga County allocates LGRAF funds using the same method as is used to distribute LGF monies.

LGRAF funding has fluctuated over the course of the last few years. Distributions from the State of Ohio and Cuyahoga County (as a conduit between the State and City) have decreased since 2000.

***Licenses and Permits***

Revenues are derived from citizens and businesses paying the City to secure various licenses and permits necessary to ensure that the codified ordinances of the City are met to protect the health and safety of the public.

Licenses and permits revenue decreased \$1.1 million. Of this decrease, 67% is attributed to the fees collected by the issuance of building permits.

**Analysis of General Fund Expenditures**

General Fund expenditures and other financing uses totaled \$463.6 million in 2005, an increase of 2.5% from 2004. The amount of expenditures and other uses by function on a GAAP basis, including the increases (decreases) over the prior year, are shown in the following table:

<u>Expenditures and Other Financing Uses</u>	<u>Actual 2005</u>	<u>% of Total</u>	<u>Actual 2004</u>	<u>% of Total</u>	<u>Increase (Decrease) Over 2004</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 65,123	14.05	\$ 62,894	13.90	\$ 2,229	3.54
Public Service	35,852	7.73	32,701	7.23	3,151	9.64
Public Safety	273,608	59.02	265,723	58.72	7,885	2.97
Community Development	2,192	0.47	2,405	0.53	(213)	(8.86)
Building and Housing	10,472	2.26	10,497	2.32	(25)	(0.24)
Public Health	11,819	2.55	11,835	2.62	(16)	(0.14)
Parks, Recreation and Properties	34,046	7.34	31,895	7.05	2,151	6.74
Economic Development	965	0.21	959	0.21	6	0.63
Other	11,212	2.42	11,510	2.54	(298)	(2.59)
Operating Transfers Out	<u>18,332</u>	3.95	<u>22,080</u>	4.88	<u>(3,748)</u>	(16.97)
Total expenditures and other financing uses	<u>\$ 463,621</u>		<u>\$ 452,499</u>		<u>\$ 11,122</u>	

The total expenditures and other financing uses increased by \$11.1 million. The primary factors for the increase were additional staffing for the Division of Police and overtime increases in the Fire and EMS Divisions. The Department of Parks, Recreation and Properties had new costs associated with the 205 St. Clair Building and St. Michael's property. The Department of Public Service expenditures increased due to the following factors: increased costs in the Waste Collection Division for the residential recycling program and increased costs in the Division of Streets for street cleaning and the snow/ice removal program. The overall decrease in transfers predominantly relates to a decrease in the transfer to the Stadium Fund.

**Proprietary funds.** The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the Division of Water, Cleveland Public Power, and the Department of Port Control funds amounted to \$246.4 million, \$71.9 million and \$124.5 million, respectively, at December 31, 2005. The change in net assets for each of the respective funds amounted to an increase of \$43.3 million, a decrease of \$1.1 million and an increase of \$15.2 million, during 2005. Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

**Major Functional Expense Categories.** A discussion of the City’s major functional expense categories follows:

*Employees and Labor Relations*

As of December 31, 2005 and 2004, the City had approximately 8,262 and 8,160 full-time employees, respectively. Of the 8,262 full-time employees, approximately 6,454 full-time employees are represented by 33 collective bargaining units. The largest collective bargaining units, together with the approximate number of employees represented by such units, include the American Federation of State, County and Municipal Employees, Local 100 - 1,485 members; Cleveland Police Patrolmen’s Association - 1,399 members; the Association of Cleveland Firefighters - 906 members; Municipal Foreman and Laborers Union, Local 1099 - 556 members; and Local 244 - 350 members.

There have been no significant labor disputes or work stoppages in the City within the last 22 years.

The Council, by ordinance, establishes schedules of salaries, wages and other economic benefits for City employees. Generally, the terms of these ordinances have been the product of negotiations with representatives of the employees or bargaining units, and increases in economic benefits have normally been provided on an annual basis.

Chapter 4117 of the Ohio Revised Code (the “Collective Bargaining Law”), establishes procedures for, and regulates public employer-employee collective bargaining and labor relations for the City and other state and local governmental units in Ohio. The Collective Bargaining Law creates a three-member State Employment Relations Board (the “SERB”), which administers and enforces the Collective Bargaining Law. Among other things, the Collective Bargaining Law: (i) creates rights and obligations of public employers, public employees and public employee organizations with respect to labor relations; (ii) defines the employees it covers; (iii) establishes methods for (a) the recognition of employees and organizations as exclusive representatives for collective bargaining and (b) the determination of bargaining units; (iv) establishes matters for which collective bargaining is either required, prohibited, or optional; (v) establishes procedures for bargaining and the resolution of disputes, including negotiation, mediation and fact finding; and (vi) permits all covered employees to strike, except certain enumerated classes of employees, such as police and fire personnel.

Over the past two years, the total salaries and wages paid to the City’s employees from all funds were as follows:

<u>Year</u>	<u>Amount Paid</u> <u>(in thousands)</u>
2005	\$ 420,590
2004	415,725

The increase in salaries and wages in 2005 is primarily due to the bonus incentive based on ratified union contracts which amounted to \$3 million.

*Employee Retirement Benefits*

City employees are members of one of two retirement systems. These retirement systems provide both pension and postretirement health care benefits to participants. They were created pursuant to Ohio statutes and are administered by state created boards of trustees. The boards are comprised of a combination of elected members from the respective retirement system’s membership and ex-officio members from certain state and local offices.

These two retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other retirement systems. Management of the system indicates 376,109 actively contributing members as of December 31, 2005. At December 31, 2004, the latest information available, assets of this pension system approximated \$64.5 billion. More data on this pension system are shown in Notes 13 and 14 of this report.
- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. Management of the fund indicates membership of approximately 27,735 active members. Per the latest information available, assets of this pension fund approximated \$9.3 billion. All of the City's police and fire officers are members of this pension fund. More data on this pension fund are shown in Notes 13 and 14 of this report.

Over the past two years, the City and its employees have paid the following amounts to OPERS and OP&F:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Paid by City to:		
OPERS	\$ 35,540	\$ 35,480
OP&F	<u>30,678</u>	<u>31,159</u>
Total paid by City	<u>66,218</u>	<u>66,639</u>
Paid by employees to:		
OPERS	22,245	22,273
OP&F	<u>14,623</u>	<u>14,531</u>
Total paid by employees	<u>36,868</u>	<u>36,804</u>
Total	<u>\$ 103,086</u>	<u>\$ 103,443</u>

The City is current in all of its required contributions to the respective pension funds. The pension plans and other post-employment benefits for health care are explained in Notes 13 and 14.

#### **GENERAL FUND BUDGETARY ANALYSIS**

In 2005, there were no major differences between the original and the final amended budget at a total revenue and expenditure level, including transfers out (see page 55).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital assets:* The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$3.4 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; utility plant; buildings, structures and improvements; furniture, fixtures, equipment and vehicles; infrastructure; and construction in progress. The total increase in the City’s investment in capital assets for the current fiscal year was 4.1 percent (a 4.3 percent increase for governmental activities and a 4.0 percent increase for business-type activities). A summary of the City’s capital assets at December 31, 2005 is as follows:

	<b>Capital Assets, Net of Accumulated Depreciation</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
		(in thousands)	
Land	\$ 61,612	\$ 179,712	\$ 241,324
Land improvements	45,591	493,825	539,416
Utility plant		1,014,082	1,014,082
Buildings, structures and improvements	390,527	457,250	847,777
Furniture, fixtures, equipment and vehicles	56,376	95,445	151,821
Infrastructure	217,759		217,759
Construction in progress	71,841	337,498	409,339
	<u>71,841</u>	<u>337,498</u>	<u>409,339</u>
<b>Total</b>	<b><u>\$ 843,706</u></b>	<b><u>\$ 2,577,812</u></b>	<b><u>\$ 3,421,518</u></b>

Major events during the current fiscal year affecting the City’s capital assets included the following:

- Cleveland Public Power incurred \$24.2 million of capital expenditures relating to pole replacements, motor vehicles, equipment, plant improvement and distribution feeders that were capitalized.
- During 2005, the Division of Water had expenditures for capital improvements totaling \$112.5 million. Major expenses were for the Euclid Corridor project, continuing renovations at the Morgan, Baldwin and Nottingham Plants, equipment and rehabilitation of water mains and the implementation of the Geographical Information System.
- Port Control expenditures for capital improvements totaled approximately \$56.7 million. Major components were the continuing renovation of Concourse C, Runway 10-28 safety improvements and the structural rebuilding of the long-term garage.
- Water Pollution Control had capital expenditures of \$7.3 million. Major initiatives included the Euclid Corridor project, Rockwell Avenue sewer and water main project, Broadview Road sewer system renovation, West 122<sup>nd</sup> and East 94<sup>th</sup> Street sewer projects and various emergency sewer repairs.
- Governmental activities major capital projects included \$6.4 million for the Kinsman Road resurfacing project, \$6.2 million for the Collinwood Athletic complex and other various City recreation centers, \$5.9 million for the City’s street resurfacing program, \$6.7 million relating to the Euclid Corridor and Euclid Avenue projects, \$3.8 million for the reconstruction of Bessemer Avenue and \$3.1 million for capital lease equipment relating to Public Safety and Public Service.

The primary sources for financing the City's Capital Improvement Projects are general obligation bond proceeds, certificates of participation proceeds, urban renewal bond proceeds, proceeds from capital leases, interest earned on funds prior to and during the construction period, restricted income taxes and funds from the State Issue 2 and Local Transportation Improvement Programs. The City has three primary goals relating to its Capital Improvements: 1) preservation and revitalization of the City's neighborhoods, 2) economic development and job creation, and 3) provision of cost-effective, basic City services to Cleveland residents and the business community. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 15.

**Long-term debt and certain other obligations:** At the end of the current fiscal year, the City had total long-term debt and certain other obligations outstanding of \$2.8 billion as shown below. General obligation bonds are typically issued for general governmental activities and are backed by the full faith and credit of the City. Revenue bonds and mortgage revenue bonds are typically recorded in the applicable Enterprise Fund and are supported by the revenues generated by the respective Enterprise Fund. The remainder of the City's debt represents bonds or notes secured solely by specified revenue sources.

The activity in the City's debt obligations outstanding during the year ended December 31, 2005 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	<b>Balance January 1, <u>2005</u></b>	<b>Debt Issued</b>	<b>Debt Refunded/Defeased (in thousands)</b>	<b>Debt Retired</b>	<b>Balance December 31, <u>2005</u></b>
Governmental Activities:					
General Obligation Bonds	\$ 346,700	\$ 121,395	\$ (86,620)	\$ (28,150)	\$ 353,325
Urban Renewal Bonds/Notes	12,215			(4,660)	7,555
Subordinated Income Tax Bonds	64,000			(1,600)	62,400
Non-tax Revenue Bonds	70,715			(630)	70,085
Certificates of Participation	148,485			(2,260)	146,225
Gateway Note Payable	3,000			(250)	2,750
Capital Lease Obligations	<u>11,750</u>	<u>8,425</u>	<u>                    </u>	<u>(2,092)</u>	<u>18,083</u>
Total Governmental Activities	<u>656,865</u>	<u>129,820</u>	<u>(86,620)</u>	<u>(39,642)</u>	<u>660,423</u>
Business –Type Activities:					
Revenue Bonds	2,102,986	64,480	(75,510)	(42,136)	2,049,820
Ohio Water Development Loans	52,616	27,040		(1,158)	78,498
Deferred Payment Obligation	<u>22,047</u>	<u>                    </u>	<u>                    </u>	<u>(1,741)</u>	<u>20,306</u>
Total Business –Type Activities	<u>2,177,649</u>	<u>91,520</u>	<u>(75,510)</u>	<u>(45,035)</u>	<u>2,148,624</u>
Total	<u>\$ 2,834,514</u>	<u>\$ 221,340</u>	<u>\$ (162,130)</u>	<u>\$ (84,677)</u>	<u>\$ 2,809,047</u>

Funds used to meet the debt service requirements of the City's general obligation bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to \$25.2 million in 2005 which represents 57% of the debt service requirements on the general obligation bonds. These taxes were derived from a levy of \$4.35 per \$1,000 of assessed property. The remaining 43% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, interest earnings and other miscellaneous revenue sources generated within the debt service funds.

The City issues its general obligation bonds within the context of its Capital Improvement Program. Programs which have benefited due to the issuance of general obligation debt include, but are not limited to, public service improvements, bridge and roadway improvements, recreation facilities, cemeteries, and urban redevelopment. The City's Enterprise Funds implement their own individual capital improvement programs and issue revenue bond and note debt necessary to fund their programs.

The City's bond ratings for general obligation and revenue bonds are as follows as of December 31, 2005:

	<b>Moody's Investors Service</b>	<b>Standard &amp; Poors</b>	<b>Fitch Ratings</b>
General Obligation Bonds	A2	A	A+
Waterworks Revenue Bonds	Aa3	AA-	N/A
Cleveland Public Power:			
Revenue Bonds	A2	A-	N/A
Airport System:			
Revenue Bonds	A3	A-	N/A
Municipal Parking Lots:			
Revenue Bonds (Insured Ratings)	Aaa	AAA	AAA

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Funds. This data at December 31, 2005 was:

Net General Bonded Debt:	\$348,004,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.79%
Net General Bonded Debt Per Capita:	\$727.43

The Ohio Revised Code provides that the net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of total assessed value of property. The City's total debt limit (10.5%) is \$630,799,713 and unvoted debt limit (5.5%) is \$330,418,898. At December 31, 2005, the City had the capacity, under the indirect debt limitation calculation per the Ohio Revised Code, to issue approximately \$50 million of additional, unvoted debt. These debt limitations are not expected to affect the financing of any currently planned facilities or services.

Additional information on the City's long-term debt can be found in Note 5.

## **FACTORS EXPECTED TO IMPACT THE CITY'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS**

The City, like all municipalities both local and national, continues to face the challenges of economic recession. Basic operating costs continue to rise due to negotiated salary increases, higher benefit costs, and federal and state mandates being placed upon municipalities at the same time federal and state funding is being reduced.

Over the last several years, the City has seen significant reductions in funding from the Federal and State governments. To offset these reductions, the City continues to focus on stimulating economic and community development throughout its core business districts and neighborhoods to strengthen its housing stock value and ensure a strong local job market.

On March 27, 2006, City Council passed the 2006 budget for the City in the amount of \$503.6 million, which reflects a \$25.7 million increase of General Fund appropriations as compared to the fiscal year 2005 final budget. The City will continue to monitor expenses and revenues in 2006 and deliver the needed services to Cleveland residents.

The City has reached tentative agreements with 29 of the 33 labor union and bargaining units which includes wage increases of 0%, 0% and 3% effective April 2004 through March 2007. These agreements also included a one-time \$500 payment to each employee.

The Department of Community Development applied for and received \$24.6 million for CDBG year thirty-two (32) funding. Also, the Department received a \$6.4 million Federal Home grant, \$3.1 million Home Weatherization Assistance Program and a \$1.1 million grant for the Emergency Shelter program.

The Master Lease and Use Agreement for Cleveland International Hopkins Airport (Hopkins Airport) expired on December 31, 2005. A ten year lease extension was negotiated and signed by Continental Airlines and Southwest Airlines, the Airport's two largest carriers. American Eagle, US Airways, Delta, Northwest and United Airlines are expected to sign the lease extension before June 30, 2006. All airlines continue to operate at Hopkins Airport. The extension retains the residual rate structure of the Airport.

Construction continued on the uncoupling and extension of Runway 6R-24L, will allow for unrestricted direct international service for Cleveland to any world-wide destination. Construction also continued on a centralized deicing pad, thereby significantly reducing the amount of on-gate deicing operations at Hopkins Airport. These projects will enhance environmental stewardship and operation efficiency at the Airport.

On March 20, 2006, legislation was passed authorizing the issuance and sale of Public Power System Revenue Refunding Bonds. This ordinance allows the City to refund any eligible outstanding Public Power System Revenue Bonds provided that the aggregate net present value of the debt service savings resulting from the refunding is not less than 3%. The authority granted in the legislation for the refunding expires March 31, 2008.

On April 10, 2006, legislation was passed authorizing the issuance and sale of General Obligation Refunding Bonds. This ordinance allows the City to refund any eligible outstanding General Obligation Bonds issued from 1994 through 2005 provided that the aggregate net present value of the debt service savings resulting from the refunding is not less than 3%. The authority granted in the legislation for the refunding expires two years from the effective date of the ordinance.

On April 10, 2006, legislation was passed authorizing the issuance and sale of Airport System Revenue Refunding Bonds. This ordinance allows the City to refund any eligible outstanding Airport Revenue Bonds issued in 1997, 2000 and 2003 provided that the aggregate net present value of the debt service savings resulting from the refunding is not less than 3%. The authority granted in the legislation for the refunding expires two years from the effective date of the ordinance.

In April 2006, legislation was passed to allow the City, Cleveland-Cuyahoga County Port Authority and Flats East Development, LLC to enter into a joint development agreement for a \$230 million Phase I project that includes approximately 200,000 square feet of entertainment, retail and commercial space, 300 residential units and an estimated 1,600 parking spaces. The project will be located on the east bank of the downtown flats area. The Phase I project is estimated to create 679 new jobs and create an additional \$22 million annual payroll tax base.



**NEED ADDITIONAL INFORMATION**

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

**This Page Intentionally Left Blank.**

# **BASIC FINANCIAL STATEMENTS**

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF NET ASSETS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 252,493	\$ 75,072	\$ 327,565
Investments	24,925	294,571	319,496
Receivables:			
Taxes	122,642		122,642
Accounts	11,671	111,972	123,643
Grants	871		871
Loans	229,602		229,602
Unbilled revenue		36,658	36,658
Accrued interest	716	2,146	2,862
Assessments	2,520		2,520
Less: Allowance for doubtful accounts	<u>(4,741)</u>	<u>(14,655)</u>	<u>(19,396)</u>
Receivables, net	<u>363,281</u>	<u>136,121</u>	<u>499,402</u>
Internal balances	(533)	533	
Due from other governments	65,703	2,695	68,398
Inventory of supplies	2,350	11,374	13,724
Prepaid expenses and other assets		2,056	2,056
Restricted assets:			
Cash and cash equivalents		583,259	583,259
Investments		131,796	131,796
Accrued interest receivable		1,813	1,813
Bond retirement reserve		53	53
Accrued passenger facility charge		<u>3,119</u>	<u>3,119</u>
Total restricted assets	<u>-</u>	<u>720,040</u>	<u>720,040</u>
Unamortized bond issuance costs	4,332	21,495	25,827
Capital assets:			
Land and construction in progress	133,453	517,210	650,663
Other capital assets, net of accumulated depreciation	<u>710,253</u>	<u>2,060,602</u>	<u>2,770,855</u>
Total capital assets	<u>843,706</u>	<u>2,577,812</u>	<u>3,421,518</u>
Total assets	<u>1,556,257</u>	<u>3,841,769</u>	<u>5,398,026</u>
<b>LIABILITIES</b>			
Accounts payable	17,637	21,884	39,521
Accrued wages and benefits	38,614	13,120	51,734
Due to other governments	75,020	60,621	135,641
Accrued interest payable	13,839	42,808	56,647
Deferred revenue	72,426		72,426
Unearned revenue	3,572		3,572
Liabilities payable from restricted assets		24,014	24,014
Loans payable	2,910		2,910
Long-term obligations:			
Due within one year	65,066	51,440	116,506
Due in more than one year	<u>730,720</u>	<u>2,027,804</u>	<u>2,758,524</u>
Total liabilities	<u>1,019,804</u>	<u>2,241,691</u>	<u>3,261,495</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	303,683	510,205	813,888
Restricted for:			
Capital projects	91,917	327,959	419,876
Debt service	1,381	218,352	219,733
Loans	162,113		162,113
Other purposes	30,035	68,687	98,722
Unrestricted	<u>(52,676)</u>	<u>474,875</u>	<u>422,199</u>
Total net assets	<u>\$ 536,453</u>	<u>\$ 1,600,078</u>	<u>\$ 2,136,531</u>

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

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
AMOUNTS IN (000'S)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
General government	\$ 86,332	\$ 1,876	\$ 26,899	\$ (35,860)	\$	\$ (35,860)
Public service	80,888	14,234		(60,446)		(60,446)
Public safety	293,242	9,153		(268,136)		(268,136)
Community development	56,413	51,848		(4,565)		(4,565)
Building and housing	10,650			221		221
Public health	24,950	10,963		(11,069)		(11,069)
Parks, recreation and properties	44,840	354	89	(43,484)		(43,484)
Economic development	41,030	42,164		1,180		1,180
Other	11,212	477		(10,735)		(10,735)
Interest on debt	27,557			(27,557)		(27,557)
Total governmental activities	677,114	130,592	26,988	(460,451)		(460,451)
<b>Business-type activities:</b>						
Water	192,187	222,635	12,408		42,856	42,856
Electricity	153,676	150,263	2,285		(1,128)	(1,128)
Airport facilities	146,807	111,087	40,975		12,981	12,981
Non-major activities	41,526	33,843	5,505		(2,078)	(2,078)
Total business-type activities	534,196	517,828	61,173		52,631	52,631
<b>Total</b>	<b>\$ 1,211,310</b>	<b>\$ 138,418</b>	<b>\$ 88,161</b>	<b>(460,451)</b>	<b>52,631</b>	<b>(407,820)</b>
<b>General revenues:</b>						
Income taxes				288,191		288,191
Property taxes				64,390		64,390
Other taxes				25,051		25,051
Shared revenues				22,468		22,468
Grants and contributions not restricted to specific programs				1		1
State local government funds				55,696		55,696
Unrestricted investment earnings				2,989	2,205	5,194
Other				21,135	946	22,081
Transfers				(375)	375	
Total general revenues and transfers				479,546		483,072
Change in net assets				19,095	56,157	75,252
Net assets at beginning of year				517,358	1,543,921	2,061,279
Net assets at end of year				\$ 536,453	\$ 1,600,078	\$ 2,136,531

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET-GOVERNMENTAL FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,738	\$ 212,087	\$ 241,825
Investments		24,925	24,925
Receivables:			
Taxes	92,255	30,387	122,642
Accounts	11,540	126	11,666
Grants		871	871
Loans		229,602	229,602
Accrued interest		670	670
Assessments		2,520	2,520
Less: Allowance for doubtful accounts	<u>(4,741)</u>		<u>(4,741)</u>
Receivables, net	<u>99,054</u>	<u>264,176</u>	<u>363,230</u>
Due from other funds	3,756	7,880	11,636
Due from other governments	37,747	27,956	65,703
Inventory of supplies	<u>102</u>	<u>818</u>	<u>920</u>
<b>TOTAL ASSETS</b>	<b>\$ 170,397</b>	<b>\$ 537,842</b>	<b>\$ 708,239</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,197	\$ 13,510	\$ 16,707
Accrued wages and benefits	34,851	2,752	37,603
Due to other governments	238	73,427	73,665
Deferred revenue	86,395	37,059	123,454
Unearned revenue		3,572	3,572
Due to other funds	<u>9,503</u>	<u>11,944</u>	<u>21,447</u>
Total liabilities	<u>134,184</u>	<u>142,264</u>	<u>276,448</u>
<b>FUND BALANCES</b>			
Reserved for:			
Loans		162,113	162,113
Inventory	102	818	920
Debt service		15,913	15,913
Encumbrances	9,167	101,198	110,365
Rainy day reserve fund	2,251		2,251
Unreserved, reported in:			
General fund	24,693		24,693
Special revenue funds:			
Designated for future capital improvements		15,161	15,161
Undesignated		50,625	50,625
Capital projects funds			
Designated for future capital improvements		46,306	46,306
Undesignated		<u>3,444</u>	<u>3,444</u>
Total fund balances	<u>36,213</u>	<u>395,578</u>	<u>431,791</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 170,397</b>	<b>\$ 537,842</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.	840,826
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	51,027
Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and therefore are not reported in the funds	(793,287)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net assets	<u>6,096</u>
Net assets of governmental activities	<u>\$ 536,453</u>

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

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Income taxes	\$ 259,727	\$ 32,466	\$ 292,193
Property taxes	43,439	22,616	66,055
State local government funds	55,899		55,899
Other shared revenues	38,487	21,089	59,576
Licenses and permits	11,780	3,026	14,806
Charges for services	20,790	2,392	23,182
Fines, forfeits and settlements	16,699	3,286	19,985
Investment earnings	2,351	6,423	8,774
Grants	831	125,308	126,139
Contributions		3,650	3,650
Miscellaneous	9,566	4,828	14,394
Total revenues	<u>459,569</u>	<u>225,084</u>	<u>684,653</u>
<b>EXPENDITURES:</b>			
Current:			
General government	65,123	5,984	71,107
Public service	35,852	24,197	60,049
Public safety	273,608	9,076	282,684
Community development	2,192	53,496	55,688
Building and housing	10,472		10,472
Public health	11,819	12,302	24,121
Parks, recreation and properties	34,046	1,457	35,503
Economic development	965	39,481	40,446
Other	11,212		11,212
Capital outlay		84,438	84,438
Inception of capital lease		4,130	4,130
Debt service:			
Principal retirement		39,384	39,384
Interest		29,822	29,822
Other		2,338	2,338
Total expenditures	<u>445,289</u>	<u>306,105</u>	<u>751,394</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>14,280</u>	<u>(81,021)</u>	<u>(66,741)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	5,544	37,701	43,245
Transfers out	(18,332)	(25,365)	(43,697)
Proceeds from the sale of bonds		121,395	121,395
Premium on bonds and notes		13,306	13,306
Discount on bonds and notes		(54)	(54)
Payment to refund bonds and notes		(94,145)	(94,145)
Proceeds from the sale of land	87	8,367	8,454
Proceeds from capital lease		8,425	8,425
Total other financing sources (uses)	<u>(12,701)</u>	<u>69,630</u>	<u>56,929</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,579	(11,391)	(9,812)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>34,634</u>	<u>406,969</u>	<u>441,603</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 36,213</u>	<u>\$ 395,578</u>	<u>\$ 431,791</u>

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

## CITY OF CLEVELAND, OHIO

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts in 000's)

---

Amounts reported for governmental activities in the statement of activities (page 51) are different because:

Net change in fund balances - total governmental funds (page 53)	\$ (9,812)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	34,859
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,337)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences, including accrued interest, in the treatment of long-term debt and related items.	888
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	846
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(1,349)</u>
Change in net assets of governmental activities (page 51)	<u>\$ 19,095</u>

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



**CITY OF CLEVELAND, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES (BUDGET AND ACTUAL) - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual*</u>	<u>Variance- Positive (Negative)</u>
<b>REVENUES:</b>				
Income taxes	\$ 261,770	\$ 261,770	\$ 262,897	\$ 1,127
Property taxes	44,406	42,021	43,440	1,419
State local government funds	55,789	55,789	55,887	98
Other shared revenues	38,202	38,802	39,057	255
Licenses and permits	11,446	11,446	11,760	314
Charges for services	17,397	19,658	19,413	(245)
Fines, forfeits and settlements	19,678	17,293	16,133	(1,160)
Investment earnings	2,115	2,115	2,096	(19)
Grants	140	740	831	91
Miscellaneous	<u>18,664</u>	<u>21,173</u>	<u>20,241</u>	<u>(932)</u>
Total revenues	469,607	470,807	471,755	948
<b>EXPENDITURES:</b>				
Current:				
General government	67,560	66,569	64,644	1,925
Public service	36,022	36,951	36,627	324
Public safety	270,826	273,791	271,442	2,349
Community development	2,336	2,357	2,322	35
Building and housing	10,799	10,581	10,496	85
Public health	12,347	12,457	11,937	520
Parks, recreation and properties	37,581	36,620	35,626	994
Economic development	1,095	1,045	990	55
Other	<u>19,366</u>	<u>18,011</u>	<u>17,239</u>	<u>772</u>
Total expenditures	457,932	458,382	451,323	7,059
EXCESS OF REVENUES OVER EXPENDITURES	11,675	12,425	20,432	8,007
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	5,395	5,395	6,680	1,285
Transfers out	(20,015)	(20,765)	(19,582)	1,183
Proceeds from the sale of land			87	87
Total other financing sources (uses)	<u>(14,620)</u>	<u>(15,370)</u>	<u>(12,815)</u>	<u>2,555</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(2,945)</u>	<u>(2,945)</u>	<u>7,617</u>	<u>10,562</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			<u>3,309</u>	<u>3,309</u>
NET CHANGE IN FUND BALANCES	<u>(2,945)</u>	<u>(2,945)</u>	<u>10,926</u>	<u>13,871</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>2,998</u>	<u>2,998</u>	<u>2,998</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 53</u>	<u>\$ 53</u>	<u>\$ 13,924</u>	<u>\$ 13,871</u>

\* On budgetary basis of accounting (see Note 2D).

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

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET - PROPRIETARY FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 48,655	\$ 4,767	\$ 3,393	\$ 17,596	\$ 74,411	\$ 11,329
Restricted cash and cash equivalents	12,853	1,483	9,678		24,014	
Investments	168,637	29,302	77,406	19,226	294,571	
Receivables:						
Accounts	35,193	24,959	2,924	48,896	111,972	5
Unbilled revenue	25,334	2,171	7,167	1,986	36,658	
Accrued interest	1,225	267	534	120	2,146	46
Less: Allowance for doubtful accounts	(9,128)	(3,794)	(1,034)	(699)	(14,655)	
Receivables, net	52,624	23,603	9,591	50,303	136,121	51
Due from other funds	5,719	2,730	573	787	9,809	11,645
Due from other governments			2,695		2,695	
Inventory of supplies	4,810	5,708	193	663	11,374	1,430
Prepaid expenses and other assets	1,699	54	303		2,056	
Total current assets	294,997	67,647	103,832	88,575	555,051	24,455
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	263,291	14,919	262,138	18,897	559,245	
Investments	3,973	15,975	106,040	5,808	131,796	
Accrued interest receivable	715	39	815	244	1,813	
Bond retirement reserve			53		53	
Accrued passenger facility charges			3,119		3,119	
Total restricted assets	267,979	30,933	372,165	24,949	696,026	-
Unamortized bond issuance costs	6,337	1,737	12,631	790	21,495	
Capital assets:						
Land	5,463	4,863	150,828	18,558	179,712	663
Land improvements	16,406	2,759	665,207	5,442	689,814	146
Utility plant	1,001,469	403,120		117,548	1,522,137	
Buildings, structures and improvements	205,354	42,278	410,686	144,195	802,513	2,295
Furniture, fixtures, equipment and vehicles	118,785	42,904	40,472	15,616	217,777	4,389
Construction in progress	282,472	8,181	39,742	7,103	337,498	9
Less: Accumulated depreciation	(436,498)	(200,344)	(378,980)	(155,834)	(1,171,656)	(4,604)
Total capital assets, net	1,193,451	303,761	927,955	152,628	2,577,795	2,898
Total noncurrent assets	1,467,767	336,431	1,312,751	178,367	3,295,316	2,898
<b>TOTAL ASSETS</b>	<b>\$ 1,762,764</b>	<b>\$ 404,078</b>	<b>\$ 1,416,583</b>	<b>\$ 266,942</b>	<b>\$ 3,850,367</b>	<b>\$ 27,353</b>

(Continued)

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET - PROPRIETARY FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 6,818	\$ 9,366	\$ 4,262	\$ 1,421	\$ 21,867	\$ 946
Accrued wages and benefits	10,372	3,554	2,740	2,413	19,079	6,674
Due to other funds	2,466	907	684	5,397	9,454	2,189
Due to other governments			7,573	53,048	60,621	1,355
Accrued interest payable	17,365	1,184	23,172	1,087	42,808	
Current payable from restricted assets	12,853	1,483	9,678		24,014	
Current portion of long-term obligations	18,341	11,025	12,776	2,846	44,988	
Total current liabilities	<u>68,215</u>	<u>27,519</u>	<u>60,885</u>	<u>66,212</u>	<u>222,831</u>	<u>11,164</u>
Long-term liabilities:						
Accrued wages and benefits	2,621	933	819	541	4,914	10,018
Construction loans payable	70,146			5,095	75,241	
Deferred payment obligation			18,425		18,425	
Revenue bonds payable	740,995	196,759	932,142	59,057	1,928,953	
Total noncurrent liabilities	<u>813,762</u>	<u>197,692</u>	<u>951,386</u>	<u>64,693</u>	<u>2,027,533</u>	<u>10,018</u>
Total liabilities	<u>881,977</u>	<u>225,211</u>	<u>1,012,271</u>	<u>130,905</u>	<u>2,250,364</u>	<u>21,182</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	363,969	95,977	(35,388)	85,630	510,188	2,898
Restricted for capital projects	188,110	4,534	130,823	4,492	327,959	
Restricted for debt service	82,353	6,418	115,675	13,906	218,352	
Restricted for passenger facility charges			68,687		68,687	
Unrestricted	<u>246,355</u>	<u>71,938</u>	<u>124,515</u>	<u>32,009</u>	<u>474,817</u>	<u>3,273</u>
Total net assets	<u>880,787</u>	<u>178,867</u>	<u>404,312</u>	<u>136,037</u>	<u>1,600,003</u>	<u>6,171</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,762,764</u>	<u>\$ 404,078</u>	<u>\$ 1,416,583</u>	<u>\$ 266,942</u>		<u>\$ 27,353</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>75</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 1,600,078</u>	

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

(Concluded)

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 222,635	\$ 150,263	\$ 111,075	\$ 33,832	\$ 517,805	\$ 39,052
Total operating revenue	<u>222,635</u>	<u>150,263</u>	<u>111,075</u>	<u>33,832</u>	<u>517,805</u>	<u>39,052</u>
<b>OPERATING EXPENSES:</b>						
Operations	78,314	17,830	62,794	20,289	179,227	38,777
Maintenance	45,617	18,748	4,163	9,097	77,625	2,478
Purchased power		89,346			89,346	
Depreciation	36,259	16,412	47,065	7,485	107,221	307
Total operating expenses	<u>160,190</u>	<u>142,336</u>	<u>114,022</u>	<u>36,871</u>	<u>453,419</u>	<u>41,562</u>
<b>OPERATING INCOME (LOSS)</b>	<u>62,445</u>	<u>7,927</u>	<u>(2,947)</u>	<u>(3,039)</u>	<u>64,386</u>	<u>(2,510)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Investment income	7,719	1,883	9,920	1,728	21,250	648
Interest expense	(31,838)	(10,289)	(27,037)	(4,553)	(73,717)	
Passenger facility charges			22,785		22,785	
Sound insulation program			(1,736)		(1,736)	
Gain(Loss) on disposal of capital assets	(29)	2			(27)	
Hotel tax				3,835	3,835	
Other revenues (expenses)	271	(1,037)	(4,012)	595	(4,183)	
Total non-operating revenues (expenses)	<u>(23,877)</u>	<u>(9,441)</u>	<u>(80)</u>	<u>1,605</u>	<u>(31,793)</u>	<u>648</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>38,568</u>	<u>(1,514)</u>	<u>(3,027)</u>	<u>(1,434)</u>	<u>32,593</u>	<u>(1,862)</u>
Capital contributions	4,689	400	18,190	42	23,321	304
Transfers in				375	375	436
Transfers out					-	(359)
Change in net assets	<u>43,257</u>	<u>(1,114)</u>	<u>15,163</u>	<u>(1,017)</u>	<u>56,289</u>	<u>(1,481)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>837,530</u>	<u>179,981</u>	<u>389,149</u>	<u>137,054</u>		<u>7,652</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 880,787</u>	<u>\$ 178,867</u>	<u>\$ 404,312</u>	<u>\$ 136,037</u>		<u>\$ 6,171</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					<u>(132)</u>	
<b>CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>					<u>\$ 56,157</u>	

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

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Amounts in 000's)**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 216,485	\$ 150,152	\$ 107,693	\$ 33,368	\$ 507,698	\$ 40,493
Cash payments to suppliers for goods or services	(51,878)	(5,813)	(45,485)	(11,998)	(115,174)	(22,406)
Cash payments to employees for services	(73,492)	(24,901)	(22,462)	(16,268)	(137,123)	(17,024)
Cash payments for purchased power		(90,140)			(90,140)	
Agency activity on behalf of NEORS				2,692	2,692	
Other		(5,428)			(5,428)	
Net cash provided by operating activities	91,115	23,870	39,746	7,794	162,525	1,063
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Cash payments for sound insulation of homes			(1,584)		(1,584)	
Advance (repayment) from/to General Fund						(359)
Cash received (paid) through transfers from/to other funds				375	375	436
Cash received from hotel tax				3,817	3,817	
Cash receipts (payments) from/to other governments	3,221	408	(2,048)	87	1,668	
Proceeds from lease				589	589	
Net cash provided by (used for) noncapital financing activities	3,221	408	(3,632)	4,868	4,865	77
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Cash receipts for passenger facility charges			22,818		22,818	
Proceeds from sale of revenue bonds, loans and notes	93,898				93,898	
Acquisition and construction of capital assets	(106,895)	(21,591)	(52,736)	(5,466)	(186,688)	
Principal paid on long-term debt	(21,437)	(4,920)	(10,895)	(2,695)	(39,947)	
Interest paid on long-term debt	(31,443)	(9,813)	(43,666)	(4,086)	(89,008)	
Cash paid to escrow agent for refunding	(78,879)	(4,910)			(83,789)	
Capital grant proceeds			18,208		18,208	
Net cash provided by (used for) capital and related financing activities	(144,756)	(41,234)	(66,271)	(12,247)	(264,508)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investment securities	(38,644)	(13,594)	(92,545)	(268)	(145,051)	
Proceeds from sale and maturity of investment securities	14,184	31,979	66,256	507	112,926	
Interest received on investments	14,733	2,103	14,040	1,647	32,523	633
Net cash provided by (used for) investing activities	(9,727)	20,488	(12,249)	1,886	398	633
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(60,147)	3,532	(42,406)	2,301	(96,720)	1,773
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	384,946	17,637	317,615	34,192	754,390	9,556
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 324,799</u>	<u>\$ 21,169</u>	<u>\$ 275,209</u>	<u>\$ 36,493</u>	<u>\$ 657,670</u>	<u>\$ 11,329</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Amounts in 000's)**

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Division of Water</u>	<u>Cleveland Public Power</u>	<u>Department of Port Control</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 62,445	\$ 7,927	\$ (2,947)	\$ (3,039)	\$ 64,386	\$ (2,510)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	36,259	16,412	47,065	7,485	107,221	307
Non-cash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	(1,467)	(3,196)	2,249	(5,486)	(7,900)	(1)
Due from other funds	(1,663)	2,370	(31)	2,692	3,368	175
Inventory of supplies	95	365	42	35	537	(20)
Prepaid expenses and other assets	(982)		350		(632)	
Accounts payable	578	316	(3,720)	(33)	(2,859)	(913)
Accrued wages and benefits	660	325	133	323	1,441	2,925
Due to other funds	(4,499)	(69)	(799)	371	(4,996)	325
Due to other governments			793	5,446	6,239	775
Accrued expenses and other liabilities	(311)	(580)			(891)	
Total adjustments	<u>28,670</u>	<u>15,943</u>	<u>42,693</u>	<u>10,833</u>	<u>98,139</u>	<u>3,573</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 91,115</u>	<u>\$ 23,870</u>	<u>\$ 39,746</u>	<u>\$ 7,794</u>	<u>\$ 162,525</u>	<u>\$ 1,063</u>

(Concluded)

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

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUNDS**

**DECEMBER 31, 2005**

**(Amounts in 000's)**

---

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 29,855
Taxes receivable	33,917
Due from other governments	<u>1,744</u>
Total assets	<u>65,516</u>
<b>LIABILITIES</b>	
Due to other governments	44,291
Due to others	<u>21,225</u>
Total liabilities	<u>\$ 65,516</u>

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

**CITY OF CLEVELAND, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY**

**The City:** The City of Cleveland, Ohio (the “City”) operates under an elected Mayor/Council (21 members) administrative / legislative form of government.

**Reporting Entity:** The accompanying financial statements as of December 31, 2005 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to local governments. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”).

In evaluating how to define the governmental reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (“primary government”) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City’s financial reporting entity has no component units but includes in its financial statements the financial activities of all departments, agencies, boards and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services and general administrative services. In addition, the City owns and operates several enterprise activities, the principal ones consisting of a water system, an electric distribution system and two airports.

The following entities are related organizations of the City of Cleveland; however, the City’s accountability does not extend beyond its appointing authority:

*Cuyahoga Metropolitan Housing Authority* - Created under the Ohio Revised Code, the Cuyahoga Metropolitan Housing Authority provides public housing services. The five member board consists of two appointed by the Mayor of the City, two appointed by City Council and one appointed by the City Manager of the City of Cleveland Heights with approval from its City Council.

*Cleveland-Cuyahoga County Port Authority* - Created under the Ohio Revised Code, the Cleveland-Cuyahoga County Port Authority conducts port operations and economic development activities. The nine member Board of Directors consists of three appointed by the County Commissioners and six appointed by the City of Cleveland.

*Cleveland Municipal Schools* - In November of 1998, the Mayor of the City of Cleveland was given appointing authority for the Cleveland Municipal Schools. As approved by the State Legislature, the Ohio Revised Code provides for the Mayor to appoint a Chief Executive Officer who must be approved by the Board of Education (the “Board”). The Board is comprised of nine members. The members of the Board are appointed by the Mayor from a pool of 18 candidates presented to the Mayor by an independent nominating panel. In November 2002, the voters of Cleveland elected to maintain the current governance structure.

The following entity is a jointly governed organization of the City; however, the City has no ongoing financial interest or responsibility:

*Gateway Economic Development Corporation of Greater Cleveland (Gateway)* - Gateway is responsible for the operations of a sports complex and related economic development. The five member board consists of two members appointed by the City, two members appointed by the Board of County Commissioners and one by the President of the Board of County Commissioners with concurrence of the Mayor of the City of Cleveland.



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Significant Accounting Policies:*

The following is a summary of the more significant policies followed during the preparation of the accompanying financial statements.

#### A. *Government-wide and fund financial statements*

GASB Statement No. 34 established requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

#### **Basic Financial Statements:**

1. *Government-wide financial statements* consist of a statement of net assets and a statement of activities. These statements report all of the assets, liabilities, revenues, expenses, gains and losses of the City. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining. Fiduciary funds of the City are not included in these government-wide financial statements.

Interfund receivables and payables and bonds and notes issued and held by the City as investments within governmental and business-type activities have been eliminated in the government-wide statement of net assets. Related interest amounts are eliminated in the government-wide statement of activities. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

Internal service fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown as governmental activities in the statement of activities, except for Utilities Administration which is shown in the business-type activities column.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. General revenues are considered unrestricted in nature.

2. *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate statements are presented for the governmental, proprietary, and fiduciary funds.

The City's major governmental fund is the General Fund. Of the City's business-type activities, the Division of Water Fund, Cleveland Public Power Fund and Department of Port Control Fund are considered major enterprise funds.

The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds. Its revenues consist primarily of income and property taxes, investment earnings, shared revenues, charges for services, licenses, fees, and fines.

General Fund expenditures represent costs of general government; public service (including waste collection); public safety (including police and fire); community development; building and housing; public health; parks, recreation and properties; and economic development. General Fund resources are also transferred annually to support other services which are accounted for in other separate funds.

The Division of Water Fund is a segment of the Department of Public Utilities of the City. The Division of Water was created for the purpose of supplying water services to customers within the Cleveland metropolitan area.

The Cleveland Public Power Fund is a segment of the Department of Public Utilities of the City. The Cleveland Public Power Fund was established by the City to provide electrical services to customers within the City.

The Department of Port Control Fund was established to account for the operations of the City's airport facilities.

While not considered major funds, the City maintains internal service funds used to account for the financing of goods or services provided by one department or division to another department, division or other government on a cost-reimbursement basis. The three largest of these funds are the following: Motor Vehicle Maintenance, Worker's Compensation Reserve and Municipal Income Tax Administration.

Also maintained by the City are fiduciary funds, such as agency funds, used to account for assets held by the City as an agent for individuals, private organizations or other governments.

3. The City's General Fund budget to actual statement is presented as part of the basic financial statements.
4. Notes to the financial statements provide information that is essential to a user's understanding of the basic financial statements.

**B. *Financial reporting presentation***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (equity), revenues, and expenditures (expenses). The fund types and classifications that the City reports are as follows:

**GOVERNMENTAL FUNDS**

1. **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
2. **Special Revenue Funds** - Special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by legal, regulatory or administrative provisions. These funds include most major federal and state grants.
3. **Debt Service Funds** - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
4. **Capital Projects Funds** - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital projects (other than those financed by proprietary funds).

**PROPRIETARY FUNDS**

1. **Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
2. **Internal Service Funds** - The internal service funds are used to account for the financing of goods or services provided by one department or division to other departments or divisions or to other governments on a cost-reimbursement basis. The City's most significant internal service funds are used to account for motor vehicle maintenance, municipal income tax administration and the workers compensation reserve.

## FIDUCIARY FUNDS

1. **Agency Funds** - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The agency funds are custodial in nature (assets equal liabilities) and do not have a measurement focus. However, the accrual basis of accounting is used to recognize receivables and payables. The City's more significant agency funds are used to account for municipal court and income tax collections for other municipalities.

Fiduciary Funds are not included in the government-wide statements.

### C. *Measurement focus and basis of accounting*

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenue, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: 1) timing requirements which specify the year when the resources are required to be used or the year when use is first permitted; 2) matching requirements, in which the City must provide local resources to be used for a specified purpose; and 3) expenditure requirements, in which the resources are provided to the City on a cost-reimbursement basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City generally considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days after year-end and available to pay obligations of the current period): income taxes, investment earnings, and shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Property taxes and special assessments, though measurable, are not available to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating revenues, such as investment income and passenger facility charges, result from non-exchange transactions or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the City complies with GASB guidance applicable to its proprietary funds and business-type activities. The City also complies with Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 to its business-type activities and to its proprietary funds that do not conflict with or contradict GASB pronouncements. The City has chosen the option not to apply future FASB standards (including amendments to earlier pronouncements).

**D. Budgetary Procedures**

The City is required by state law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds), Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve Funds) and Proprietary Operating Funds. Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits), and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from “personnel” to “other” or vice versa, or between divisions. City Council adopted 5 appropriation amendments during 2005 which reallocated appropriations and increased appropriations by less than 1% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

The City’s budgetary process does not include annual budgeting for certain special revenue funds and capital project funds. Appropriations in these funds remain open and carry over to succeeding years (i.e., multi-year) until the related expenditures are made or until they are modified or canceled. Appropriations for these funds are controlled on a project basis.

The City’s budgetary process accounts for certain transactions on a basis other than GAAP.

The major differences between the budget basis and the GAAP basis are that:

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances and pre-encumbrances are recorded as the equivalent of expenditures (budget) as opposed to being included in fund balances (GAAP).

A reconciliation of the General Fund’s results of operations for 2005 reported on the budget basis versus the GAAP basis is as follows:

	(Amounts in 000's)
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ 7,617
Adjustments:	
Revenue accruals	(13,322)
Expenditure accruals	(762)
Encumbrances and pre-encumbrances	<u>8,046</u>
Net change in fund balance	<u>\$ 1,579</u>

E. ***Other Significant Accounting Policies***

***Cash and Cash Equivalents:*** Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer. Investments in the Pooled Cash Account, consisting of certificates of deposit, repurchase agreements, U.S. government securities, mutual funds, guaranteed investment contracts, State Treasurer Asset Reserve Fund (STAROhio) and time deposits, are carried at fair value (see Note 4) based on quoted market values, where applicable. Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on the month-end balance of cash and investments of each fund.

Cash equivalents are defined as highly liquid investments with a maturity of three months or less at the time they are purchased by the City.

***Investments:*** The City reports its investments at fair value based on quoted market values, where applicable, and recognizes the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs.

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

***Inventory of Supplies:*** Utility funds' inventory is valued at average cost. All other funds' inventory is valued at cost using the first in/first out method. Inventory generally consists of construction materials, utility plant supplies and parts inventory not yet placed into service. Inventory costs are charged to operations when consumed.

***Restricted Assets:*** Proceeds from debt and amounts set aside for payment of enterprise fund revenue bonds and construction loans are classified as restricted assets since their use is limited by applicable bond indentures. Passenger facility charges are restricted for capital expenditures or related debt. Construction loans are restricted to fund approved capital projects.

***Capital Assets:*** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements to the extent the City's capitalization threshold is met. The City defines capital assets as assets with an estimated 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 or projects. Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements prior to January 1, 1980 have not been included as part of governmental capital assets in the government-wide financial statements.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The City applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its Waterworks Improvement First Mortgage Revenue Bonds, its Public Power Improvement First Mortgage Revenue Bonds and its Airport Revenue Bonds. This Statement requires capitalization of the interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

Costs for maintenance and repairs are expensed when incurred. However, costs for repairs and upgradings that materially add to the value or life of an asset and meet the above criteria are capitalized.

The City depreciates capital assets on a straight-line basis using the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-100
Utility plant	10-100
Buildings, structures and improvements	5-60
Furniture, fixtures, equipment and vehicles	3-50
Infrastructure	5-50

**Compensated Absences:** The City accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. In the government-wide and proprietary funds financial statements, the entire amount of unpaid compensated absences is reported as a liability. A liability for compensated absences is accrued in the governmental funds only if the amount is currently due and payable at year end. These amounts are recorded as accrued wages and benefits in the fund from which the employees who have accumulated leave are paid. The remaining portion of the liability is not reported in the governmental funds.

Normally, all vacation time is to be taken in the year available. The City allows employees to carryover up to 80 hours of vacation time from one year to the next with proper approval. 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.

Uniformed police and fire employees are eligible to defer earned vacation time and overtime, with the appropriate approvals, until retirement. Once deferred, the employee cannot use deferred time as vacation. Deferred vacation is paid to the employee upon retirement, calculated using their current hourly rate at the date of retirement. Deferred overtime is paid once a year upon request up to the amount budgeted for the year for such purpose. If requests exceed the budgeted amounts, the requests are to be paid on a pro-rata basis.

**Long-Term Obligations:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets and balance sheet. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Losses on advance refundings are deferred and amortized over the life of the new debt, or the life of the advance refunded debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond premium, discount or advance refunding losses. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums and discounts are reported as other financing sources and uses during the period in which they are incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Swap Agreements:** The City may enter into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. As further described in Note 5, the City has seven swap agreements outstanding at December 31, 2005, two for its Subordinated Income Tax Refunding Bonds, one on the Certificates of Participation (Cleveland Browns Stadium), one on the Parking Facilities Improvement Revenue Bonds, two related to the Series 2003 A and B Airport System Revenue Bonds and one related to the 2004 Series M Water Revenue Bonds.

**Fund Balances:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Reservations include amounts for open encumbrances, pre-encumbrances, inventory, debt service and loans receivable. In addition, the Rainy Day Reserve Fund was established to account for assets that are only eligible to be used during significant periods of economic downturn or to fund unanticipated one-time General Fund obligations. Designations of fund balances represent tentative management plans that are subject to change. These designations include certain resources that have been designated by City management to fund future capital improvements. These resources are classified as “Designated for future capital improvements” in the fund balance of the Governmental Funds in the fund financial statements. All fund balances are limited to specific uses based upon their fund type.

**Net Assets:** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings issued to acquire, construct or improve those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets are restricted for debt service, capital projects, loans, and other purposes. Other purposes include street construction and maintenance, grant programs and debt or capital funding from restricted income tax.

**Grants and Other Intergovernmental Revenues:** Grants and assistance awards made on the basis of entitlement programs are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures (expenses) are incurred. The City accounts for loans receivable related to the Economic Development Funds, Urban Development Action Funds, Community Development Block Grants, Neighborhood Development Investment Funds and Supplemental Empowerment Zone as a reservation of fund balance in the fund financial statements to the extent that these loans do not have to be repaid to the Federal government. Loans receivable deemed uncollectible are included in the allowance for doubtful accounts. The loan proceeds are earmarked for future reprogramming under federal guidelines and are not available to fund current operating expenditures of the City.

**Encumbrances and Pre-Encumbrances:** Encumbrance accounting, under which purchase orders and requisitions, contracts, and other commitments for expenditures are recorded as encumbrances or pre-encumbrances to reserve the applicable portion of the appropriation. Encumbrances and pre-encumbrances outstanding at year end are reported as a reservation of fund balances as Reserve for Encumbrances in the governmental fund balance sheet since they do not constitute expenditures or liabilities and are carried forward to the next fiscal year.

**Interfund Transactions:** During the course of normal operations, the City has numerous transactions between funds, including the allocation of centralized expenses and transfers of resources to provide services, construct assets and service debt. Such transactions are generally reflected as transfers or direct expenses of the fund that is ultimately charged for such costs.

**Statement of Cash Flows:** The City utilizes the direct method of reporting cash flows from operating activities in the Statement of Cash Flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable 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, noncapital financing, capital and related financing, and investing activities.

#### F. **Accounting Pronouncements**

Effective January 1, 2005, the City implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is effective for the year ended December 31, 2005. The City has determined that GASB Statement No. 42 has no impact on its financial statements as of December 31, 2005.

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$793.3 million difference are as follows:

	(Amounts in 000's)
Bonds payable	\$ 636,635
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(4,332)
Unamortized bond premium	16,330
Accrued interest payable	13,839
Capital leases payable	18,083
Loans payable	2,910
Claims and adjustments	3,272
Compensated absences	<u>106,550</u>
 Net adjustments to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 793,287</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$34.9 million difference are as follows:

	(Amounts in 000's)
Capital outlay	\$ 81,471
Depreciation expense	(41,219)
Capital asset disposal	<u>(5,393)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 34,859</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements”. The details of this difference are as follows:

	(Amounts in 000's)
Reversal of prior year deferred revenue	\$ (57,364)
Current year deferred revenues	<u>51,027</u>
 Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ (6,337)</u>



Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences, including accrued interest, in the treatment of long-term debt and reduced items is \$888,000 which is detailed as follows:

	(Amounts in 000's)
Debt issued or incurred:	
Capital lease financing	\$ (8,425)
Issuance of general obligation bonds and other obligations	(120,186)
Accrued interest	2,266
Principal repayments:	
General obligation debt and other obligations	124,170
Payment on capital lease	2,092
Payment on Loan	55
Amortization of debt issuance cost	<u>916</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 888</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$846,000 difference are as follows:

	(Amounts in 000's)
Compensated absences	\$ 646
Claims judgements	<u>200</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 846</u>

#### **NOTE 4 - POOLED AND SEGREGATED CASH AND INVESTMENTS**

Monies for the Debt Service Funds, certain Capital Projects Funds, Central Collection Agency, Municipal Courts, Department of Port Control, Division of Water, Division of Water Pollution Control, Division of Cleveland Public Power, Division of Municipal Parking Lots and certain Special Revenue Funds are deposited or invested in individual segregated bank accounts. Monies for the Neighborhood Development Investment Funds, Economic Development Funds, Supplemental Empowerment Zone and other Special Revenue Funds are also deposited in segregated bank accounts.

Monies of all other funds of the City, including the accounts of the General Fund, other Special Revenue Funds, other Capital Projects Funds, other Enterprise Funds, Internal Service Funds and other Fiduciary Funds, are maintained or invested in a common group of bank accounts. Collectively these common bank accounts and investments represent the Pooled Cash Account (PCA). Each fund whose monies are included in the PCA has equity therein.

Certain funds have made disbursements from the PCA in excess of their individual equities in the PCA. Such amounts have been classified as due to other funds and due from other funds between the Restricted Income Tax Special Revenue Fund and the respective funds that have made disbursements in excess of their individual equities in the PCA.

The City has a restrictive arrangement for certain segregated monies held in escrow at the banks' trust departments in which the City must act in conjunction with a trust officer in order to make investments. The City's role is that of investment manager and the trust officer's role is that of purchasing agent. For other segregated monies, the City acts alone in placing investments with the banks. Amounts held in escrow are designated for a special purpose and are entrusted to a third party to fulfill certain legal provisions.

**Deposits:** Ohio law requires that deposits be placed in eligible banks located in Ohio. The City's policy is to place deposits only with major commercial banks having offices within the City of Cleveland. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. Further, City ordinance requires such collateral amounts to exceed deposits by ten percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio. The City also requires that non-pooled securities pledged be held by either the Federal Reserve Bank or other trust institution, as designated by the City, as trustee. This collateral is held in joint custody with the financial institution pledging the collateral, and cannot be sold or released without written consent from the City.

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was \$83,858,000 and the actual bank balance totaled \$107,534,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Repurchase Agreements*, \$91,395,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of \$16,139,000 is comprised of two Bank Investment Contracts (BICs). Since these BICs are secured by securities held by the pledging financial institution's trust department, but not in the City's name, they are considered uninsured and uncollateralized, as defined by the GASB, (which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department but not in the City's name).

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

**Investments:** The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasurer Asset Reserve Fund (STAROhio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained. Under City policy, investments are limited to repurchase agreements, U.S. government securities, certificates of deposit, investments in certain money market mutual funds and STAROhio. Generally, investments are recorded in segregated accounts by way of book entry through the bank's commercial or trust department and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements.

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

**Interest rate risk:** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City invests primarily in short-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 discussed in the table on the following page.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City 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 City's investments as of December 31, 2005 include U.S. Agencies, Victory Federal Money Market Funds, Allegiant Government Money Market Funds, STAROhio, mutual funds and guaranteed investment contracts. The City maintains the highest ratings for its investments. Investments in FHLMC, FNMA, FFCB and FHLB agency securities are rated AAA by Standard & Poor's. Investments in the Victory Money Market Fund, Allegiant Government Money Market Fund and STAROhio carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

The City's investments shown in the following table include those which are classified as cash equivalents in accordance with the provisions of GASB Statement No. 9:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Investment Maturities</u>		
			<u>Less than One Year</u>	<u>1 - 5 Years</u>	<u>5 Years or More</u>
	(Amounts in 000's)				
U.S. Agency Obligations ^	\$ 484,459	\$ 490,650	X	X	
U.S. Treasury Bills	26,188	26,185	X		
Repurchase Agreements	1,550	1,550	X		
STAROhio	65,446	65,446	X		
Investments in Mutual Funds	309,135	309,135	X		
Guaranteed Investment Contracts *	209,993	209,993	X	X	X
Manuscript Debt	8,155	8,155			X
Other	<u>203,187</u>	<u>203,187</u>	X		
Total Investments	1,308,113	1,314,301			
Total Deposits	<u>83,858</u>	<u>83,858</u>			
Total Deposits and Investments	<u>\$ 1,391,971</u>	<u>\$ 1,398,159</u>			

^ The amount maturing in less than one year is \$274,248,000 and the amount maturing in one to five years is \$210,211,000.

\* The amount maturing in less than one year is \$16,138,000; the amount maturing in one to five years is \$128,025,000; and the amount maturing in more than five years is \$65,830,000.

Amounts represented by "Other" consist of deposits into a collective pool managed by JPMorgan as trustee. STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. The fair value of the City's position in STAROhio is equal to the value of the shares the City owns in the investment pool.

Concentration of Credit Risk: The City places no limit on the amount it may invest in any one issuer. As of December 31, 2005, the investments in U.S. Agency Obligations, STAROhio, mutual funds, guaranteed investment contracts and deposits in the collective pool ("Other") are approximately 37%, 5%, 24%, 16% and 15%, respectively, of the City's total investments.

**Reconciliation to Financial Statements:** Total cash and investments are reported as follows:

*Government-Wide Financial Statements*

(Amounts in 000's)

Unrestricted:	
Cash and cash equivalents	\$ 327,565
Investments	319,496
Restricted:	
Cash and cash equivalents	583,259
Investments	<u>131,796</u>
Total	<u>\$ 1,362,116</u>

*Fund Financial Statements*

(Amounts in 000's)

Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	\$ 241,825
Investments	24,925
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	74,411
Investments	294,571
Restricted:	
Cash and cash equivalents	583,259
Investments	131,796
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	<u>11,329</u>
Subtotal	1,362,116
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	<u>29,855</u>
Total	<u>\$ 1,391,971</u>

## NOTE 5 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in the debt and other long-term obligations of the City during the year ended December 31, 2005, is as follows:

	Balance January 1, <u>2005</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance December 31, <u>2005</u>	Due Within One <u>Year</u>
	(Amounts in 000's)				
<b>Governmental Activities</b>					
General Obligation Bonds due through 2027, 2.0% to 6.25%	\$ 346,700	\$ 121,395	\$ (114,770)	\$ 353,325	\$ 29,530
<i>Other Obligations:</i>					
Urban Renewal Bonds due through 2018, 6.15% to 6.75%	7,915		(360)	7,555	385
Taxable Urban Renewal Notes due 2005, 2.48%	4,300		(4,300)		
Subordinated Income Tax Refunding Bonds due through 2024, 4.88%	64,000		(1,600)	62,400	1,700
Non-Tax Revenue (Bonds):					
Stadium due through 2020, 2.75%-5.125%	14,835			14,835	
Taxable Economic and Community Dev. (Core City Bonds)					
Series 2003 and 2004 due through 2033, 2.35% to 5.4%	46,680		(585)	46,095	655
Lower Euclid Avenue TIF 2003A&B due through 2032, 0% to 5%	9,200		(45)	9,155	77
Certificates of Participation - Stadium due 2027, 4.95% to 6.0%	148,485		(2,260)	146,225	2,275
Capital Lease Obligations, due through 2011	11,750	8,425	(2,092)	18,083	3,026
Gateway Note Payable, due through 2016	3,000		(250)	2,750	250
Accrued wages and benefits	56,874	16,363	(13,419)	59,818	24,510
Police and fire overtime	60,721	2,433	(3,254)	59,900	544
Fire deferred vacation	1,684	161	(97)	1,748	67
Estimated claims payable	3,472	3,272	(3,472)	3,272	2,047
	<u>779,616</u>	<u>152,049</u>	<u>(146,504)</u>	<u>785,161</u>	<u>65,066</u>
Less: Unamortized loss on debt refunding		(6,061)	356	(5,705)	
Plus: Unamortized (discount) premium - net	<u>6,317</u>	<u>13,252</u>	<u>(3,239)</u>	<u>16,330</u>	
Total Governmental Activities, Net	<u>785,933</u>	<u>159,240</u>	<u>(149,387)</u>	<u>795,786</u>	<u>65,066</u>
<b>Business-Type Activities (Enterprise Funds)</b>					
Airport System Revenue Bonds:					
Series 1990 due through 2006, 7.20%	5,443		(2,818)	2,625	2,625
Series 1997 due through 2027, 1.51% to 7.00%	247,555		(6,555)	241,000	6,920
Series 2000 due through 2031, 1.44% to 5.50%	573,190			573,190	
Series 2003 due through 2033, Auction Rate	140,600			140,600	1,350
Public Power System Revenue Bonds:					
Series 1994 due through 2013, Zero Coupon	48,335			48,335	
Series 1996 due through 2027, 5.00% to 6.00%	120,955		(765)	120,190	805
Series 1998 due through 2017, 4.00% to 5.25%	44,760		(6,105)	38,655	7,510
Series 2001 due through 2016, 3.55% to 5.50%	36,305		(2,840)	33,465	2,710
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.30% to 5.50%	149,542		(16,497)	133,045	
Series H 1996 due through 2026, 5.20% to 6.00%	31,968		(13,778)	18,190	3,720
Series I 1998 due through 2028, 4.30% to 5.25%	223,753		(58,638)	165,115	3,240
Series J 2001 due through 2016, 4.00% to 5.375%	76,550		(6,440)	70,110	6,765
Series K 2002 due through 2021, 3.50% to 5.25%	69,725			69,725	
Series L 2002 due through 2033, Variable	90,000			90,000	
Series M 2004 due through 2033, 3.53%	175,000		(905)	174,095	1,760
Series N 2005 due through 2023, 3.00% to 5%		64,480		64,480	
Ohio Water Development Authority and Public Works					
Commission Loans due through 2028, 0% to 4.18%	52,616	27,040	(1,158)	78,498	3,257
Parking Facilities Revenue Bonds					
due through 2022, 5.375% to 6.00%	69,305		(2,305)	67,000	2,445
Deferred Payment Obligation	22,047		(1,741)	20,306	1,881
Accrued wages and benefits	11,240	1,259	(861)	11,638	6,452
	<u>2,188,889</u>	<u>92,779</u>	<u>(121,406)</u>	<u>2,160,262</u>	<u>51,440</u>
Less: Unamortized (discount) premium-net	(25,368)	4,605	1,267	(19,496)	
Unamortized loss on debt refunding	<u>(63,243)</u>	<u>(3,261)</u>	<u>4,982</u>	<u>(61,522)</u>	
Total Business-Type Activities, Net	<u>2,100,278</u>	<u>94,123</u>	<u>(115,157)</u>	<u>2,079,244</u>	<u>51,440</u>
Total Debt and Other Long-Term Obligations	<u>\$ 2,886,211</u>	<u>\$ 253,363</u>	<u>\$ (264,544)</u>	<u>\$ 2,875,030</u>	<u>\$ 116,506</u>

Internal service funds predominantly serve the governmental funds, except the Utilities Administration Fund, which serves only business-type activity funds. Long-term liabilities for all internal service funds, except the Utilities Administration Fund, are included as part of the totals for governmental activities in the government-wide statement of net assets. At December 31, 2005, \$1,282,164 of the internal service funds, except for Utilities Administration Fund, compensated absences were included in the governmental activities accrued wages and benefits. Long-term liabilities for the Utilities Administration Fund are included as part of the totals for business-type activities in the government-wide statements. At December 31, 2005, \$515,458 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

The accrued wages and benefits liability will be paid from the fund from which the employees salaries are paid. The estimated claims payable liability will be paid from the fund that incurred the liability or from Judgment Bond proceeds.

A detailed summary of general obligation bonds and business-type activities debt by purpose is as follows for 2005:

	<b>Original Issue Amount</b>	<b>Balance January 1, 2005</b>	<b>Additions (Amounts in 000's)</b>	<b>(Reductions)</b>	<b>Balance December 31, 2005</b>
<b>Governmental Activities Obligations:</b>					
<b>General Obligation Bonds</b>					
Public Facilities	\$ 84,800	\$ 56,395	\$ 7,325	\$ (25,340)	\$ 38,380
Convention Center	2,010	1,385		(1,180)	205
Residential Redevelopment	27,125	16,410	6,975	(8,130)	15,255
Bridges and Roadways	181,355	115,625	16,425	(45,345)	86,705
Public Safety	840	465		(85)	380
Parks & Recreation	62,500	42,630	6,200	(20,275)	28,555
Refunding Bonds	246,930	107,525	84,470	(14,355)	177,640
Judgments/Settlements	6,375	6,265		(60)	6,205
	<u>611,935</u>	<u>346,700</u>	<u>121,395</u>	<u>(114,770)</u>	<u>353,325</u>
Total Governmental Activities	<u>\$ 611,935</u>	<u>\$ 346,700</u>	<u>\$ 121,395</u>	<u>\$ (114,770)</u>	<u>\$ 353,325</u>
<b>Business-Type Activities Obligations:</b>					
<b>Revenue Bonds</b>					
Airports	\$ 1,056,961	\$ 966,788	\$	\$ (9,373)	\$ 957,415
Public Power	429,590	250,355		(9,710)	240,645
Waterworks	1,298,830	816,538	64,480	(96,258)	784,760
Parking Facilities	81,105	69,305		(2,305)	67,000
<b>Loans</b>					
Waterworks	120,989	46,730	27,040	(768)	73,002
Water Pollution Control	8,378	5,886		(390)	5,496
	<u>2,995,853</u>	<u>2,155,602</u>	<u>91,520</u>	<u>(118,804)</u>	<u>2,128,318</u>
Total Business-Type Activities	<u>\$ 2,995,853</u>	<u>\$ 2,155,602</u>	<u>\$ 91,520</u>	<u>\$ (118,804)</u>	<u>\$ 2,128,318</u>

The following is a summary of the City's future debt service requirements as of December 31, 2005:

Year Ending December 31	Governmental Activities					
	General Obligation Bonds		Urban Renewal Bonds		Subordinated Income Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2006	\$ 29,530	\$ 17,436	\$ 385	\$ 494	\$ 1,700	\$ 3,184
2007	31,590	16,129	410	467	1,800	3,093
2008	31,810	14,672	435	439	2,000	2,995
2009	30,405	13,159	465	410	2,100	2,888
2010	27,195	11,735	495	378	2,200	2,777
2011-2015	104,135	40,714	3,020	1,327	13,600	11,924
2016-2020	73,195	17,526	2,345	245	18,800	7,753
2021-2025	23,590	3,285			20,200	2,124
2026-2030	1,875	149				
2031-2035						
	<u>\$ 353,325</u>	<u>\$ 134,805</u>	<u>\$ 7,555</u>	<u>\$ 3,760</u>	<u>\$ 62,400</u>	<u>\$ 36,738</u>
Year Ending December 31	Non-Tax Revenue Bonds		Certificates of Participation		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2006	\$ 732	\$ 3,057	\$ 2,275	\$ 6,712	\$ 3,026	\$ 529
2007	1,262	3,135	5,826	8,372	3,124	431
2008	1,734	3,110	10,765	8,458	3,224	331
2009	2,661	3,038	10,934	8,206	3,327	227
2010	3,161	2,934	11,133	7,927	2,736	127
2011-2015	14,536	12,973	42,172	29,533	2,646	67
2016-2020	17,767	9,439	21,685	14,443		
2021-2025	12,281	5,435	28,045	8,082		
2026-2030	8,799	2,905	13,390	1,063		
2031-2035	7,152	625				
	<u>\$ 70,085</u>	<u>\$ 46,651</u>	<u>\$ 146,225</u>	<u>\$ 92,796</u>	<u>\$ 18,083</u>	<u>\$ 1,712</u>
Year Ending December 31	Gateway Note Payable		Governmental Activities Total			
	Principal	Interest	Principal	Interest		
	(Amounts in 000's)					
2006	\$ 250	\$ -	\$ 37,898	\$ 31,412		
2007	250	-	44,262	31,627		
2008	250	-	50,218	30,005		
2009	250	-	50,142	27,928		
2010	250	-	47,170	25,878		
2011-2015	1,250	-	181,359	96,538		
2016-2020	250	-	134,042	49,406		
2021-2025		-	84,116	18,926		
2026-2030		-	24,064	4,117		
2031-2035		-	7,152	625		
	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 660,423</u>	<u>\$ 316,462</u>		

**Business-Type Activities**

<b>Year Ending December 31</b>	<b>Revenue Bonds</b>		<b>Construction Loans</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	<b>(Amounts in 000's)</b>			
2006	\$ 39,850	\$ 104,177	\$ 3,257	\$ 2,839
2007	49,525	95,894	3,554	3,049
2008	65,925	93,446	4,964	4,051
2009	75,370	90,040	5,141	3,874
2010	79,010	86,545	5,324	3,692
2011-2015	421,035	375,549	29,559	15,463
2016-2020	429,775	268,751	32,838	9,959
2021-2025	414,370	163,699	34,213	4,102
2026-2030	362,850	70,383	5,284	201
2031-2035	112,110	4,702		
	<u>\$ 2,049,820</u>	<u>\$ 1,353,186</u>	<u>\$ 124,134</u>	<u>\$ 47,230</u>

<b>Year Ending December 31</b>	<b>Deferred Payment Obligations (Note 6)</b>		<b>Business-Type Activities Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	<b>(Amounts in 000's)</b>			
2006	\$ 1,881	\$ 1,508	\$ 44,988	\$ 108,524
2007	2,032	1,357	55,111	100,300
2008	2,195	1,194	73,084	98,691
2009	2,371	1,018	82,882	94,932
2010	2,562	827	86,896	91,064
2011-2015	9,265	1,180	459,859	392,192
2016-2020			462,613	278,710
2021-2025			448,583	167,801
2026-2030			368,134	70,584
2031-2035			112,110	4,702
	<u>\$ 20,306</u>	<u>\$ 7,084</u>	<u>\$ 2,194,260</u>	<u>\$ 1,407,500</u>

The schedule of minimum principal and interest payments for construction loans includes the amortization on twelve loans provided to the Division of Water and the Division of Water Pollution Control by the Ohio Water Development Authority (OWDA) and two loans to the Division of Water Pollution Control by the Ohio Public Works Commission (OPWC). This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water and the Division of Water Pollution Control have received all the loan proceeds. Therefore, at December 31, 2005, the amount financed on these OWDA loan projects, which are reflected in the amortization schedule, less the principal payments made to date, exceeds the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by \$45,636,000.



## **General Obligation Bonds**

**General Obligation Bonds:** General obligation bonds are backed by the full faith and credit of the City. Such bonds are payable from ad valorem property taxes levied within the limitations provided by law, irrespective of whether such bonds are secured by other receipts of the City in addition to such ad valorem property taxes.

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue \$330,418,898 of additional unvoted debt at December 31, 2005.

Effective April 12, 2005, the City issued \$84,470,000 of Various Purpose General Obligation Refunding Bonds, Series 2005. These bonds were issued to refund \$86,620,000 of outstanding General Obligation Bonds issued from 1996 through 2003. Net proceeds of \$94,145,357 were placed in an irrevocable escrow account which will be used to pay the principal, interest and premium, if any, on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long term debt. The City completed the refunding to reduce its total debt service payments by \$3,542,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$3,376,000.

On July 14, 2005 the City issued \$36,925,000 Series 2005A Various Purpose General Obligation Bonds. These bonds were issued to pay the costs of permanent improvements in the areas of bridges and roadways, parks and recreation facilities, public facilities and residential neighborhood development. Proceeds were also used to pay the issuance costs associated with the bonds.

## **Other Governmental Obligations**

**Urban Renewal Bonds:** In 1993, the City issued \$10,800,000 of Urban Renewal Increment Bonds (Rock and Roll Hall of Fame and Museum Project) for the purpose of paying a portion of the costs of the acquisition and construction of a "port authority educational and cultural facility" to conduct programs of an educational and instructional nature relating to the field of contemporary music, including rock and roll music, which constitutes the Rock and Roll Hall of Fame and Museum (the "Facility"). The net proceeds were contributed to the Cleveland-Cuyahoga County Port Authority which owns and leases the facility to Rock and Roll Hall of Fame and Museum, Inc., an Ohio non-profit corporation. The Rock and Roll Hall of Fame and Museum opened in September 1995. The Urban Renewal Increment Bonds are not general obligations of the City and are not secured by the full faith and credit of the City nor are they payable from the general revenues or assets of the City. The Urban Renewal Bonds are secured solely by pledged receipts, consisting of payments to be made in lieu of real property taxes pursuant to Development Agreements between the City and certain property owners and interest income on those payments.

**Subordinated Income Tax Refunding Bonds:** Effective June 1, 1994, the City issued \$74,700,000 of Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994 (the "Bonds"). The proceeds were used to fund the City's obligation for the employer's accrued liability to the Police and Firemen's Disability and Pension Fund of the State of Ohio (the "Fund"). The principal use of the proceeds was the current refunding of the City's obligation to the Fund for the employer's accrued liability in the amount of \$104,686,400, which was payable in semi-annual installments of \$2,696,243 through May 15, 2035. Pursuant to Section 742.30 (C) of the Ohio Revised Code, the City and the Fund entered into an agreement that permitted the City to make a one time payment to the Fund to extinguish the City's obligation. The payment amount of \$70,493,204 was calculated by applying a 35% discount factor to the \$104,686,400 accrued liability plus adding accrued interest of \$2,447,044. The Bonds are not general obligations of the City and are not secured by its full faith and credit. The Bonds are unvoted special obligations secured by a pledge of and a lien on the unrestricted municipal income taxes of the City, to the extent that such income taxes are not needed to pay debt service on the City's currently outstanding unvoted general obligation bonds or unvoted general obligation bonds issued in the future. The Bonds bear interest at a variable rate, determined from time to time by the remarketing agent in accordance with the indenture. As a result of a Tax Court ruling on similar bonds issued by the City of Columbus, Ohio, the City's Special Tax Counsel, Squire, Sanders & Dempsey L.L.P., issued an opinion on August 7, 1998, that the Subordinated Income Tax Refunding Bonds are tax-exempt. As of that date, the Bonds were remarketed as variable rate tax-exempt bonds.

The Bonds provide specified repayment terms and also enable the holders of the Bonds to demand payment under certain circumstances. The City's obligations under the Bonds have been classified as long-term (except for the portion due in the succeeding year under the specified repayment terms) because of the existence of Bond remarketing agreements the Bond insurers and the City have with certain entities. The Bond remarketing agreements require the entities to use their best efforts to resell any portion of the Bonds presented for payment prior to their scheduled maturity.

### *Interest Rate Swap Transactions:*

In 1999, the City entered into an interest rate swap transaction with AMBAC Financial Services for the purpose of hedging the exposure of the City against interest rate fluctuations arising from the variable rates borne by these Bonds. Under the swap agreement, the City is the fixed rate payor, paying the fixed rate of 4.88% and the counterparty is the floating rate payor, paying the actual variable rate borne by the Series 1994 Bonds. The stated termination date under this swap agreement is May 15, 2024, the maturity date of the Series 1994 Bonds. The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to the counterparty, or by the counterparty to the City, depending upon the prevailing economic circumstances at the time of the termination and the City would again be exposed to the variable interest rates of the Series 1994 Bonds. The City would also be exposed to the variable interest rates if the counterparty to the swap defaults on its obligation to pay the variable interest required under the swap agreement. The obligation of the City under the swap agreement to make the periodic fixed rate payments (but not the termination payment) is secured by a subordinate pledge of income tax receipts (subordinate to the pledge of income tax receipts made under the General Bond Ordinance securing the repayment of the Bonds). The debt service requirements to maturity for these Bonds presented on the schedule within this footnote are based on the fixed rate of 5.18%, which includes remarketing and credit facility fees. The notional amount upon which the swap agreement was based equaled \$62,400,000 on December 31, 2005. The fair value of the swap at December 31, 2005, as reported by AMBAC Financial Services was \$5,754,348 which would be payable by the City.

Terms: On February 7, 2003, the City sold an option to JPMorgan Chase Bank (“JPM”) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City’s 1994 Subordinated Income Tax Variable Rate Refunding Bonds. Under the swap agreement, the City will be the fixed rate receiver, receiving the fixed rate of 4.88%, and JPM will be the floating rate receiver, receiving interest on the outstanding notional amount of \$62,400,000 at December 31, 2005, at a rate equal to the weekly Bond Market Association index (BMA). If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the General Bond Ordinance securing the City’s General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the Series 1994 Subordinated Income Tax Bonds and the periodic floating rate payments under the swap agreement.

Objective: The City entered into the swaption in order to potentially capture in the future the savings which could be derived from converting these bonds back to a variable rate if or when the option is exercised. In exchange for selling the option to JPM, the City received a premium payment of \$1,700,000.

Basis Risk: There is no basis risk for the City associated with this transaction with the exception of the risk inherent in all variable rate debt. If the option is exercised, the City will receive a fixed rate of 4.88% which equals the fixed rate being paid by the City on the earlier swap on these bonds entered into with AMBAC Financial Services. Since AMBAC is paying the actual variable rate on the original bonds, this transaction leaves the City paying the weekly BMA rate.

Counterparty Risk: The City selected JPM as a counterparty partly due to its credit strength. Over the long term, it is possible that the credit strength of JPM could change and this event could trigger a termination payment on the part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to JPM, or by JPM to the City, depending upon the prevailing economic circumstances at the time of the termination.

Fair Value: The fair value of the swap at December 31, 2005 as reported by JPM was \$1,143,135 which would be payable by the City.

**Non-tax Revenue Bonds - Stadium:** In 1999, the City issued capital appreciation non-tax revenue bonds totaling approximately \$10,000,000 to assist in the construction of the new football stadium. Effective December 16, 2004, the City issued \$14,835,000 Non-tax Revenue Bonds, Series 2004 (Cleveland Stadium Project) to refund the series 1999A and B Non-tax Revenue Stadium Bonds. Proceeds of the Series 2004 Bonds were used to redeem all of the 1999A and B Bonds on December 30, 2004 at the redemption price equal to their compound accreted amount as of the redemption date, to pay capitalized interest on the Series 2004 Bonds and to pay the bond insurance premium and costs of issuance of the 2004 Series Bonds. Net proceeds of \$13,771,425 were placed in an irrevocable account to redeem the bonds on December 30, 2004. As a result, the refunded bonds are defeased and the liability for these bonds has been removed from long term debt. The City completed the refunding to reduce its total debt service payments by \$1.9 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately \$1,601,000. These bonds do not represent a general obligation debt or pledge of the full faith and credit or taxing power of the City, and are payable solely from non-tax revenues of the City.

**Non-tax Revenue Bonds – Economic Development Bonds Series 2003A and Series 2003B (Lower Euclid Ave. Project):**

In November 2003, the City issued \$7,200,000 Economic Development Revenue Bonds, Series 2003A, and \$1,000,000 Economic Development Revenue Bonds, Series 2003B-1 for the Lower Euclid Avenue Project. In November 2004, the final \$1,000,000 Economic Development Revenue Bonds, Series 2003B-2, were issued. The proceeds of these bonds were made available to the owners of certain properties on Euclid Avenue for the construction and renovation of commercial restaurant and retail facilities and the construction of a parking garage. These Tax Increment Financing (TIF) Bonds are secured by a pledge of a) service payments in lieu of taxes received by the City from the owners of certain properties located within a tax increment financing district and b) loan payments payable to the City and c) also by a pledge of certain non-tax revenues of the City, subject to the prior pledge by the City of such non-tax revenues to secure other obligations of the City.

**Non-tax Revenue Bonds – Taxable Economic and Community Development Revenue Bonds (Core City):**

The City issued \$27,400,000 of Taxable Economic and Community Development Revenue Bonds, Series 2003, effective December 18, 2003. Proceeds of these bonds established the Core City Fund which will provide funds for industrial, commercial, distribution and research facilities and residential housing in the City. The bonds were issued with a variable rate using 28 day auction rate securities.

On November 10, 2004, the City issued a second series of Taxable Economic and Community Development Revenue Bonds (Core City). The Series 2004 Bonds were issued in the amount of \$19,280,000 to pay the costs of certain economic and community development projects. These Bonds were issued as fixed rate securities and are special obligations of the City.

**Certificates of Participation-Stadium:** In June 1997, Certificates of Participation in the amount of \$139,345,000 were issued to assist in the construction of an open-air stadium for the play of professional football and other events. In October 1999, Certificates of Participation in the amount of \$20,545,000 were issued to retire then outstanding Non-tax Revenue Bond Anticipation Notes. The City will make lease payments subject to annual appropriation by City Council and certification by the Director of Finance as to the availability of funds from those appropriations. These obligations do not constitute a debt or pledge of the full faith and credit of the City.

**Interest Rate Swap Transactions:**

Terms. On February 13, 2003, the City sold an option to UBS AG (“UBS”) giving UBS the right, at its discretion, to enter into an interest rate swap transaction on November 15, 2007 on a declining notional amount equal to the outstanding principal amount of the City’s to be issued Certificates of Participation, Series 2007 (Cleveland Stadium Project). The notional amount upon which the swap agreement was based equaled \$108,390,000 at December 31, 2005. Under the swap agreement, the City will be the fixed rate payor, paying fixed rates of interest (initially 4.77%) that equate the estimated periodic swap payments plus amortizing principal of the 2007 Bonds to the debt service currently being paid on the Series 1997 Certificates of Participation (Cleveland Stadium Project), and UBS will be the floating rate payor, paying at a rate equivalent to 67% of one month LIBOR. If the option is exercised, the stated termination date under the swap agreement with UBS will be November 15, 2027. The obligation of the City to make periodic fixed rate payments or any termination payment is subject to annual appropriation and certification by the City.

Both the future bond debt service payments and the periodic swap payments will be insured by AMBAC. The City has obtained a commitment for insurance upon exercise of the swap and the issuance of the bonds.

Objective: The City entered into the swap in order to capture the present value savings which could be derived from synthetically refunding its 1997 Certificates of Participation in a lower interest rate environment. In exchange for selling the option to UBS, the City received a premium payment of \$3,400,000.

**Basis Risk:** If the option is exercised in 2007, the City will receive 67% of LIBOR from UBS and the City will issue tax exempt variable rate debt that should price at approximately the BMA index. While historically the relationship between LIBOR and BMA has been 67%, in the short term this relationship does not always apply. If the 67% of LIBOR received from UBS is less than the actual amount paid on the variable rate bonds, the City must make up the difference in addition to paying the fixed rate resulting from the swap. In addition, a reduction in the marginal federal income tax rates would increase the percentage relationship between BMA and LIBOR and would potentially increase the cost of the financing.

**Counterparty Risk:** The City selected UBS as a counterparty partly due to its credit strength. Over the long term, it is possible that the credit strength of UBS could change and this event could trigger a termination payment on the part of the City.

**Termination Risk:** The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to UBS, or by UBS to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained a commitment for insurance to mitigate much of the risk associated with termination due to the event of a rating downgrade of the City.

**Market-access Risk:** If UBS decides to exercise the option, the City's intention would be to issue variable rate debt to refund the outstanding 1997 Certificates of Participation. These variable rate Certificates of Participation would need to be issued in order to achieve the original objective of the synthetic refunding. The City has already obtained municipal bond insurance which will become effective the day the refunding bonds are issued. There is no guarantee that the City will be able to access the short term market. In that case, the City would be left paying the fixed rate on the existing 1997 Certificates of Participation plus the difference between the fixed rate on the swap and 67% of LIBOR received from UBS.

**Fair Value:** The fair value of the swap at December 31, 2005, as reported by UBS was \$10,164,984 which would be payable by the City.

**Capital Lease Arrangements:** The City has entered into agreements to lease equipment. Such agreements are treated as lease purchases (capital leases) and are classified as long-term lease obligations in the financial statements. The lease contracts contain annual one-year renewal options that can be exercised by the City if sufficient funds are appropriated by City Council. Upon the exercise of each annual one-year renewal option and satisfaction of the lease obligations related thereto, title to the equipment will pass to the City. In April 2003, the City entered into an equipment lease agreement with Banc of America Leasing & Capital. As a result of this transaction, the City purchased approximately \$6,105,000 of heavy-duty vehicles and apparatus for the Departments of Public Safety, Public Service and Parks, Recreation and Properties and will make lease payments from its Restricted Income Tax for a period of seven years.

In April 2004, the City entered into a second equipment lease agreement with Minority Alliance Capital, LLC which resulted in the City purchasing approximately \$6,603,000 of heavy duty vehicles and apparatus. Lease payments will be made from the Restricted Income Tax for a period of seven years.

In July 2005, the City entered into a third equipment lease agreement. This lease agreement is with Chase Equipment Leasing, Inc. and will result in the City purchasing approximately \$8,425,000 of heavy duty vehicles and apparatus. Lease payments will be made from the Restricted Income Tax for a period of seven years. The assets recorded by the City under capital leases were as follows as of December 31, 2005:

	<u>Activities</u> (Amounts in 000's)
Furniture, fixtures and equipment	\$ 16,433
Less – accumulated depreciation	<u>(3,600)</u>
Net book value	<u>\$ 12,833</u>

**Gateway Note Payable:** In October 1996, the City and Cuyahoga County each agreed to pay \$5,000,000 for additional costs associated with the Gateway Sports Complex. The amounts are to be repaid in annual installments of \$250,000 for 20 years. The monies are deducted from the monthly distribution of the State Local Government Fund which is recorded in the City's General Fund. The first deduction was made in March 1997.

**Accrued Wages and Benefits:** Accrued wages and benefits, included in long-term obligations, consist of the non-current portion of vacation and sick pay benefits earned by employees of the City. The City accrues vacation and sick pay benefits when earned and future compensation is likely.

**Police and Fire Overtime and Deferred Vacation Pay:** Uniformed employees of the Police and Fire Divisions accumulate overtime compensation in accordance with the union contracts and the requirements of the Fair Labor Standards Act. In addition, uniformed employees may defer earned vacation time, with the appropriate approvals, until retirement. The liabilities for overtime and deferred vacation time, at current pay rates including their related fringe benefits and converted to straight time hours, at December 31, 2005, follow:

<u>Division</u>	<u>Overtime</u>		<u>Deferred Vacation</u>	
	<u>Hours</u>	<u>Dollars</u>	<u>Hours</u>	<u>Dollars</u>
	(Amounts in 000's)			
Police	1,962	\$ 54,289		
Fire	215	5,611	64	\$ 1,748
Total	<u>2,177</u>	<u>\$ 59,900</u>	<u>64</u>	<u>\$ 1,748</u>

Such employees are entitled to receive cash payments for their accumulated hours upon retirement or other termination from the City's payroll. For employees not terminated, accumulated overtime is paid once a year up to the budgeted amount for such purpose. Accumulated overtime is paid in June upon receiving requests in the first quarter. If requests exceed the budgeted amount, the requests are to be paid on a pro-rata basis. Deferred vacation is available to the employee only as a cash payment upon retirement or other termination from the City's payroll. The accumulated hours are paid at the employee's hourly rate at the date of retirement, other termination or at the date of the payment pursuant to a request, which may differ from the rate used to determine the liability above.

**Taxable Urban Renewal Notes:** Effective October 24, 2003, the City issued \$4,300,000 of Taxable Urban Renewal Notes (Notes), Series 2003. The Notes, which carried an interest rate of 2.48%, were issued to refund \$4,250,000 in Notes issued in 2002 which matured October 30, 2003. The Notes are special obligations of the City and unless paid from other sources, are payable from non-tax revenues of the City. The Notes matured November 1, 2005 and were retired with the proceeds of the sale of the land originally re-required by the City in 2001 with the original notes.

**Business-Type (Enterprise Fund) Obligations**

**Airport System Revenue Bonds:** These 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 interests in and rights to the airline use agreements under the revenue bond indenture.

On October 23, 2003, the City issued \$140,600,000 of Airport System Revenue Bonds, Series A-C. The Series A and B Bonds were issued to refund the outstanding Series 1994A Airport System Improvement Revenue Bonds. The City completed the refunding to reduce its total debt service payments over the next 22 years and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$4,338,000. The Series C Bonds were issued to retire the \$44,780,000 Series 2003 Taxable Airport Surplus Revenue Notes. The Series 2003 Bonds were issued initially as variable rate debt (auction rate securities). The Series 2003A and 2003B Bonds were swapped to a fixed rate upon issuance of the bonds.

**Interest Rate Swap Transactions:**

**Terms.** Simultaneously with the issuance of the City's \$140,600,000 Series 2003A-C Airport System Revenue Bonds on October 23, 2003, the City entered into floating-to-fixed rate swap agreements on the declining notional amount of the \$20,650,000 Series A Bonds and the \$56,200,000 Series B Bonds. Bear Stearns Financial Products Inc. is the counterparty on a five-eighths pro rata share of the notional amount of each Series while JPMorgan Chase Bank is the counterparty on the remaining three-eighths of the notional amount. Under the swap agreement for the Series 2003A Bonds, the Airport System will be the fixed rate payor, paying a fixed rate of 4.169% semiannually, while the Counterparties will pay the Airport System at the BMA index every 35 days. The swap agreement for the Series 2003B Bonds requires the Airport System to pay a fixed rate of 4.273% semiannually and the Counterparties will pay the Airport System the BMA index plus 10 basis points every 35 days. The obligation of the Airport System to make periodic fixed rate payments (but not any termination payment) is secured by a pledge of Airport Revenues. Both the bond debt service payments and the periodic swap payments are insured by AMBAC.

**Objective:** The City entered into the swaps in order to minimize the costs associated with the refunding of the Series 1994A Bonds. Because all debt service charges of the Airport System are ultimately paid by the various airlines utilizing the City's airports, it was important to reduce the debt related costs as much as possible and the synthetic fixed rate debt provided the greatest debt service relief to the airlines.

**Basis Risk:** By entering into swaps based upon the BMA index, the City sought to minimize this risk. Since both the underlying bonds and the swap payments are based on the tax exempt market, any potential difference between the rate paid by the City on the bonds and the amount received by the City from the counterparties has been greatly reduced. The amount received on the 2003B Bonds incorporates an additional 10 basis points to take into account the fact that the underlying bonds are subject to the Alternative Minimum Tax.

**Counterparty Risk:** The City has selected highly rated counterparties in order to minimize this risk. However, over the long term it is possible that the credit strength of Bear Stearns and JPMorgan could change and this event could trigger a termination payment on the part of the City.

**Termination Risk:** The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to Bear Stearns and JPMorgan, or by Bear Stearns and JPMorgan to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained insurance to mitigate much of the risk associated with termination due to the event of a rating downgrade of the City.

**Fair Value:** The fair value of the swaps at December 31, 2005 as reported by JPMorgan Chase Bank and Bear Stearns collectively was \$838,041 for the Series 2003A and \$2,324,751 for the Series 2003B which would both be payable by the City.

Of the Airport System Revenue Bonds issued in 1990, \$15,276,000 were issued in the form of Capital Appreciation Bonds. Interest on the Capital Appreciation Bonds is payable only as a component of their appreciated principal amount at maturity or redemption. Interest on the Capital Appreciation Bonds is compounded semiannually on each interest payment date beginning July 1990. As of December 31, 2005, the Department of Port Control has recorded a liability in the amount of \$5,324,751 for compounded interest payable on the Capital Appreciation Bonds.

**Public Power System Revenue Bonds:** These bonds are payable from the net revenues derived from the public power system, and are secured by a pledge of and lien on such net revenues plus a first mortgage lien upon all property of the public power system, including any improvements, additions, replacements and extensions thereto.

**Waterworks Improvement Revenue Bonds:** These bonds are payable from the revenues derived from operations of the waterworks system after the payment of all operating and maintenance expenses (net revenue) and from monies and investments, on deposit in the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Contingency Fund and the Additions and Improvements Fund.

On July 7, 2005, the City issued \$64,480,000 of Water Revenue Bonds, Series N, 2005. The Bonds were issued to advance refund a portion of the outstanding Series H and Series I Revenue Bonds. Proceeds were used to fund an escrow deposit that will refund the bonds and to pay costs of issuance. Net proceeds of \$68,329,574 were placed in an irrevocable escrow account which will be used to pay the principal, interest and premium on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long term debt. The total aggregate amount of the bonds refunded by the Series 2005 Bonds was \$65,510,000. The City completed the refunding to reduce its total debt service payments by \$2,737,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$2,601,000. In addition, the Division of Water utilized cash on hand to defease outstanding Series G Bonds. The Division placed \$10,550,000 in an irrevocable account which will be used to pay principal and interest on the defeased bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from long term debt. The total principal amount of bonds defeased in this manner was \$10,000,000.

*Interest Rate Swap Transactions:*

**Terms.** Simultaneously with the issuance of the City's \$175,000,000 Series M Water Revenue Bonds on August 10, 2004, the City entered into floating to fixed rate swap agreements with notional amounts equal to the total declining balance of the Series M Bonds. Bear Stearns Financial Products Inc. is the counterparty on a two-thirds pro rata share of the transaction and Morgan Stanley Capital Services Inc. is the counterparty on a one-third pro rata share of the transaction. Under the swap agreement for the Series M Bonds, the Water System will be the fixed rate payor, paying a fixed rate of 3.533%. Each counterparty is a floating rate payor, with each paying the Water System 61.25% of one month LIBOR plus a spread of 28 basis points. Net payments are exchanged semiannually on January 1 and July 1. The obligation of the Water System to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the Net Revenues of the Water System on a parity with the pledge and lien securing the payment of debt service on the bonds. Both the bond debt service payments on the Series M Bonds and the periodic swap payments are insured by FSA.

**Objective:** The City entered into the swaps in order to maximize the savings associated with the refunding of the bonds. The actual savings to be realized by the Water System will depend upon the payments made on the variable rate bonds and the payments received under the swap agreement.

**Basis Risk:** By entering into swaps based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between LIBOR (taxable) and BMA (tax-exempt) interest rates has been 67%, this relationship may not continue to apply. If the payments received from the counterparties are less than the amount paid on the variable rate bonds, the Water System must make up the difference in addition to paying the fixed rate resulting from the swap. In addition, a reduction in federal income tax rates would increase the percentage relationship between BMA and LIBOR and would potentially increase the cost of financing.

**Counterparty Risk:** The City selected highly rated counterparties in order to minimize this risk. However, over the long term it is possible that the credit strength of Bear Stearns and/or Morgan Stanley could change and this event could trigger a termination payment on part of the City.

**Termination Risk:** The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to Bear Stearns and Morgan Stanley or by Bear Stearns and Morgan Stanley to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained insurance to mitigate much of the risk associated with termination due to the event of a rating downgrade of the Water System.

**Fair Value:** The fair value of the swaps at December 31, 2005 as reported by Bear Stearns and Morgan Stanley totaled \$5,006,302, which would be payable by the City.

**Ohio Water Development Authority and Ohio Public Works Commission Loans:** These loans are payable from net revenues derived from the waterworks and water pollution control systems. These obligations do not have a lien on revenues of the Divisions. In 2005, Water received an OWDA loan of \$5,659,866 out of an expected \$20,202,919 to fund improvements to the Baldwin Treatment Plant. This is a 20 year, 3.25% loan with payments beginning in 2008. In addition, the outstanding balance on the Division of Water's OWDA loans for the Baldwin Chemical Plant and the Nottingham Plant increased by \$5,440,031 and \$15,940,700 respectively.

**Parking Facilities Revenue Bonds:** These bonds are payable from net revenues generated from certain parking facilities and other operating revenues of the Division of Municipal Parking Lots, including parking meter revenue. In addition, the City has pledged other non-tax revenue to meet debt service requirements. The City has pledged and assigned to the Trustee a first lien on pledged revenues consisting of fines and penalties collected as a result of the violation of municipal parking ordinances and fines, waivers and costs relating to citations for misdemeanor offenses and the special funds as defined within the bond indenture.

*Interest Rate Swap Transactions:*

**Terms.** On February 13, 2003, the City sold an option to UBS AG ("UBS") giving UBS the right, at its discretion, to enter into an interest rate swap transaction on September 15, 2006 on a declining notional amount equal to the outstanding principal amount of the City's to be issued Parking Facilities Improvement Revenue Bonds, Series 2006. The notional amount upon which the swap agreement was based equaled \$58,525,000 at December 31, 2005. Under the swap agreement, the City will be the fixed rate payor, paying fixed rates of interest (initially 4.91%) that equate the estimated periodic swap payments plus amortizing principal of the 2006 Bonds to the debt service currently being paid on the Parking 67% of one month LIBOR. If the option is exercised, the stated termination date under the swap agreement with UBS will be September 15, 2022. The obligation of the City to make periodic fixed rate payments (but not any termination payment) is secured by a pledge of the Parking Revenues and Additional Pledged Revenues.

Both the future bond debt service payments and the periodic swap payments will be insured by FSA. The City has obtained a commitment for insurance upon exercise of the swap and the issuance of the bonds.

**Objective:** The City entered into the swap in order to capture the present value savings which could be derived from refunding its 1996 Parking Facilities Improvement Revenue Bonds in a lower interest rate environment. The 1996 Parking Revenue Bonds could not be advance refunded because the 1996 Bonds refunded the original 1992 Parking Revenue Bonds. Therefore, the City decided to utilize a "synthetic refunding" to realize the savings currently rather than wait for the call date. In exchange for selling the option to UBS, the City received a premium payment of \$3,275,000.

**Basis Risk:** If the option is exercised in 2006, the City will receive 67% of LIBOR from UBS and the City will issue tax exempt variable rate debt that should price at approximately the BMA index. While historically the relationship between LIBOR and BMA has been 67%, in the short term this relationship does not always apply. If the 67% of LIBOR received from UBS is less than the actual amount paid on the variable rate bonds, the City must make up the difference in addition to paying the fixed rate resulting from the swap. In addition, a reduction in the marginal federal income tax rates would increase the percentage relationship between BMA and LIBOR and would potentially increase the cost of the financing.

**Counterparty Risk:** The City selected UBS as a counterparty partly due to its credit strength. Over the long term, it is possible that the credit strength of UBS could change and this event could trigger a termination payment on the part of the City.

**Termination Risk:** The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to UBS, or by UBS to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained a commitment for insurance to mitigate much of the risk associated with termination due to the event of a rating downgrade of the City. An amount due by the City to UBS upon early termination of the agreement is insured by FSA up to a maximum amount of \$8,000,000.

**Market-access Risk:** If UBS decides to exercise the option, the City's intention would be to issue variable rate debt to refund the outstanding 1996 Bonds. These variable rate bonds would need to be issued in order to achieve the original objective of the synthetic refunding. The City has already obtained municipal bond insurance which will become effective the day the refunding bonds are issued. There is no guarantee that the City will be able to access the short term market. In that case, the City would be left paying the fixed rate on the existing 1996 Bonds plus the difference between the fixed rate on the swap and 67% of LIBOR received from UBS.

**Fair Value:** The fair value of the swap at December 31, 2005 as reported by UBS was \$6,012,269 which would be payable by the City.

**Debt Covenants:** The Enterprise Funds' bond agreements have certain restrictive covenants and principally require that bond reserve funds be maintained and that fees charged to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal and maintenance of properties in good condition.

**Defeasance of Debt**

The City has defeased certain debt by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not recorded in the City's financial statements. In September of 2005, the City defeased \$4,790,000 in Cleveland Public Power Revenue Bonds that were due in November 2005.

The aggregate amount of defeased debt outstanding at December 31, 2005 is as follows:

<u>Bond Issue</u>	<u>(Amounts in 000's)</u>	<u>Bond Issue</u>	<u>(Amounts in 000's)</u>
Waterworks Improvement Bonds:		Unvoted Tax Supported GO:	
Series G, 1993	\$ 20,265	Series 1996	\$ 14,135
Series H, 1996	137,640	Series 1997	4,645
Series I, 1998	129,925	Series 1999	12,700
Series K, 2002	68,325	Series 2000	12,580
		Series 2002	20,575
		Series 2003	20,950

**Airport Special Facilities Revenue Bonds**

Airport Special Revenue Bonds, Series 1990, totaling \$76,320,000 were issued to finance the acquisition and construction of a terminal, hangar and other support facilities leased to Continental Airlines at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999, totaling \$71,440,000. Additional 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 principal and interest on these bonds are 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 6 - DEFERRED PAYMENT OBLIGATION / I-X CENTER**

In January 1999, the City purchased the International Exposition (“I-X”) Center and the land on and around it for \$66.5 million as part of its master plan to expand Cleveland Hopkins International Airport. As part of the purchase agreement, the City leased the building back to the former owner for 15 years, after which the City may tear the building down to make way for airport development. Of the \$66.5 million purchase price, \$36.5 million was paid in cash in 1999. The remaining \$30 million, including interest at 7.75%, is being deferred by the seller and will be offset by future lease payments owed to the City over the 15 year lease period. The future lease payments are equal to the remaining purchase price plus interest at 7.75%, and as such, no cash will be exchanged between the City and the lessee over the term of the lease. The deferred payment is reported as “Deferred Payment Obligation” in the accompanying proprietary funds balance sheet.

In the event that either a similar facility is developed that exceeds a specified size, or there is an expansion of an existing facility that exceeds a specified size within the municipal boundary of the City of Cleveland, the lessee has the right to terminate the lease. Such termination would require the City to pay the lessee the remaining portion of the deferred purchase price.

Rental income recognized by the City under this agreement totaled \$3,389,000 in 2005, of which \$1,648,000 was offset against interest expense and \$1,741,000 against the principal balance of the deferred payment obligation.

**NOTE 7 - RISK MANAGEMENT**

*Self Insurance:* The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City does not carry commercial insurance for such risks, except for certain proprietary funds and the new football stadium. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (“IBNRs”). Claims that meet this criteria are reported as liabilities of either governmental or business-type activities in the government-wide statement of net assets. In the fund financial statements, claims liabilities that relate to enterprise or internal service funds are reported. The current portion of claims is reported as a fund liability in governmental funds; however, the long-term portion of claims liabilities is 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.

Changes in the estimated claims payable for all funds during the years ended December 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
	(Amounts in 000's)	
Estimated claims payable, January 1	\$ 2,072	\$ 6,500
Current year claims (including IBNRs) and changes in estimates	3,365	(2,995)
Claim payments	<u>(1,726)</u>	<u>(1,433)</u>
Estimated claims payable, December 31	<u>\$ 3,711</u>	<u>\$ 2,072</u>

The estimated claims liabilities are based on the estimated cost of settling claims (including incremental claim adjustment expenses) through a case-by-case review of all outstanding claims and by using historical experience. Claims payable are included as accounts payable on the financial statements.

*Insurance:* Certain proprietary funds carry insurance to cover particular liability risks and property protection. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2005. There was no significant decrease in any insurance coverages in 2005. In addition, there were no insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage.

In January of 2003, the City exercised the option of retrospective rating as the premium rating mechanism for our workers' compensation program. The total estimated claims liability outstanding at December 31, 2005 was \$20,301,250. Of this amount, \$6,667,466 was recorded as a fund liability within each respective fund and is payable during 2005. The remaining \$13,633,784 is due in future years and is recorded as a liability in the Workers Compensation Reserve Internal Service Fund. This liability is funded by charging the appropriate funds their proportionate share of this liability and recording the associated due to or due from as appropriate.

#### **NOTE 8 - CONTINGENCIES**

**General Contingencies:** Various claims and lawsuits are pending against the City. In accordance with GASB Statement No. 10, those claims which are considered "probable" are accrued (see Note 7), while those claims that are considered "reasonably possible" are disclosed but not accrued.

As of December 31, 2005, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated \$2,180,000.

These estimates were based on a case-by-case review of outstanding claims by the City's in-house legal department.

**Contingencies Under Grant Programs:** The City participates in a number of federally assisted Investment Act grant programs, principal of which are Community Development Block Grants, Home Weatherization Assistance, Distressed Neighborhood, the Healthy Start Initiative, Federal HOME Program, Youth Opportunity Area Grant, Workforce Investment Act Grant, Empowerment Zone and FAA Airport Improvement Grant Programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Audits have been completed by granting agencies for the Empowerment Zone and Workforce Investment Act grants.

#### **NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES**

**Interfund Transactions:** During the course of normal operations, the City records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations, and service debt. The City has the following types of transactions among funds:

- (1) Reciprocal interfund services provided and used – Purchases and sales of goods and services between funds for a price approximating their external exchange value.
- (2) Nonreciprocal interfund transfers – Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes transfers to subsidize various funds.
- (3) Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For the year ended December 31, 2005, transfers consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>					
	<u>Total</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
(Amounts in 000's)						
Governmental Funds:						
General	\$ 18,332	\$	\$17,582	\$17,582	\$ 375	\$ 375
Other governmental	<u>25,365</u>	<u>5,185</u>	<u>20,119</u>	<u>25,304</u>		<u>61</u>
Total Governmental Funds	43,697	5,185	37,701	42,886	375	436
Internal Service Funds	<u>359</u>	<u>359</u>		<u>359</u>		
Total	<u>\$ 44,056</u>	<u>\$ 5,544</u>	<u>\$37,701</u>	<u>\$43,245</u>	<u>\$ 375</u>	<u>\$ 436</u>

**Interfund Balances:** Interfund balances at December 31, 2005 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2005 are as follows:

<u>Due To</u>	<u>Total</u>	<u>Due From</u>								
		<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Division of Water Fund</u>	<u>Cleveland Public Power Fund</u>	<u>Department of Port Control Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
(Amounts in 000's)										
Governmental Funds:										
General	\$ 9,503	\$	\$ 9	\$ 9	\$ 300	\$ 1,626	\$ 81	\$ 467	\$ 2,474	\$ 7,020
Other governmental	<u>11,944</u>	2,685	7,804	10,489	387	10		83	480	975
Total governmental	<u>\$ 21,447</u>									
Enterprise Funds:										
Division of Water	2,466	8	7	15		823		70	893	1,558
Cleveland Public Power	907	6	1	7	76			13	89	811
Department of Port Control	684	171		171		23		82	105	408
Other Enterprise	<u>5,397</u>	28	33	61	4,424	134		25	4,583	753
Total enterprise	<u>9,454</u>									
Internal Service Funds	<u>2,189</u>	<u>858</u>	<u>26</u>	<u>884</u>	<u>532</u>	<u>114</u>	<u>492</u>	<u>47</u>	<u>1,185</u>	<u>120</u>
Total Due To/Due From	<u>\$ 33,090</u>	<u>\$ 3,756</u>	<u>\$ 7,880</u>	<u>\$ 11,636</u>	<u>\$ 5,719</u>	<u>\$ 2,730</u>	<u>\$ 573</u>	<u>\$ 787</u>	<u>\$ 9,809</u>	<u>\$ 11,645</u>

**NOTE 10 - INCOME TAXES**

During 2005, the City income tax rate remained at 2% and the credit provided to City residents for income taxes paid to other municipalities remained at 50% and the maximum credit is limited to 1%. A portion of the City income tax is restricted in its use to capital expenditures and debt service and is included in the Restricted Income Tax Special Revenue Fund. All other income tax proceeds are included in the General Fund.

Employers within the City are required to withhold income taxes on employee compensation and remit withholdings to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 11 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible property (used in business) located in the City. The 2005 levy was based upon an assessed valuation of approximately \$6.008 billion. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 4.4 mills, of which 4.35 mills is dedicated to debt service and .05 mills is dedicated to the payment of police and fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last statistical update was completed in 2004. Assessed values are established by the Cuyahoga County (County) Auditor. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

Real property taxes, excluding public utility property, are assessed at 35% of appraised market value. Pertinent real property tax dates are:

- Collection Dates                    January 20 and June 20 of the current year
- Lien Date                             January 1 of the year preceding the collection year
- Levy Date                             October 1 of the year preceding the collection year

Tangible personal property taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2005, the percentage used to determine taxable value of personal property and inventory was 25% and 23%, respectively. Pertinent tangible personal property tax dates are:

- Collection Dates                    April 30 and September 30 of the current year
- Listing Date                           December 31 of the preceding year
- Levy Date                             October 1 of the year preceding the collection year

An electric company's taxable utility production equipment is assessed at 25% of true value, while all of its other taxable property is assessed at 88% of true value. Pertinent public utility tangible personal property tax dates are:

- Collection Dates                    January 20 and June 20 of the current year
- Lien Date                             December 31 of the second year preceding the collection year
- Levy Date                             October 1 of the year preceding the collection year

**NOTE 12 – DEFERRED AND UNEARNED REVENUE**

Governmental funds report deferred and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (deferred). Governmental funds also defer revenue recognition in connection with resources that have been received, but not all eligibility requirements have been met (unearned). As of December 31, 2005, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Eligibility Requirements Not Met</u>	<u>Total</u>
	(Amounts in 000's)		
<b>Governmental Funds:</b>			
General Fund:			
Income taxes receivable	\$ 14,208	\$	\$ 14,208
Property taxes receivable	47,619		47,619
Local government receivable	18,954		18,954
Estate tax receivable	213		213
Homestead rollback	5,101		5,101
Emergency medical service receivable	300		300
Total General Fund	86,395	-	86,395
Other Governmental Funds:			
Income taxes receivable	1,776		1,776
Special assessments receivable	2,039		2,039
Property taxes receivable	24,808		24,808
Advances received under grants		2,837	2,837
Motor vehicle taxes receivable	1,456		1,456
Municipal gas tax receivable	1,282		1,282
State gasoline tax receivable	2,028		2,028
Homestead rollback	2,657		2,657
Grant receivable	871	735	1,606
Due from other governments	142		142
Total other governmental funds	37,059	3,572	40,631
Total Deferred and Unearned Revenue	\$ 123,454	\$ 3,572	\$ 127,026

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans (TP, MD and CO). Member contribution rates were 8.5% and employer contribution rates were 13.55% of covered payroll. The City's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2005, 2004 and 2003 were approximately \$25,048,620, \$25,006,023 and \$22,943,519 each year, respectively. The required payments due in 2005, 2004 and 2003 have been made.

**Ohio Police and Fire Pension Fund:** The City contributes to the Ohio Police and Fire Pension Fund ("OP&F"), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while the City is required to contribute 19.5% for police officers and 24% for firefighters. The City's contributions to the OP&F for police and firefighters for the pension were \$10,799,670 and \$8,644,255 for the year ended December 31, 2005, \$11,156,556 and \$8,568,857 for the year ended December 31, 2004, and \$12,655,127 and \$8,992,437 for the year ended December 31, 2003, respectively. The required payments due in 2005, 2004, and 2003 have been made.

#### **NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System:** Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postretirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The City's contribution rate was 13.55% of covered payroll, and 4.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2004 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected inflation rate). OPEBs are advance-funded on an actuarially determined basis. At year-end 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The employer contribution rates are the actuarially determined contribution requirements for OPERS. The City's actual contributions for 2005 which were to fund postemployment benefits were approximately \$10,491,420. \$10.8 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2004. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Ohio Police and Fire Pension Fund:** OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2005. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, are 13,812 for Police and 10,528 for Firefighters. The City's actual contributions for 2005 that were used to fund post employment benefits were \$7,110,230 for police and \$4,124,216 for firefighters. OP&F total health care expense for the year ending December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796 which was net of member contributions of \$55,665,341.

**NOTE 15 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2005</b>
		(Amount in 000's)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 61,511	\$ 101	\$	\$ 61,612
Construction in progress	99,674	63,387	(91,220)	71,841
Total capital assets, not being depreciated	<u>161,185</u>	<u>63,488</u>	<u>(91,220)</u>	<u>133,453</u>
Capital assets, being depreciated:				
Land improvements	95,662	16,642		112,304
Buildings, structures and improvements	558,697	25,978		584,675
Furniture, fixtures, equipment and vehicles	164,345	11,782	(22,767)	153,360
Infrastructure	290,332	55,329	(414)	345,247
Total capital assets, being depreciated	<u>1,109,036</u>	<u>109,731</u>	<u>(23,181)</u>	<u>1,195,586</u>
Less accumulated depreciation for:				
Land improvements	(62,293)	(4,420)		(66,713)
Buildings, structures and improvements	(179,977)	(14,171)		(194,148)
Furniture, fixtures, equipment and vehicles	(103,162)	(10,981)	17,159	(96,984)
Infrastructure	(115,950)	(11,944)	406	(127,488)
Total accumulated depreciation	<u>(461,382)</u>	<u>(41,516)</u>	<u>17,565</u>	<u>(485,333)</u>
Total capital assets being depreciated, net	<u>647,654</u>	<u>68,215</u>	<u>(5,616)</u>	<u>710,253</u>
Governmental activities capital assets, net	<u>\$ 808,839</u>	<u>\$ 131,703</u>	<u>\$ (96,836)</u>	<u>\$ 843,706</u>

	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2005</b>
		<b>(Amount in 000's)</b>		
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 169,180	\$ 10,532	\$	\$ 179,712
Construction in progress	256,904	200,880	(120,286)	337,498
Total capital assets, not being depreciated	<u>426,084</u>	<u>211,412</u>	<u>(120,286)</u>	<u>517,210</u>
Capital assets, being depreciated:				
Land improvements	666,403	23,411		689,814
Utility plant	1,450,345	73,015	(1,223)	1,522,137
Buildings, structures and improvements	800,640	1,873		802,513
Furniture, fixtures, equipment and vehicles	203,116	16,726	(1,990)	217,852
Total capital assets, being depreciated	<u>3,120,504</u>	<u>115,025</u>	<u>(3,213)</u>	<u>3,232,316</u>
Less accumulated depreciation for:				
Land improvements	(285,607)	(30,673)	120,291	(195,989)
Utility plant	(210,402)	(40,210)	(257,443)	(508,055)
Buildings, structures and improvements	(438,234)	(34,581)	127,552	(345,263)
Furniture, fixtures, equipment and vehicles	(133,268)	(1,767)	12,628	(122,407)
Total accumulated depreciation	<u>(1,067,511)</u>	<u>(107,231)</u>	<u>3,028</u>	<u>(1,171,714)</u>
Total capital assets being depreciated, net	<u>2,052,993</u>	<u>7,794</u>	<u>(185)</u>	<u>2,060,602</u>
Business-Type activities capital assets, net	<u>\$2,479,077</u>	<u>\$ 219,206</u>	<u>\$ (120,471)</u>	<u>\$2,577,812</u>

**Depreciation:** Depreciation expense was charged to functions/programs of the City as follows:

	<b>(Amounts in 000's)</b>
<b>Governmental Activities:</b>	
General government	\$ 7,966
Public service	16,954
Public safety	8,956
Building and housing	160
Community development	515
Public health	613
Parks, recreation and properties	5,951
Economic development	104
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets	<u>297</u>
Total depreciation expense charged to governmental activities	<u>\$ 41,516</u>
<b>Business-Type Activities:</b>	
Division of Water	\$ 36,259
Cleveland Public Power	16,412
Department of Port Control	47,065
Nonmajor business-type activities	<u>7,495</u>
Total depreciation expense charged to business-type activities	<u>\$ 107,231</u>



**Construction Commitments:** Significant commitments of the City as of December 31, 2005 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Governmental Activities:		
South Waterloo Road	\$ 274	\$ 3,399
Purchase/Renovation of 205 St. Clair	14,720	945
Jennings Road	258	5,112
Collinwood Athletic Complex	2,827	673
West 105th St.	3,221	1,359
Battery Park Renovation	1,128	3,179
Carnegie Avenue Resurfacing	1,443	2,489
Kinsman Road	8,891	1,000
East 93rd St.	341	5,540
Euclid Avenue	3,377	1,995
Euclid Corridor	8,718	8,818

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Business-Type Activities:		
Plant Enhancement Program	\$ 39,631	\$ 23,122
Morgan Pump Station Improvements	46,727	1,612
Coordinated GIS System	25,330	6,879
Baldwin Chemical Project	29,263	2,026
Baldwin Rapid Mix	6,834	26,176
Cleveland Water System Security Project	6,892	24,155
Information Technology Plan	1,947	455
Euclid Corridor Sewer Repairs	1,156	1,368
East 71st (Harvard to Broadway)	1,861	61
Kirby Ave Building Phase II	91	1,102
Defective Pole Replacement	18,184	8,710
Ridge Road Substation	6,728	3,679
Throckley Ave Sewer Repairs		1,100
Distribution Engineering	675	2,025
Motor Vehicles	1,719	1,251
Construct New Runway 5L/23R	133,340	7,731
Sound Insulation of Homes	72,794	27,820
Design & Construct NASA-Glenn Fac Relocation	104,424	521
Centralized Deicing Facility	6,242	47,545
Coal Fired Generation Plant	891	521
Abram Creek Study	57,945	664
Const Management-C.H.I.A. Expansion Project	47,183	1,702
North Terminal Expansion	14,074	103

**Capital Grant Programs:** The City participates in the State Issue 2 program and the Local Transportation Improvement Program. Through these programs, the State of Ohio (“State”) provides financial assistance to the City for its various road and bridge improvements and storm water detention facilities. The Ohio Public Works Commission (“OPWC”) is the State agency which oversees the allocation of State bond proceeds and tax revenue to selected projects which have met funding requirements. Upon approval of the OPWC, the City and the State create project agreements establishing each entity’s financial contribution toward each project. Through December 31, 2005, the State funded \$110,004,000 of road and bridge improvement projects and \$4,575,000 for storm water detention facilities.

**Capitalized Interest:** Interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest income earned on invested debt proceeds. For 2005, interest expense incurred for the Enterprise Funds was \$94,830,000 which was net of \$10,727,000 of interest expense capitalized. For 2005, total interest income earned by the Enterprise Funds was \$21,250,000 which was net of \$10,386,000 of interest income capitalized.

**Idle Facilities:** In April 1977, Cleveland Public Power (“CPP”) closed its generation plant and since that time, CPP’s revenues have been derived primarily from the distribution of purchased power. CPP continued its past practice of depreciating the plant at rates which completed the amortization of the plant in 1999. With the present availability of competitively priced purchased power, management believes the plant will remain idle.

#### **NOTE 16 – SEGMENT INFORMATION**

The City has issued revenue bonds and construction loans to finance the activities accounted for in the following enterprise funds:

- Division of Water
- Water Pollution Control
- Cleveland Public Power
- Department of Port Control
- Municipal Parking Lots

Investors in the revenue bonds rely solely on the revenues generated from the specific enterprise activity to which the debt obligations pertain for repayment. Water Pollution Control only has construction loans outstanding.

Shown below is summarized financial information for the City’s enterprise activities that have issued long-term obligations and are not reported as major funds in the proprietary funds financial statements:

Condensed Balance Sheet Information

	<b>Water Pollution Control</b>	<b>Municipal Parking Lots</b>
	<b>(Amounts in 000's)</b>	
Assets:		
Current assets	\$ 83,101	\$ 1,053
Restricted assets	367	18,607
Other noncurrent assets		790
Capital assets	<u>67,792</u>	<u>60,677</u>
Total assets	<u>\$ 151,260</u>	<u>\$ 81,127</u>
Liabilities:		
Current liabilities	\$ 61,193	\$ 3,816
Long-term liabilities	<u>5,321</u>	<u>59,105</u>
Total liabilities	<u>66,514</u>	<u>62,921</u>
Net Assets:		
Invested in capital assets, net of related debt	62,296	(825)
Restricted for capital projects		4,492
Restricted for debt service		13,906
Unrestricted	<u>22,450</u>	<u>633</u>
Total net assets	<u>84,746</u>	<u>18,206</u>
Total liabilities and net assets	<u>\$ 151,260</u>	<u>\$ 81,127</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets Information

	<b>Water Pollution Control</b>	<b>Municipal Parking Lots</b>
	<b>(Amounts in 000's)</b>	
Charges for services	\$ 20,058	\$ 7,202
Depreciation (expense)	(4,525)	(1,747)
Other operating (expenses)	<u>(16,917)</u>	<u>(1,698)</u>
Operating income (loss)	(1,384)	3,757
Nonoperating revenues (expenses):		
Investment income	750	754
Interest expense	(221)	(4,332)
Other revenue (expenses)	<u>1</u>	<u>(80)</u>
Change in net assets	(854)	99
Net assets at beginning of year	<u>85,600</u>	<u>18,107</u>
Net assets at end of year	<u>\$ 84,746</u>	<u>\$ 18,206</u>

Condensed Statement of Cash Flows Information

	<b>Water Pollution Control</b>	<b>Municipal Parking Lots</b>
	(Amounts in 000's)	
Net cash provided by (used for):		
Operating activities	\$ 6,925	\$ 5,320
Noncapital financing activities	1	
Capital and related financing activities	(6,077)	(6,170)
Investing activities	<u>893</u>	<u>706</u>
Net increase (decrease) in cash and cash equivalents	1,742	(144)
Beginning cash and cash equivalents	<u>12,141</u>	<u>19,330</u>
Ending cash and cash equivalents	<u>\$ 13,883</u>	<u>\$ 19,186</u>

The balances of the restricted asset accounts in the enterprise funds are as follows:

<b><u>Purpose</u></b>	<b><u>Division of Water</u></b>	<b><u>Cleveland Public Power</u></b>	<b><u>Department of Port Control</u></b>	<b><u>Municipal Parking Lots</u></b>	<b><u>Municipal Cemeteries</u></b>	<b><u>Water Pollution Control</u></b>
	(Amounts in 000's)					
Construction activities	\$ 188,110	\$ 4,534	\$ 130,823	\$ 4,492	\$	\$
Debt retirement	82,353	6,418	115,675	13,906		
Accrued passenger facility charges			68,687			
Other	<u>10,369</u>	<u>21,464</u>	<u>66,658</u>	<u>209</u>	<u>5,975</u>	<u>367</u>
Total	<u>\$ 280,832</u>	<u>\$ 32,416</u>	<u>\$ 381,843</u>	<u>\$ 18,607</u>	<u>\$ 5,975</u>	<u>\$ 367</u>

**NOTE 17 - GATEWAY ECONOMIC DEVELOPMENT CORPORATION**

The City of Cleveland, Cuyahoga County and Gateway Economic Development Corporation of Greater Cleveland (Gateway) entered into a three party agreement whereby Gateway was authorized to construct, own and provide for the operation of a professional sports facility, which includes a baseball stadium, an arena, and a joint development site. Gateway was incorporated on May 31, 1990 and is a governmental not-for-profit corporation legally separate from any other entity. In 1990, voters in Cuyahoga County agreed to levy an excise tax for the purpose of constructing such professional sports facilities. The sports facility for the Cleveland Indians (Jacobs Field) opened in April 1994. The multi-functional arena (Gund Arena) opened in October 1994.

The bonds that were issued to construct the sports facilities described above are not a debt or liability of the City. To enhance the security of the bonds, the City has agreed to pledge annually a percentage of admissions taxes on all events held at the arena to pay debt service if other revenue sources are not sufficient. Any exempted admissions tax not required for debt service will be reimbursed to the City. The City's current admissions tax rate is 7.4%. For the year ended December 31, 2005, the City pledged \$2,467,000.

In 1992, the Division of Municipal Parking Lots (the Division) issued \$71,000,000 of Parking Facilities Improvement Revenue Bonds to finance the construction of three parking facilities including two which directly service the sports facilities. In 1996, the Division issued \$81,105,000 of Parking Facilities Refunding Revenue Bonds, Series 1996 to advance refund these bonds. Debt service is covered by net revenues from the new parking facilities and other operating revenues of the Division, including all parking meter revenue. In addition, the City has pledged all amounts received by the General Fund for parking violations, waivers and criminal fines to the extent needed for the payment of debt service on the bonds. The first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The third parking facility, Willard Park Garage, was completed in April 1996.

In accordance with an agreement with Gateway, Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facility Improvement Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In 2005, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,818,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$30,738,000 at December 31, 2005. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full; therefore, these amounts do not appear in the accompanying financial statements.

**NOTE 18 – COMPLIANCE AND ACCOUNTABILITY**

At December 31, 2005, the following funds had fund balance/net asset deficiencies:

<u>Fund Name</u>	<u>Total Deficiency</u> (Amounts in 000's)
Division of Streets	\$ 990
Telephone Exchange	55

The above deficiency in the Division of Streets will be eliminated through other shared revenue receipts and operating transfers in. The deficiency in the Telephone Exchange will be eliminated by future billings to other City Divisions that utilize these services.

**NOTE 19 – SUBSEQUENT EVENTS**

The City has reached tentative agreements with 29 of the 33 labor union and bargaining units which includes wage increases of 0%, 0% and 3% effective April 2004 through March 2007. This agreement also included a one-time \$500 payment to each employee.

On March 20, 2006, legislation was passed authorizing the issuance and sale of Public Power System Revenue Refunding Bonds. This ordinance allows the City to refund any eligible outstanding Public Power System Revenue Bonds provided that the aggregate net present value of the debt service savings resulting from the refunding is not less than 3%. The authority granted in the legislation for the refunding expires March 31, 2008.

On April 10, 2006, legislation was passed authorizing the issuance and sale of General Obligation Refunding Bonds. This ordinance allows the City to refund any eligible outstanding General Obligation Bonds issued from 1994 through 2005 provided that the aggregate net present value of the debt service savings resulting from the refunding is not less than 3%. The authority granted in the legislation for the refunding expires two years from the effective date of the ordinance.

On April 10, 2006, legislation was passed authorizing the issuance and sale of Airport System Revenue Refunding Bonds. This ordinance allows the City to refund any eligible outstanding Airport Revenue Bonds issued in 1997, 2000 and 2003 provided that the aggregated net present value of the debt service savings resulting from the refunding is not less than 3%. The authority granted in the legislation for the refunding expires two years from the effective date of the ordinance.

In April 2006, legislation was passed to allow the City, Cleveland-Cuyahoga County Port Authority and Flats East Development, LLC to enter into a joint development agreement for a \$230 million Phase I project that includes approximately 200,000 square feet of entertainment, retail and commercial space, 300 residential units and an estimated 1,600 parking spaces. The project will be located on the east bank of the downtown flats area. The project is expected to create 679 new jobs, provide the City with 425 new residents and add \$1.2 million in additional new taxes annually to the City.

On June 16, 2006, UBS notified the City that it was exercising its option to enter into a swap transaction with the City pursuant to the terms of the swap agreement dated February 13, 2003 (see Note B to the Financial Statements for a description of the terms and risks associated with the swap). The floating to fixed rate swap will become effective on September 15, 2006 on a notional amount of \$58,525,000. As part of this transaction, the City will issue variable rate bonds to refund a portion of the outstanding 1996 Parking Facilities Refunding Revenue Bonds. The City is contemplating terminating the swap agreement prior to its effective date and issuing fixed rate refunding revenue bonds. In addition, the City may enter into a basis swap related to those refunding bonds.

**This Page Intentionally Left Blank.**

# **SUPPLEMENTARY INFORMATION**

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>REVENUES:</b>				
Income taxes	\$ 261,770	\$ 261,770	\$ 262,897	\$ 1,127
Property taxes	44,406	42,021	43,440	1,419
State local government funds	55,789	55,789	55,887	98
Other shared revenues	38,202	38,802	39,057	255
Licenses and permits	11,446	11,446	11,760	314
Charges for services	17,397	19,658	19,413	(245)
Fines, forfeits and settlements	19,678	17,293	16,133	(1,160)
Investment earnings	2,115	2,115	2,096	(19)
Grants	140	740	831	91
Miscellaneous	<u>18,664</u>	<u>21,173</u>	<u>20,241</u>	<u>(932)</u>
Total revenues	<u>469,607</u>	<u>470,807</u>	<u>471,755</u>	<u>948</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council and clerk of council:				
Personnel	4,311	4,211	4,204	7
Other	<u>1,411</u>	<u>1,511</u>	<u>1,341</u>	<u>170</u>
Total council and clerk of council	<u>5,722</u>	<u>5,722</u>	<u>5,545</u>	<u>177</u>
Office of the mayor:				
Personnel	1,951	1,951	1,839	112
Other	<u>216</u>	<u>216</u>	<u>195</u>	<u>21</u>
Total office of the mayor	<u>2,167</u>	<u>2,167</u>	<u>2,034</u>	<u>133</u>
Office of consumer affairs:				
Personnel	231	216	184	32
Other	<u>57</u>	<u>57</u>	<u>35</u>	<u>22</u>
Total office of consumer affairs	<u>288</u>	<u>273</u>	<u>219</u>	<u>54</u>
Office of personnel:				
Personnel	1,289	1,289	1,287	2
Other	<u>412</u>	<u>412</u>	<u>405</u>	<u>7</u>
Total office of personnel	<u>1,701</u>	<u>1,701</u>	<u>1,692</u>	<u>9</u>
Landmarks commission:				
Personnel	163	163	148	15
Other	<u>8</u>	<u>8</u>	<u>5</u>	<u>3</u>
Total landmarks commission	<u>171</u>	<u>171</u>	<u>153</u>	<u>18</u>
Board of building standards and appeals:				
Personnel	95	95	86	9
Other	<u>11</u>	<u>11</u>	<u>9</u>	<u>2</u>
Total board of building standards and appeals	<u>106</u>	<u>106</u>	<u>95</u>	<u>11</u>

(Continued)



**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Fair campaign finance commission:				
Other	\$ 2	\$ 2	\$ -	\$ 2
Total fair campaign finance commission	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>
Board of zoning appeals:				
Personnel	201	201	195	6
Other	16	16	16	-
Total board of zoning appeals	<u>217</u>	<u>217</u>	<u>211</u>	<u>6</u>
Civil service commission:				
Personnel	595	575	569	6
Other	161	161	157	4
Total civil service commission	<u>756</u>	<u>736</u>	<u>726</u>	<u>10</u>
Community relations board:				
Personnel	909	879	865	14
Other	81	81	80	1
Total community relations board	<u>990</u>	<u>960</u>	<u>945</u>	<u>15</u>
City planning commission:				
Personnel	1,467	1,437	1,377	60
Other	84	134	75	59
Total city planning commission	<u>1,551</u>	<u>1,571</u>	<u>1,452</u>	<u>119</u>
Office of equal opportunity:				
Personnel	750	705	697	8
Other	43	113	106	7
Total office of equal opportunity	<u>793</u>	<u>818</u>	<u>803</u>	<u>15</u>
Municipal court-judicial division:				
Personnel	18,556	17,605	17,371	234
Other	2,448	2,448	2,312	136
Total municipal court-judicial division	<u>21,004</u>	<u>20,053</u>	<u>19,683</u>	<u>370</u>
Municipal court-housing division:				
Personnel	8,012	2,620	2,591	29
Other	1,909	142	141	1
Total municipal court-housing division	<u>9,921</u>	<u>2,762</u>	<u>2,732</u>	<u>30</u>
Municipal court-clerks division:				
Personnel	2,646	7,868	7,710	158
Other	141	2,039	2,022	17
Total municipal court-clerks division	<u>2,787</u>	<u>9,907</u>	<u>9,732</u>	<u>175</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Office of budget and management:				
Personnel	\$ 587	\$ 532	\$ 522	\$ 10
Other	<u>22</u>	<u>22</u>	<u>15</u>	<u>7</u>
Total office of budget and management	<u>609</u>	<u>554</u>	<u>537</u>	<u>17</u>
Department of aging:				
Personnel	426	416	374	42
Other	<u>86</u>	<u>96</u>	<u>89</u>	<u>7</u>
Total department of aging	<u>512</u>	<u>512</u>	<u>463</u>	<u>49</u>
Department of law:				
Personnel	6,141	6,061	6,056	5
Other	<u>1,952</u>	<u>2,352</u>	<u>2,328</u>	<u>24</u>
Total department of law	<u>8,093</u>	<u>8,413</u>	<u>8,384</u>	<u>29</u>
Finance administration:				
Personnel	729	718	700	18
Other	<u>65</u>	<u>60</u>	<u>55</u>	<u>5</u>
Total finance administration	<u>794</u>	<u>778</u>	<u>755</u>	<u>23</u>
Division of accounts:				
Personnel	1,102	1,072	1,054	18
Other	<u>647</u>	<u>677</u>	<u>640</u>	<u>37</u>
Total division of accounts	<u>1,749</u>	<u>1,749</u>	<u>1,694</u>	<u>55</u>
Division of assessments and licenses:				
Personnel	1,307	1,297	1,281	16
Other	<u>197</u>	<u>197</u>	<u>195</u>	<u>2</u>
Total division of assessments and licenses	<u>1,504</u>	<u>1,494</u>	<u>1,476</u>	<u>18</u>
Division of treasury:				
Personnel	446	411	401	10
Other	<u>70</u>	<u>70</u>	<u>61</u>	<u>9</u>
Total division of treasury	<u>516</u>	<u>481</u>	<u>462</u>	<u>19</u>
Division of purchases and supplies:				
Personnel	502	417	401	16
Other	<u>121</u>	<u>106</u>	<u>46</u>	<u>60</u>
Total division of purchases and supplies	<u>623</u>	<u>523</u>	<u>447</u>	<u>76</u>
Bureau of internal audit:				
Personnel	388	363	348	15
Other	<u>282</u>	<u>282</u>	<u>253</u>	<u>29</u>
Total bureau of internal audit	<u>670</u>	<u>645</u>	<u>601</u>	<u>44</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of financial reporting and control:				
Personnel	\$ 1,115	\$ 1,105	\$ 1,082	\$ 23
Other	<u>183</u>	<u>183</u>	<u>37</u>	<u>146</u>
Total division of financial reporting and control	<u>1,298</u>	<u>1,288</u>	<u>1,119</u>	<u>169</u>
Office of information and technology planning:				
Personnel	271	256	250	6
Other	<u>8</u>	<u>8</u>	<u>3</u>	<u>5</u>
Total office of information and technology planning:	<u>279</u>	<u>264</u>	<u>253</u>	<u>11</u>
Division of information system services:				
Personnel	2,138	2,103	1,927	176
Other	<u>599</u>	<u>599</u>	<u>504</u>	<u>95</u>
Total division of information system services	<u>2,737</u>	<u>2,702</u>	<u>2,431</u>	<u>271</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>67,560</u>	<u>66,569</u>	<u>64,644</u>	<u>1,925</u>
Public Service:				
Public service administration:				
Personnel	506	510	509	1
Other	<u>15</u>	<u>15</u>	<u>14</u>	<u>1</u>
Total public service administration	<u>521</u>	<u>525</u>	<u>523</u>	<u>2</u>
Division of architecture:				
Personnel	646	646	645	1
Other	<u>36</u>	<u>36</u>	<u>33</u>	<u>3</u>
Total division of architecture	<u>682</u>	<u>682</u>	<u>678</u>	<u>4</u>
Division of waste collection and disposal:				
Personnel	14,228	14,368	14,351	17
Other	<u>11,341</u>	<u>12,101</u>	<u>11,999</u>	<u>102</u>
Total division of waste collection and disposal	<u>25,569</u>	<u>26,469</u>	<u>26,350</u>	<u>119</u>
Division of engineering and construction:				
Personnel	4,571	4,556	4,476	80
Other	<u>388</u>	<u>378</u>	<u>361</u>	<u>17</u>
Total division of engineering and construction	<u>4,959</u>	<u>4,934</u>	<u>4,837</u>	<u>97</u>
Division of traffic engineering:				
Personnel	3,109	3,109	3,043	66
Other	<u>1,182</u>	<u>1,232</u>	<u>1,196</u>	<u>36</u>
Total division of traffic engineering	<u>4,291</u>	<u>4,341</u>	<u>4,239</u>	<u>102</u>
<b>TOTAL PUBLIC SERVICE</b>	<u>36,022</u>	<u>36,951</u>	<u>36,627</u>	<u>324</u>
Public Safety:				
Public safety administration:				
Personnel	2,372	2,347	2,278	69
Other	<u>381</u>	<u>351</u>	<u>300</u>	<u>51</u>
Total public safety administration	<u>2,753</u>	<u>2,698</u>	<u>2,578</u>	<u>120</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of police:				
Personnel	\$ 155,986	\$ 156,386	\$ 155,465	\$ 921
Other	<u>10,984</u>	<u>10,504</u>	<u>10,030</u>	<u>474</u>
Total division of police	<u>166,970</u>	<u>166,890</u>	<u>165,495</u>	<u>1,395</u>
Division of fire:				
Personnel	75,887	77,737	77,730	7
Other	<u>3,030</u>	<u>2,780</u>	<u>2,734</u>	<u>46</u>
Total division of fire	<u>78,917</u>	<u>80,517</u>	<u>80,464</u>	<u>53</u>
Division of emergency medical services:				
Personnel	19,578	21,018	20,375	643
Other	<u>1,774</u>	<u>1,829</u>	<u>1,714</u>	<u>115</u>
Total division of emergency medical services	<u>21,352</u>	<u>22,847</u>	<u>22,089</u>	<u>758</u>
Division of dog pound:				
Personnel	704	704	693	11
Other	<u>130</u>	<u>135</u>	<u>123</u>	<u>12</u>
Total division of dog pound	<u>834</u>	<u>839</u>	<u>816</u>	<u>23</u>
TOTAL PUBLIC SAFETY	<u>270,826</u>	<u>273,791</u>	<u>271,442</u>	<u>2,349</u>
Community Development:				
Division of administration services:				
Personnel	722	722	721	1
Other	<u>105</u>	<u>105</u>	<u>105</u>	<u>-</u>
Total division of administration services	<u>827</u>	<u>827</u>	<u>826</u>	<u>1</u>
Division of neighborhood services:				
Personnel	<u>383</u>	<u>383</u>	<u>383</u>	<u>-</u>
Total division of neighborhood services	<u>383</u>	<u>383</u>	<u>383</u>	<u>-</u>
Division of neighborhood development:				
Personnel	734	734	700	34
Other	<u>200</u>	<u>221</u>	<u>221</u>	<u>-</u>
Total division of neighborhood development	<u>934</u>	<u>955</u>	<u>921</u>	<u>34</u>
Director's office:				
Personnel	<u>192</u>	<u>192</u>	<u>192</u>	<u>-</u>
Total director's office	<u>192</u>	<u>192</u>	<u>192</u>	<u>-</u>
TOTAL COMMUNITY DEVELOPMENT	<u>2,336</u>	<u>2,357</u>	<u>2,322</u>	<u>35</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Building and Housing:				
Director's office:				
Personnel	\$ 1,682	\$ 1,684	\$ 1,684	\$ -
Other	447	447	415	32
Total director's office	<u>2,129</u>	<u>2,131</u>	<u>2,099</u>	<u>32</u>
Division of code enforcement:				
Personnel	6,932	6,747	6,722	25
Other	213	198	197	1
Total division of code enforcement	<u>7,145</u>	<u>6,945</u>	<u>6,919</u>	<u>26</u>
Division of construction permitting:				
Personnel	1,505	1,485	1,459	26
Other	20	20	19	1
Total division of construction permitting	<u>1,525</u>	<u>1,505</u>	<u>1,478</u>	<u>27</u>
TOTAL BUILDING AND HOUSING	<u>10,799</u>	<u>10,581</u>	<u>10,496</u>	<u>85</u>
Public Health:				
Public health administration:				
Personnel	648	623	608	15
Other	79	84	75	9
Total public health administration	<u>727</u>	<u>707</u>	<u>683</u>	<u>24</u>
Division of correction:				
Personnel	5,200	5,085	5,020	65
Other	1,561	1,641	1,474	167
Total division of correction	<u>6,761</u>	<u>6,726</u>	<u>6,494</u>	<u>232</u>
Division of health:				
Personnel	2,273	2,253	2,231	22
Other	1,043	1,028	1,011	17
Total division of health	<u>3,316</u>	<u>3,281</u>	<u>3,242</u>	<u>39</u>
Division of environment:				
Personnel	902	1,077	885	192
Other	215	240	233	7
Total division of environment	<u>1,117</u>	<u>1,317</u>	<u>1,118</u>	<u>199</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of air quality:				
Personnel	\$ 108	\$ 108	\$ 105	\$ 3
Other	<u>318</u>	<u>318</u>	<u>295</u>	<u>23</u>
Total division of air quality	<u>426</u>	<u>426</u>	<u>400</u>	<u>26</u>
TOTAL PUBLIC HEALTH	<u>12,347</u>	<u>12,457</u>	<u>11,937</u>	<u>520</u>
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	570	570	560	10
Other	<u>164</u>	<u>164</u>	<u>157</u>	<u>7</u>
Total parks, recreation and properties administration	<u>734</u>	<u>734</u>	<u>717</u>	<u>17</u>
Division of research, planning and development:				
Personnel	672	672	670	2
Other	<u>75</u>	<u>75</u>	<u>63</u>	<u>12</u>
Total division of research, planning and development	<u>747</u>	<u>747</u>	<u>733</u>	<u>14</u>
Division of recreation:				
Personnel	8,701	8,182	8,175	7
Other	<u>3,602</u>	<u>3,672</u>	<u>3,608</u>	<u>64</u>
Total division of recreation	<u>12,303</u>	<u>11,854</u>	<u>11,783</u>	<u>71</u>
Division of parking facilities:				
Personnel	1,086	1,131	1,105	26
Other	<u>50</u>	<u>70</u>	<u>59</u>	<u>11</u>
Total division of parking facilities	<u>1,136</u>	<u>1,201</u>	<u>1,164</u>	<u>37</u>
Division of park maintenance and properties:				
Personnel	8,756	8,340	8,262	78
Other	<u>4,779</u>	<u>4,879</u>	<u>4,695</u>	<u>184</u>
Total division of park maintenance and properties	<u>13,535</u>	<u>13,219</u>	<u>12,957</u>	<u>262</u>
Division of property management:				
Personnel	6,259	6,153	6,107	46
Other	<u>2,867</u>	<u>2,712</u>	<u>2,165</u>	<u>547</u>
Total division of property management	<u>9,126</u>	<u>8,865</u>	<u>8,272</u>	<u>593</u>
TOTAL PARKS, RECREATION AND PROPERTIES	<u>37,581</u>	<u>36,620</u>	<u>35,626</u>	<u>994</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Economic Development:				
Economic development administration:				
Personnel	\$ 1,032	\$ 982	\$ 939	\$ 43
Other	<u>63</u>	<u>63</u>	<u>51</u>	<u>12</u>
Total economic development administration	<u>1,095</u>	<u>1,045</u>	<u>990</u>	<u>55</u>
TOTAL ECONOMIC DEVELOPMENT	<u>1,095</u>	<u>1,045</u>	<u>990</u>	<u>55</u>
Non-Departmental Expenditures:				
Other	<u>19,366</u>	<u>18,011</u>	<u>17,239</u>	<u>772</u>
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>19,366</u>	<u>18,011</u>	<u>17,239</u>	<u>772</u>
TOTAL EXPENDITURES	<u>457,932</u>	<u>458,382</u>	<u>451,323</u>	<u>7,059</u>
EXCESS OF REVENUES OVER EXPENDITURES	11,675	12,425	20,432	8,007
OTHER FINANCING SOURCES (USES):				
Transfers in	5,395	5,395	6,680	1,285
Transfers out	(20,015)	(20,765)	(19,582)	1,183
Proceeds from the sale of land	<u>          </u>	<u>          </u>	<u>87</u>	<u>87</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,620)</u>	<u>(15,370)</u>	<u>(12,815)</u>	<u>2,555</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u>          </u>	<u>          </u>	<u>3,309</u>	<u>3,309</u>
NET CHANGE IN FUND BALANCES	(2,945)	(2,945)	10,926	13,871
FUND BALANCES AT BEGINNING OF YEAR	<u>2,998</u>	<u>2,998</u>	<u>2,998</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 53</u>	<u>\$ 53</u>	<u>\$ 13,924</u>	<u>\$ 13,871</u>

(Concluded)

**This Page Intentionally Left Blank.**



# CITY OF CLEVELAND, OHIO

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City's special revenue funds are described below:

Division of Streets	To account for motor vehicle license tax and gasoline excise tax used for the repair and building of streets.
Restricted Income Tax	To account for one-ninth of the City's income tax collections. Monies are to be used for capital improvement purposes and repayment of debt.
Rainy Day Reserve Fund	To account for revenue which is eligible to be used during significant periods of economic downturn.
Schools Recreation and Cultural Activities Fund	To account for revenue from special taxes earmarked for Cleveland Municipal Schools for recreation and cultural activities.
Cleveland Stadium Operations	To account for the operating activities of Cleveland Browns Stadium.
Community Development Block Grants	To account for revenue from the federal government and expenditures as prescribed under the Community Development Block Grant Program.
Community Development Funds	To account for revenue earmarked for City-wide development.
Building and Housing Funds	To account for revenue earmarked to administer and enforce the provisions of the Cleveland building, housing and zoning codes plus the national electrical code and state building, plumbing and elevator codes.
Urban Development Action Funds	To account for revenue from the federal government under the Urban Development Action Grant Program.
Economic Development Funds	To account for revenue earmarked to revitalize distressed cities by stimulating economic development.
Home Weatherization Grants	To account for revenue from the State of Ohio and expenditures as prescribed under the Home Weatherization Assistance Program.
Work Force Investment Act (WIA)	To account for revenue and expenditures from the State of Ohio under the Work Force Investment Act.
General Government Funds	To account for revenue earmarked for general government activities.

**SPECIAL REVENUE FUNDS (Continued)**

Public Service Funds	To account for revenue earmarked for the public service activity.
Public Safety Funds	To account for revenue earmarked for public safety activities.
Public Health Funds	To account for revenue earmarked for the improvement of public health.
Parks, Recreation and Properties Funds	To account for revenue earmarked for parks, recreation and properties activities.
Gateway Shared Income Tax Funds	To account for municipal income tax revenue derived from persons employed at the Arena and Jacobs Field with 50% of the revenues shared with the other taxing districts in the City.
Neighborhood Development Investment Fund	To account for revenue earmarked for the Neighborhood Development Investment Fund.
Core City Program Funds	To account for revenue earmarked for certain economic and community development projects.
Supplemental Empowerment Zone	To account for revenue from the U.S. Department of Housing and Urban Development Program designed to help rebuild specified urban communities.

**DEBT SERVICE FUNDS**

Debt service funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs. The City's debt service funds are described below:

Unvoted Tax-Supported Obligations Fund	To account for the accumulation of resources for the payment of general obligation bonds of the City not requiring a vote of the electors, other than self-supporting obligations, payable from ad valorem property taxes levied within the limitations provided by law.
Stadium Bond Fund	To account for the accumulation of resources for the payment of the stadium certificates of participation from pledged City taxes.
Subordinated Income Tax Fund	To account for the accumulation of resources for the payment of subordinated income tax variable rate refunding bonds payable from pledged income taxes.
Subordinated Income Tax Reserve Fund	The account is to be maintained at an amount equal to the maximum bond service charges required to be paid in any subsequent six month period.
Urban Renewal Notes	To account for the funds accumulated for the payment of the debt service charges on Taxable Urban Renewal Notes issued for the purchase of certain properties.

**DEBT SERVICE FUNDS (Continued)**

Lower Euclid Avenue TIF	To account for the accumulation of resources for the payment of Economic Development Bonds payable from tax increment financing revenues and a pledge of the non-tax revenue of the City.
Core City Bonds	To account for the accumulation of resources for the payment of taxable Economic and Community Development Bonds payable from non-tax and net project revenues.
Urban Renewal Fund	To account for the accumulation of resources for the payment of tax increment Urban Renewal Bonds payable from deposits made in lieu of taxes.
Urban Renewal Reserve Fund	The account is to be maintained at an amount equal to one year's maximum annual debt service on certain Urban Renewal Bonds and can be used to cover any debt insufficiency payable from certain urban renewal bonds.

**CAPITAL PROJECT FUNDS**

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City's capital project funds are described below:

Capital/Urban Renewal Bond Construction	To account for all bond proceeds and capital projects costs of bond-funded capital acquisitions, tax increment urban renewal bond issues and construction within the City.
Grant Improvement	To account for capital grant revenues which fund capital improvement projects within the City.
Capital Improvement	To account for miscellaneous revenues which fund capital projects.
Certificates of Participation/Capital Leases	To account for certificates of participation and capital lease proceeds which fund certain capital funds.
Cleveland Stadium Construction	To account for bond proceeds and capital projects costs of the Cleveland Browns Stadium.

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	Special Revenue Funds - Budgeted					
	Division of Streets	Restricted Income Tax	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations	Total Budgeted Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 534	\$ 11,121	\$ 2,251	\$ 4	\$ 1,644	\$ 15,554
Investments						
Receivables:						
Taxes		5,579				5,579
Accounts	9					9
Grants						-
Loans						-
Accrued interest					3	3
Assessments						-
Less: Allowance for doubtful accounts						-
Receivables, net	<u>9</u>	<u>5,579</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>5,591</u>
Due from other funds	60	7,212				7,272
Due from other governments	7,321					7,321
Inventory of supplies	<u>818</u>					<u>818</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,742</u>	<u>\$ 23,912</u>	<u>\$ 2,251</u>	<u>\$ 4</u>	<u>\$ 1,647</u>	<u>\$ 36,556</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,911	\$ 958	\$	\$	\$ 6	\$ 2,875
Accrued wages and benefits	1,691					1,691
Due to other governments					238	238
Deferred revenue	4,766	1,776				6,542
Unearned revenue						-
Due to other funds	<u>1,364</u>	<u>133</u>	<u>2,251</u>			<u>3,748</u>
Total liabilities	<u>9,732</u>	<u>2,867</u>	<u>2,251</u>	<u>-</u>	<u>244</u>	<u>15,094</u>
<b>FUND BALANCES</b>						
Reserves for:						
Loans						-
Inventory	818					818
Debt service					1,243	1,243
Encumbrances	396	8,451				8,847
Unreserved:						
Designated for future capital improvements		8,274				8,274
Undesignated	<u>(2,204)</u>	<u>4,320</u>		<u>4</u>	<u>160</u>	<u>2,280</u>
Total fund balances	<u>(990)</u>	<u>21,045</u>	<u>-</u>	<u>4</u>	<u>1,403</u>	<u>21,462</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,742</u>	<u>\$ 23,912</u>	<u>\$ 2,251</u>	<u>\$ 4</u>	<u>\$ 1,647</u>	<u>\$ 36,556</u>

**Special Revenue Funds - Non-Budgeted**

<b>Community Development Block Grants</b>	<b>Community Development Funds</b>	<b>Building and Housing Funds</b>	<b>Urban Development Action Funds</b>	<b>Economic Development Funds</b>	<b>Home Weatherization Grants</b>	<b>WIA Grants</b>	<b>General Government Funds</b>
\$ 19	\$ 2,017	\$	\$ 13,817	\$ 13,361 4,963	\$	\$	\$ 15,549
							11
21,145	14,957		103,394	14,585 17			
2,520							
<u>23,665</u>	<u>14,957</u>	<u>-</u>	<u>103,394</u>	<u>14,602</u>	<u>-</u>	<u>-</u>	<u>11</u>
5	6	229				1	65
1,183	740			1,413	304	3,782	275
<u>\$ 24,872</u>	<u>\$ 17,720</u>	<u>\$ 229</u>	<u>\$ 117,211</u>	<u>\$ 34,339</u>	<u>\$ 304</u>	<u>\$ 3,783</u>	<u>\$ 15,900</u>
\$ 744	\$ 241	\$ 194	\$ 8	\$ 1,096	\$ 48	\$ 74	\$ 235
332	8			2		238	45
12,889	6,984		1	4,441			463
2,039							94
	279						144
535	47	35			256	3,471	38
<u>16,539</u>	<u>7,559</u>	<u>229</u>	<u>9</u>	<u>5,539</u>	<u>304</u>	<u>3,783</u>	<u>1,019</u>
8,333	7,957		103,394	10,144			
			1,559				
	1,258		7,376	8,065			1,852
			1,096	807			4,289
	946		3,777	9,784			8,740
<u>8,333</u>	<u>10,161</u>	<u>-</u>	<u>117,202</u>	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>14,881</u>
<u>\$ 24,872</u>	<u>\$ 17,720</u>	<u>\$ 229</u>	<u>\$ 117,211</u>	<u>\$ 34,339</u>	<u>\$ 304</u>	<u>\$ 3,783</u>	<u>\$ 15,900</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2005**

**(Amounts in 000's)**

	Special Revenue Funds - Non-Budgeted				
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Gateway Shared Income Tax Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,436	\$ 3,373	\$ 1,771	\$ 2,373	\$ 1,504
Investments				100	
Receivables:					
Taxes					
Accounts				6	
Grants					
Loans				184	
Accrued interest					
Assessments					
Less: Allowance for doubtful accounts					
Receivables, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>190</u>	<u>-</u>
Due from other funds		9	282	11	
Due from other governments		2,536	1,925		306
Inventory of supplies					
<b>TOTAL ASSETS</b>	<u>\$ 1,436</u>	<u>\$ 5,918</u>	<u>\$ 3,978</u>	<u>\$ 2,674</u>	<u>\$ 1,810</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 14	\$ 735	\$ 559	\$ 88	\$ -
Accrued wages and benefits		46	337		
Due to other governments	37	1,248	1,443	88	1,566
Deferred revenue					48
Unearned revenue	106	1,291	935	81	
Due to other funds		<u>91</u>	<u>16</u>		<u>196</u>
Total liabilities	<u>157</u>	<u>3,411</u>	<u>3,290</u>	<u>257</u>	<u>1,810</u>
<b>FUND BALANCE</b>					
Reserves for:					
Loans				184	
Inventory					
Debt service					
Encumbrances	18	486	37	113	
Unreserved:					
Designated for future capital improvements	177			174	
Undesignated	<u>1,084</u>	<u>2,021</u>	<u>651</u>	<u>1,946</u>	
Total fund balances	<u>1,279</u>	<u>2,507</u>	<u>688</u>	<u>2,417</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,436</u>	<u>\$ 5,918</u>	<u>\$ 3,978</u>	<u>\$ 2,674</u>	<u>\$ 1,810</u>

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted			
Neighborhood Development Investment <u>Fund</u>	Core City Program <u>Funds</u>	Supplemental Empowerment Zone	Total Non-Budgeted <u>Funds</u>	Total Special Revenue <u>Funds</u>	Unvoted Tax Supported Obligations <u>Fund</u>	Stadium Bond <u>Fund</u>	Subordinated Income Tax <u>Fund</u>	Subordinated Income Tax Reserve <u>Fund</u>
\$ 8,249	\$ 42,505	\$	\$ 105,974	\$ 121,528	\$ 2,365	\$ 687	\$ 1,391	\$ 2
			5,063	5,063	2,935			
			-	5,579	24,808			
	100		117	126				
			-	-	871			
31,003	1,098	43,236	229,602	229,602				
	135		152	155	21	2	4	
			2,520	2,520				
			-	-				
<u>31,003</u>	<u>1,333</u>	<u>43,236</u>	<u>232,391</u>	<u>237,982</u>	<u>25,700</u>	<u>2</u>	<u>4</u>	<u>-</u>
			608	7,880				
		4,055	16,519	23,840	2,657			
			-	818				
<u>\$ 39,252</u>	<u>\$ 43,838</u>	<u>\$ 47,291</u>	<u>\$ 360,555</u>	<u>\$ 397,111</u>	<u>\$ 33,657</u>	<u>\$ 689</u>	<u>\$ 1,395</u>	<u>\$ 2</u>
\$	\$	\$ 304	\$ 4,340	\$ 7,215	\$	\$	\$	\$
		53	1,061	2,752				
		43,906	73,066	73,304				
			2,181	8,723	28,336			
		1	2,837	2,837				
		2,749	7,434	11,182				
<u>-</u>	<u>-</u>	<u>47,013</u>	<u>90,919</u>	<u>106,013</u>	<u>28,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
31,003	1,098		162,113	162,113				
			-	818				
	548		2,107	3,350	5,321	689	1,395	2
4,782	26,197		50,184	59,031				
			6,887	15,161				
344			48,345	50,625				
<u>3,123</u>	<u>15,995</u>	<u>278</u>	<u>269,636</u>	<u>291,098</u>	<u>5,321</u>	<u>689</u>	<u>1,395</u>	<u>2</u>
<u>39,252</u>	<u>43,838</u>	<u>278</u>						
<u>\$ 39,252</u>	<u>\$ 43,838</u>	<u>\$ 47,291</u>	<u>\$ 360,555</u>	<u>\$ 397,111</u>	<u>\$ 33,657</u>	<u>\$ 689</u>	<u>\$ 1,395</u>	<u>\$ 2</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005  
(Amounts in 000's)**

	Debt Service Funds Budgeted				Debt Service Funds Non- Budgeted			
	Urban Renewal Notes	Lower Euclid Ave TIF	Core City Bonds	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non- Budgeted Funds	Total Debt Service Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 6	\$ 17	\$ 2,155	\$ 6,623	\$ 3	\$ 14	\$ 17	\$ 6,640
Investments			173	3,108	887	1,866	2,753	5,861
Receivables:								
Taxes				24,808				24,808
Accounts				-				-
Grants				871				871
Loans				-				-
Accrued interest			7	34	9	19	28	62
Assessments				-				-
Less: Allowance for doubtful accounts				-				-
Receivables, net	<u>-</u>	<u>-</u>	<u>7</u>	<u>25,713</u>	<u>9</u>	<u>19</u>	<u>28</u>	<u>25,741</u>
Due from other funds				-				-
Due from other governments				2,657				2,657
Inventory of supplies				-				-
<b>TOTAL ASSETS</b>	<u>\$ 6</u>	<u>\$ 17</u>	<u>\$ 2,335</u>	<u>\$ 38,101</u>	<u>\$ 899</u>	<u>\$ 1,899</u>	<u>\$ 2,798</u>	<u>\$ 40,899</u>
<b>LIABILITIES</b>								
Accounts payable	\$	\$	\$	\$ -	\$	\$	\$	\$ -
Accrued wages and benefits				-				-
Due to other governments				-				-
Deferred revenue				28,336				28,336
Unearned revenue				-				-
Due to other funds				-				-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,336</u>
<b>FUND BALANCE</b>								
Reserve for:								
Loans				-				-
Inventory				-				-
Debt service	6	17	2,335	9,765	899	1,899	2,798	12,563
Encumbrances				-				-
Unreserved:								
Designated for future capital improvements				-				-
Undesignated				-				-
Total fund balances	<u>6</u>	<u>17</u>	<u>2,335</u>	<u>9,765</u>	<u>899</u>	<u>1,899</u>	<u>2,798</u>	<u>12,563</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6</u>	<u>\$ 17</u>	<u>\$ 2,335</u>	<u>\$ 38,101</u>	<u>\$ 899</u>	<u>\$ 1,899</u>	<u>\$ 2,798</u>	<u>\$ 40,899</u>



Capital Projects Funds Non-Budgeted						
<u>Capital/ Urban Renewal Bond Construction</u>	<u>Grant Improvement</u>	<u>Capital Improvement</u>	<u>Certificates of Participation/ Capital Leases</u>	<u>Cleveland Stadium Construction</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 66,038 14,001	\$	\$ 3,910	\$ 8,255	\$ 5,716	\$ 83,919 14,001	\$ 212,087 24,925
					-	30,387
					-	126
					-	871
					-	229,602
441				12	453	670
					-	2,520
					-	-
<u>441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>453</u>	<u>264,176</u>
					-	7,880
	1,459				1,459	27,956
					-	818
<u>\$ 80,480</u>	<u>\$ 1,459</u>	<u>\$ 3,910</u>	<u>\$ 8,255</u>	<u>\$ 5,728</u>	<u>\$ 99,832</u>	<u>\$ 537,842</u>
\$ 1,385 123	\$	\$ 3,910	\$ 1,000	\$	\$ 6,295 -	\$ 13,510 2,752
					123	73,427
					-	37,059
	735				735	3,572
	724			38	762	11,944
<u>1,508</u>	<u>1,459</u>	<u>3,910</u>	<u>1,000</u>	<u>38</u>	<u>7,915</u>	<u>142,264</u>
					-	162,113
					-	818
					-	15,913
40,444			1,723		42,167	101,198
35,414			5,202	5,690	46,306	61,467
3,114			330		3,444	54,069
<u>78,972</u>	<u>-</u>	<u>-</u>	<u>7,255</u>	<u>5,690</u>	<u>91,917</u>	<u>395,578</u>
<u>\$ 80,480</u>	<u>\$ 1,459</u>	<u>\$ 3,910</u>	<u>\$ 8,255</u>	<u>\$ 5,728</u>	<u>\$ 99,832</u>	<u>\$ 537,842</u>

(Concluded)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2005  
(Amounts in 000's)**

	Special Revenue Funds - Budgeted					Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations	
<b>REVENUES:</b>						
Income taxes	\$	\$ 32,466	\$	\$	\$	\$ 32,466
Property taxes						-
Other shared revenues	14,131				1,242	15,373
Licenses and permits	1,870					1,870
Charges for services					250	250
Fines, forfeits and settlements						-
Investment earnings		281			88	369
Grants						-
Contributions						-
Miscellaneous	323				2	325
Total revenues	<u>16,324</u>	<u>32,747</u>	<u>-</u>	<u>-</u>	<u>1,582</u>	<u>50,653</u>
<b>EXPENDITURES:</b>						
Current:						
General government						-
Public service	22,134			2,000		24,134
Public safety						-
Community development						-
Building and housing						-
Public health						-
Parks, recreation and properties					392	392
Economic development						-
Capital outlay		11,335				11,335
Inception of capital lease						-
Debt service:						
Principal retirement		1,824			2,260	4,084
Interest		437			6,824	7,261
Other						-
Total expenditures	<u>22,134</u>	<u>13,596</u>	<u>-</u>	<u>2,000</u>	<u>9,476</u>	<u>47,206</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,810)</u>	<u>19,151</u>	<u>-</u>	<u>(2,000)</u>	<u>(7,894)</u>	<u>3,447</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	5,650			2,000	9,425	17,075
Transfers out		(16,000)				(16,000)
Proceeds from the sale of bonds						-
Premium on bonds and notes						-
Discount on bonds and notes						-
Payment to refund bonds and notes						-
Proceeds from sale of land						-
Proceeds from capital lease						-
Total other financing sources (uses)	<u>5,650</u>	<u>(16,000)</u>	<u>-</u>	<u>2,000</u>	<u>9,425</u>	<u>1,075</u>
NET CHANGE IN FUND BALANCES	(160)	3,151	-	-	1,531	4,522
FUND BALANCES AT BEGINNING OF YEAR	<u>(830)</u>	<u>17,894</u>	<u></u>	<u>4</u>	<u>(128)</u>	<u>16,940</u>
FUND BALANCES AT END OF YEAR	<u>\$ (990)</u>	<u>\$ 21,045</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 1,403</u>	<u>\$ 21,462</u>

**Special Revenue Funds - Non-Budgeted**

<u>Community Development Block Grants</u>	<u>Community Development Funds</u>	<u>Building and Housing Funds</u>	<u>Urban Development Action Funds</u>	<u>Economic Development Funds</u>	<u>Home Weatherization Grants</u>	<u>WIA Grants</u>	<u>General Government Funds</u>
\$	\$	\$	\$	\$	\$	\$	\$
				1,338			16
			19	10			1,362
							2,254
	5		289	333			253
36,368	9,887			3,915	2,615	14,171	667
	3,487						80
	520		587	202			13
<u>36,368</u>	<u>13,899</u>	<u>-</u>	<u>895</u>	<u>5,798</u>	<u>2,615</u>	<u>14,171</u>	<u>4,645</u>
							4,012
36,171	14,710				2,615		
			1,754	6,691		14,171	
90	2		109	55			2,545
<u>36,261</u>	<u>14,712</u>	<u>-</u>	<u>1,863</u>	<u>6,746</u>	<u>2,615</u>	<u>14,171</u>	<u>6,557</u>
107	(813)	-	(968)	(948)	-	-	(1,912)
	32		180	(1,479)			1,814
			(1,563)				(1,667)
<u>-</u>	<u>32</u>	<u>-</u>	<u>(1,383)</u>	<u>(1,479)</u>	<u>-</u>	<u>-</u>	<u>147</u>
107	(781)	-	(2,351)	(2,427)	-	-	(1,765)
<u>8,226</u>	<u>10,942</u>	<u>-</u>	<u>119,553</u>	<u>31,227</u>	<u>-</u>	<u>-</u>	<u>16,646</u>
<u>\$ 8,333</u>	<u>\$ 10,161</u>	<u>\$ -</u>	<u>\$ 117,202</u>	<u>\$ 28,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,881</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted				
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Gateway Shared Income Tax Funds
REVENUES:					
Income taxes	\$	\$	\$	\$	\$
Property taxes					
Other shared revenues					1,455
Licenses and permits		1	1,140	15	
Charges for services	461		252	21	
Fines, forfeits and settlements		1,032			
Investment earnings	21	48	13	45	
Grants	60	8,267	10,948	148	
Contributions		7	2	74	
Miscellaneous			9	5	
Total revenues	<u>542</u>	<u>9,355</u>	<u>12,364</u>	<u>308</u>	<u>1,455</u>
EXPENDITURES:					
Current:					
General government					1,455
Public service	63				
Public safety		9,076			
Community development					
Building and housing					
Public health			12,302		
Parks, recreation and properties				1,065	
Economic development					
Capital outlay	289	414			
Inception of capital lease					
Debt service:					
Principal retirement					
Interest					
Other					
Total expenditures	<u>352</u>	<u>9,490</u>	<u>12,302</u>	<u>1,065</u>	<u>1,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>190</u>	<u>(135)</u>	<u>62</u>	<u>(757)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in					
Transfers out				(253)	
Proceeds from the sale of bonds					
Premium on bonds and notes					
Discount on bonds and notes					
Payment to refund bonds and notes					
Proceeds from sale of land					
Proceeds from capital lease					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	190	(135)	62	(1,010)	-
FUND BALANCES AT BEGINNING OF YEAR	<u>1,089</u>	<u>2,642</u>	<u>626</u>	<u>3,427</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 1,279</u>	<u>\$ 2,507</u>	<u>\$ 688</u>	<u>\$ 2,417</u>	<u>\$ -</u>

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted			
Neighborhood Development Investment Fund	City Core Program Funds	Supplemental Empowerment Zone	Total Non- Budgeted Funds	Total Special Revenue Funds	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Subordinated Income Tax Reserve Fund
\$	\$	\$	\$ -	\$ 32,466	\$	\$	\$	\$
			-	-	22,616			
249			3,058	18,431	2,658			
			1,156	3,026				
	17		2,142	2,392				
			3,286	3,286				
225	1,236	56	2,524	2,893	393	29	23	
		13,539	100,585	100,585	974			
			3,650	3,650				
629	546	609	3,120	3,445		10		
<u>1,103</u>	<u>1,799</u>	<u>14,204</u>	<u>119,521</u>	<u>170,174</u>	<u>26,641</u>	<u>39</u>	<u>23</u>	<u>-</u>
			5,467	5,467				
			63	24,197				
			9,076	9,076				
			53,496	53,496				
			-	-				
			12,302	12,302				
			1,065	1,457				
727	2	16,136	39,481	39,481				
			3,504	14,839				
			-	-				
			-	4,084	28,150		1,600	
			-	7,261	16,156	621	3,152	
			-	-				
<u>727</u>	<u>2</u>	<u>16,136</u>	<u>124,454</u>	<u>171,660</u>	<u>44,306</u>	<u>621</u>	<u>4,752</u>	<u>-</u>
<u>376</u>	<u>1,797</u>	<u>(1,932)</u>	<u>(4,933)</u>	<u>(1,486)</u>	<u>(17,665)</u>	<u>(582)</u>	<u>(4,729)</u>	<u>-</u>
			2,026	19,101	11,428		5,107	
	(160)		(5,122)	(21,122)				
			-	-				
			-	-				
			-	-	4,067			
			-	-				
<u>-</u>	<u>(160)</u>	<u>-</u>	<u>(3,096)</u>	<u>(2,021)</u>	<u>15,495</u>	<u>-</u>	<u>5,107</u>	<u>-</u>
376	1,637	(1,932)	(8,029)	(3,507)	(2,170)	(582)	378	-
<u>38,876</u>	<u>42,201</u>	<u>2,210</u>	<u>277,665</u>	<u>294,605</u>	<u>7,491</u>	<u>1,271</u>	<u>1,017</u>	<u>2</u>
\$ 39,252	\$ 43,838	\$ 278	\$ 269,636	\$ 291,098	\$ 5,321	\$ 689	\$ 1,395	\$ 2

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	Debt Service Funds Budgeted				Debt Service Funds Non- Budgeted			Total Debt Service Funds
	Urban Renewal Notes	Lower Euclid Ave TIF	Core City Bonds	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non- Budgeted Funds	
REVENUES:								
Income taxes	\$	\$	\$	\$ -	\$	\$	\$ -	\$ -
Property taxes				22,616			-	22,616
Other shared revenues				2,658			-	2,658
Licenses and permits				-			-	-
Charges for services				-			-	-
Fines, forfeits and settlements				-			-	-
Investment earnings	3		85	533	18	44	62	595
Grants				974			-	974
Contributions				-			-	-
Miscellaneous				10	1,373		1,373	1,383
Total revenues	<u>3</u>	<u>-</u>	<u>85</u>	<u>26,791</u>	<u>1,391</u>	<u>44</u>	<u>1,435</u>	<u>28,226</u>
EXPENDITURES:								
Current:								
General government				-			-	-
Public service				-			-	-
Public safety				-			-	-
Community development				-			-	-
Building and housing				-			-	-
Public health				-			-	-
Parks, recreation and properties				-			-	-
Economic development				-			-	-
Capital outlay				-			-	-
Inception of capital lease				-			-	-
Debt service:								
Principal retirement	4,300	45	585	34,680	360		360	35,040
Interest	107	160	1,848	22,044	517		517	22,561
Other			98	98	481		481	579
Total expenditures	<u>4,407</u>	<u>205</u>	<u>2,531</u>	<u>56,822</u>	<u>1,358</u>	<u>-</u>	<u>1,358</u>	<u>58,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,404)</u>	<u>(205)</u>	<u>(2,446)</u>	<u>(30,031)</u>	<u>33</u>	<u>44</u>	<u>77</u>	<u>(29,954)</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	107	208	1,723	18,573	10	17	27	18,600
Transfers out				-	(67)		(67)	(67)
Proceeds from the sale of bonds				-			-	-
Premium on bonds and notes				-			-	-
Discount on bonds and notes				-			-	-
Payment to refund bonds and notes				-			-	-
Proceeds from the sale of land	4,300			8,367			-	8,367
Proceeds from capital lease				-			-	-
Total other financing sources (uses)	<u>4,407</u>	<u>208</u>	<u>1,723</u>	<u>26,940</u>	<u>(57)</u>	<u>17</u>	<u>(40)</u>	<u>26,900</u>
NET CHANGE IN FUND BALANCES	3	3	(723)	(3,091)	(24)	61	37	(3,054)
FUND BALANCES AT BEGINNING OF YEAR	<u>3</u>	<u>14</u>	<u>3,058</u>	<u>12,856</u>	<u>923</u>	<u>1,838</u>	<u>2,761</u>	<u>15,617</u>
FUND BALANCES AT END OF YEAR	<u>\$ 6</u>	<u>\$ 17</u>	<u>\$ 2,335</u>	<u>\$ 9,765</u>	<u>\$ 899</u>	<u>\$ 1,899</u>	<u>\$ 2,798</u>	<u>\$ 12,563</u>

Capital Projects Funds						
Non-Budgeted						
Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$ -	\$ 32,466
					-	22,616
					-	21,089
					-	3,026
					-	2,392
					-	3,286
2,660		2	114	159	2,935	6,423
	23,749				23,749	125,308
					-	3,650
					-	4,828
<u>2,660</u>	<u>23,749</u>	<u>2</u>	<u>114</u>	<u>159</u>	<u>26,684</u>	<u>225,084</u>
495				22	517	5,984
					-	24,197
					-	9,076
					-	53,496
					-	-
					-	12,302
					-	1,457
45,841	23,749			9	69,599	84,438
			4,130		4,130	4,130
			260		260	39,384
					-	29,822
1,708			11	40	1,759	2,338
<u>48,044</u>	<u>23,749</u>	<u>-</u>	<u>4,401</u>	<u>71</u>	<u>76,265</u>	<u>306,105</u>
(45,384)	-	2	(4,287)	88	(49,581)	(81,021)
					-	37,701
(2,005)		(133)	(12)	(2,026)	(4,176)	(25,365)
121,395					121,395	121,395
13,306					13,306	13,306
(54)					(54)	(54)
(94,145)					(94,145)	(94,145)
					-	8,367
			8,425		8,425	8,425
<u>38,497</u>	<u>-</u>	<u>(133)</u>	<u>8,413</u>	<u>(2,026)</u>	<u>44,751</u>	<u>69,630</u>
(6,887)	-	(131)	4,126	(1,938)	(4,830)	(11,391)
<u>85,859</u>	<u>-</u>	<u>131</u>	<u>3,129</u>	<u>7,628</u>	<u>96,747</u>	<u>406,969</u>
<u>\$ 78,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,255</u>	<u>\$ 5,690</u>	<u>\$ 91,917</u>	<u>\$ 395,578</u>

(Concluded)

**CITY OF CLEVELAND, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	Division of Streets				Restricted Income Tax			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Income taxes	\$	\$	\$	\$ -	\$ 32,715	\$ 32,715	\$ 32,862	\$ 147
Other shared revenues	14,200	13,970	13,769	(201)				-
Licenses and permits	1,939	1,939	1,947	8				-
Charges for services	3,700	3,700	3,673	(27)				-
Investment earnings			1	1	200	200	315	115
Miscellaneous	3	3	323	320				-
Total revenues	<u>19,842</u>	<u>19,612</u>	<u>19,713</u>	<u>101</u>	<u>32,915</u>	<u>32,915</u>	<u>33,177</u>	<u>262</u>
EXPENDITURES:								
Public Service:								
Personnel	14,417	15,918	15,668	250				-
Other	10,091	10,040	9,735	305				-
Parks, Recreation and Properties								
Other				-				-
Capital outlay				-	17,115	17,115	14,112	3,003
Principal retirement				-			1,823	(1,823)
Interest				-			437	(437)
Total expenditures	<u>24,508</u>	<u>25,958</u>	<u>25,403</u>	<u>555</u>	<u>17,115</u>	<u>17,115</u>	<u>16,372</u>	<u>743</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,666)</u>	<u>(6,346)</u>	<u>(5,690)</u>	<u>656</u>	<u>15,800</u>	<u>15,800</u>	<u>16,805</u>	<u>1,005</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	4,602	6,282	5,650	(632)				-
Transfers out				-	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	<u>4,602</u>	<u>6,282</u>	<u>5,650</u>	<u>(632)</u>	<u>(16,000)</u>	<u>(16,000)</u>	<u>(16,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(64)</u>	<u>(64)</u>	<u>(40)</u>	<u>24</u>	<u>(200)</u>	<u>(200)</u>	<u>805</u>	<u>1,005</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			26	26			151	151
FUND BALANCES AT BEGINNING OF YEAR	<u>64</u>	<u>64</u>	<u>64</u>	<u>-</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156</u>	<u>\$ 1,156</u>



Rainy Day Reserve Fund				Schools Recreation and Cultural Activities			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$ -	\$	\$	\$	\$ -
			-				-
			-				-
		20	20				-
			-				-
<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			-				-
			-				-
			-	2,000	2,000	2,000	-
			-				-
			-				-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
1,250	1,250	1,250	-	2,000	2,000	2,000	-
<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
1,250	1,250	1,270	20	-	-	-	-
			-				-
<u>981</u>	<u>981</u>	<u>981</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
<u>\$ 2,231</u>	<u>\$ 2,231</u>	<u>\$ 2,251</u>	<u>\$ 20</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ -</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	Cleveland Stadium Operations				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Income taxes	\$	\$	\$	\$ -	\$ 32,715	\$ 32,715	\$ 32,862	\$ 147
Other shared revenues			1,242	1,242	14,200	13,970	15,011	1,041
Licenses and permits				-	1,939	1,939	1,947	8
Charges for services	250	250	250	-	3,950	3,950	3,923	(27)
Investment earnings			153	153	200	200	489	289
Miscellaneous			2	2	3	3	325	322
Total revenues	<u>250</u>	<u>250</u>	<u>1,647</u>	<u>1,397</u>	<u>53,007</u>	<u>52,777</u>	<u>54,557</u>	<u>1,780</u>
EXPENDITURES:								
Public Service:								
Personnel				-	14,417	15,918	15,668	250
Other				-	10,091	10,040	9,735	305
Parks, Recreation and Properties								
Other	580	580	573	7	2,580	2,580	2,573	7
Capital outlay				-	17,115	17,115	14,112	3,003
Principal retirement	2,260	2,260	2,260	-	2,260	2,260	4,083	(1,823)
Interest	6,824	6,824	6,824	-	6,824	6,824	7,261	(437)
Total expenditures	<u>9,664</u>	<u>9,664</u>	<u>9,657</u>	<u>7</u>	<u>53,287</u>	<u>54,737</u>	<u>53,432</u>	<u>1,305</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,414)</u>	<u>(9,414)</u>	<u>(8,010)</u>	<u>1,404</u>	<u>(280)</u>	<u>(1,960)</u>	<u>1,125</u>	<u>3,085</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	9,243	9,243	9,425	182	17,095	18,775	18,325	(450)
Transfers out				-	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	<u>9,243</u>	<u>9,243</u>	<u>9,425</u>	<u>182</u>	<u>1,095</u>	<u>2,775</u>	<u>2,325</u>	<u>(450)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(171)</u>	<u>(171)</u>	<u>1,415</u>	<u>1,586</u>	<u>815</u>	<u>815</u>	<u>3,450</u>	<u>2,635</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			1	1			178	178
FUND BALANCES AT BEGINNING OF YEAR	<u>228</u>	<u>228</u>	<u>228</u>	<u>-</u>	<u>1,477</u>	<u>1,477</u>	<u>1,477</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ 1,644</u>	<u>\$ 1,587</u>	<u>\$ 2,292</u>	<u>\$ 2,292</u>	<u>\$ 5,105</u>	<u>\$ 2,813</u>

(Concluded)

**This Page Intentionally Left Blank.**

**CITY OF CLEVELAND, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund				Stadium Bond Fund			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$ 22,880	\$ 22,880	\$ 22,616	\$ (264)	\$	\$	\$	\$ -
Other shared revenue	3,032	3,032	2,658	(374)				-
Investment earnings	175	175	404	229	20	20	29	9
Grants	1,258	1,258	974	(284)				-
Miscellaneous				-			10	10
Total revenues	<u>27,345</u>	<u>27,345</u>	<u>26,652</u>	<u>(693)</u>	<u>20</u>	<u>20</u>	<u>39</u>	<u>19</u>
EXPENDITURES:								
General government				-				-
Principal retirement	29,185	29,185	28,150	1,035				-
Interest	17,775	17,723	16,156	1,567	621	621	621	-
Total expenditures	<u>46,960</u>	<u>46,908</u>	<u>44,306</u>	<u>2,602</u>	<u>621</u>	<u>621</u>	<u>621</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,615)</u>	<u>(19,563)</u>	<u>(17,654)</u>	<u>1,909</u>	<u>(601)</u>	<u>(601)</u>	<u>(582)</u>	<u>19</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds			1,995	1,995	621	621		(621)
Restricted income tax fund	13,000	13,000	9,433	(3,567)				-
Proceeds from the sale of land	3,000	3,000	4,067	1,067				-
Total other financing sources	<u>16,000</u>	<u>16,000</u>	<u>15,495</u>	<u>(505)</u>	<u>621</u>	<u>621</u>	<u>-</u>	<u>(621)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(3,615)</u>	<u>(3,563)</u>	<u>(2,159)</u>	<u>1,404</u>	<u>20</u>	<u>20</u>	<u>(582)</u>	<u>(602)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>7,458</u>	<u>7,458</u>	<u>7,458</u>	<u>-</u>	<u>1,269</u>	<u>1,269</u>	<u>1,269</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,843</u>	<u>\$ 3,895</u>	<u>\$ 5,299</u>	<u>\$ 1,404</u>	<u>\$ 1,289</u>	<u>\$ 1,289</u>	<u>\$ 687</u>	<u>\$ (602)</u>

Subordinated Income Tax Fund				Subordinated Income Tax Reserve Fund				Urban Renewal Notes			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$ -	\$	\$	\$	\$ -	\$	\$	\$	\$ -
15	15	20	5				-			3	3
<u>15</u>	<u>15</u>	<u>20</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
1,600	1,600	1,600	-				-	4,300	4,300	4,300	-
3,100	3,152	3,152	-				-	107	107	107	-
<u>4,700</u>	<u>4,752</u>	<u>4,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,407</u>	<u>4,407</u>	<u>4,407</u>	<u>-</u>
<u>(4,685)</u>	<u>(4,737)</u>	<u>(4,732)</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,407)</u>	<u>(4,407)</u>	<u>(4,404)</u>	<u>3</u>
4,700	4,700	5,107	407				-	107	107	107	-
			-				-	4,300	4,300	4,300	-
<u>4,700</u>	<u>4,700</u>	<u>5,107</u>	<u>407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,407</u>	<u>4,407</u>	<u>4,407</u>	<u>-</u>
15	(37)	375	412	-	-	-	-	-	-	3	3
<u>1,016</u>	<u>1,016</u>	<u>1,016</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
<u>\$ 1,031</u>	<u>\$ 979</u>	<u>\$ 1,391</u>	<u>\$ 412</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 6</u>	<u>\$ 3</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	Lower Euclid Avenue TIF				Core City Bonds			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$	\$	\$	\$ -	\$	\$	\$	\$ -
Other shared revenue				-				-
Investment earnings				-	40	40	82	42
Grants				-				-
Miscellaneous				-				-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>40</u>	<u>82</u>	<u>42</u>
EXPENDITURES:								
General government				-	74	98	98	-
Principal retirement	45	45	45	-	585	585	585	-
Interest	<u>160</u>	<u>160</u>	<u>160</u>	<u>-</u>	<u>2,082</u>	<u>2,058</u>	<u>1,848</u>	<u>210</u>
Total expenditures	<u>205</u>	<u>205</u>	<u>205</u>	<u>-</u>	<u>2,741</u>	<u>2,741</u>	<u>2,531</u>	<u>210</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(205)</u>	<u>(205)</u>	<u>(205)</u>	<u>-</u>	<u>(2,701)</u>	<u>(2,701)</u>	<u>(2,449)</u>	<u>252</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	205	205	208	3	2,741	2,741	1,723	(1,018)
Restricted income tax fund				-				-
Proceeds from the sale of land				-				-
Total other financing sources	<u>205</u>	<u>205</u>	<u>208</u>	<u>3</u>	<u>2,741</u>	<u>2,741</u>	<u>1,723</u>	<u>(1,018)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>40</u>	<u>40</u>	<u>(726)</u>	<u>(766)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>14</u>	<u>14</u>	<u>14</u>	<u>-</u>	<u>3,054</u>	<u>3,054</u>	<u>3,054</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 17</u>	<u>\$ 3</u>	<u>\$ 3,094</u>	<u>\$ 3,094</u>	<u>\$ 2,328</u>	<u>\$ (766)</u>

Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
\$ 22,880	\$ 22,880	\$ 22,616	\$ (264)
3,032	3,032	2,658	(374)
250	250	538	288
1,258	1,258	974	(284)
		10	10
<u>27,420</u>	<u>27,420</u>	<u>26,796</u>	<u>(624)</u>
74	98	98	-
35,715	35,715	34,680	1,035
<u>23,845</u>	<u>23,821</u>	<u>22,044</u>	<u>1,777</u>
<u>59,634</u>	<u>59,634</u>	<u>56,822</u>	<u>2,812</u>
<u>(32,214)</u>	<u>(32,214)</u>	<u>(30,026)</u>	<u>2,188</u>
8,374	8,374	9,140	766
13,000	13,000	9,433	(3,567)
<u>7,300</u>	<u>7,300</u>	<u>8,367</u>	<u>1,067</u>
<u>28,674</u>	<u>28,674</u>	<u>26,940</u>	<u>(1,734)</u>
(3,540)	(3,540)	(3,086)	454
<u>12,816</u>	<u>12,816</u>	<u>12,816</u>	<u>-</u>
<u>\$ 9,276</u>	<u>\$ 9,276</u>	<u>\$ 9,730</u>	<u>\$ 454</u>

(Concluded)

**This Page Intentionally Left Blank.**



# CITY OF CLEVELAND, OHIO

## NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private sector businesses where the intent of the governing body is that the expense (including depreciation) of providing goods or services primarily or solely to the general public be financed or recovered primarily through user charges. The City's nonmajor enterprise funds are as follows:

### Water Pollution Control

The Division of Water Pollution Control is a segment of the Department of Public Utilities of the City. The Division of Water Pollution Control was created for the purpose of providing sewage services to customers and to maintain the local sewer system of the City.

### Convention Center

The Convention Center Division was established to provide facilities for conventions, trade shows, sporting events and fine arts programs.

### West Side Market

The West Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.

### East Side Market

The East Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.

### Municipal Parking Lots

The Division of Parking was established to provide municipal parking within the City's limits.

### Cemeteries

The Division of Cemeteries was established to provide interment and cremation services for the City and its neighboring communities.

### Golf Courses

The Golf Course Division was established to provide the City and neighboring communities with recreational facilities for golfing and cross country skiing.

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 13,516	\$ 1,146	\$ 434	\$ 264
Investments	19,226			
Receivables:				
Accounts	48,018	776		
Unbilled revenue	1,986			
Accrued interest	120			
Less: Allowance for doubtful accounts	<u>(642)</u>	<u>(53)</u>		
Receivables, net	<u>49,482</u>	<u>723</u>	<u>-</u>	<u>-</u>
Due from other funds	602	112	3	
Inventory of supplies	<u>275</u>			
Total current assets	<u>83,101</u>	<u>1,981</u>	<u>437</u>	<u>264</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	367			
Investments				
Accrued interest receivable				
Total restricted assets	<u>367</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unamortized bond issuance costs				
Capital assets:				
Land	297	4,261	198	413
Land improvements				484
Utility plant	117,548			
Buildings, structures and improvements	2,658	59,135	6,890	2,400
Furniture, fixtures, equipment and vehicles	10,815	1,475	28	450
Construction in progress	2,029		5,074	
Less: Accumulated depreciation	<u>(65,555)</u>	<u>(58,337)</u>	<u>(4,038)</u>	<u>(1,950)</u>
Total capital assets, net	<u>67,792</u>	<u>6,534</u>	<u>8,152</u>	<u>1,797</u>
Total noncurrent assets	<u>68,159</u>	<u>6,534</u>	<u>8,152</u>	<u>1,797</u>
<b>TOTAL ASSETS</b>	<u>\$ 151,260</u>	<u>\$ 8,515</u>	<u>\$ 8,589</u>	<u>\$ 2,061</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 789	\$ 38	\$ 1,409	\$ 17,596
			19,226
79	23		48,896
			1,986
			120
	(4)		(699)
<u>79</u>	<u>19</u>	<u>-</u>	<u>50,303</u>
70			787
<u>115</u>	<u>215</u>	<u>58</u>	<u>663</u>
<u>1,053</u>	<u>272</u>	<u>1,467</u>	<u>88,575</u>
18,397	133		18,897
	5,808		5,808
<u>210</u>	<u>34</u>		<u>244</u>
<u>18,607</u>	<u>5,975</u>	<u>-</u>	<u>24,949</u>
790			790
12,929	252	208	18,558
1,256	399	3,303	5,442
			117,548
65,200	6,096	1,816	144,195
577	1,099	1,172	15,616
			7,103
<u>(19,285)</u>	<u>(2,600)</u>	<u>(4,069)</u>	<u>(155,834)</u>
<u>60,677</u>	<u>5,246</u>	<u>2,430</u>	<u>152,628</u>
<u>80,074</u>	<u>11,221</u>	<u>2,430</u>	<u>178,367</u>
<u>\$ 81,127</u>	<u>\$ 11,493</u>	<u>\$ 3,897</u>	<u>\$ 266,942</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,247	\$ 41	\$ 109	\$
Accrued wages and benefits	1,511	410	78	5
Due to other funds	5,080	195	6	1
Due to other governments	52,954			
Accrued interest payable				
Current portion of long-term obligations	<u>401</u>			
Total current liabilities	61,193	646	193	6
Long-term liabilities:				
Accrued wages and benefits	226	134	31	3
Construction loans payable	5,095			
Revenue bonds payable				
Total liabilities	<u>66,514</u>	<u>780</u>	<u>224</u>	<u>9</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	62,296	6,534	8,152	1,797
Restricted for capital projects				
Restricted for debt service				
Unrestricted	<u>22,450</u>	<u>1,201</u>	<u>213</u>	<u>255</u>
Total net assets	<u>84,746</u>	<u>7,735</u>	<u>8,365</u>	<u>2,052</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 151,260</u>	<u>\$ 8,515</u>	<u>\$ 8,589</u>	<u>\$ 2,061</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 10	\$	\$ 14	\$ 1,421
117	196	96	2,413
63	43	9	5,397
94			53,048
1,087			1,087
<u>2,445</u>			<u>2,846</u>
3,816	<u>239</u>	<u>119</u>	<u>66,212</u>
48	46	53	541
			5,095
<u>59,057</u>			<u>59,057</u>
<u>62,921</u>	<u>285</u>	<u>172</u>	<u>130,905</u>
(825)	5,246	2,430	85,630
4,492			4,492
13,906			13,906
<u>633</u>	<u>5,962</u>	<u>1,295</u>	<u>32,009</u>
<u>18,206</u>	<u>11,208</u>	<u>3,725</u>	<u>136,037</u>
<u>\$ 81,127</u>	<u>\$ 11,493</u>	<u>\$ 3,897</u>	<u>\$ 266,942</u>

(Concluded)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS-NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 20,058	\$ 2,285	\$ 1,057	\$ 79
Total operating revenue	<u>20,058</u>	<u>2,285</u>	<u>1,057</u>	<u>79</u>
<b>OPERATING EXPENSES:</b>				
Operations	8,064	5,640	971	58
Maintenance	8,853	63	34	14
Depreciation	4,525	466	220	91
Total operating expenses	<u>21,442</u>	<u>6,169</u>	<u>1,225</u>	<u>163</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,384)</u>	<u>(3,884)</u>	<u>(168)</u>	<u>(84)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Investment income	750	25	8	5
Interest expense	(221)			
Hotel tax		3,835		
Other revenues (expenses)	<u>1</u>			
Total non-operating revenues (expenses)	<u>530</u>	<u>3,860</u>	<u>8</u>	<u>5</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(854)</u>	<u>(24)</u>	<u>(160)</u>	<u>(79)</u>
Capital contributions			42	
Transfers in				
<b>CHANGE IN NET ASSETS</b>	<u>(854)</u>	<u>(24)</u>	<u>(118)</u>	<u>(79)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>85,600</u>	<u>7,759</u>	<u>8,483</u>	<u>2,131</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 84,746</u>	<u>\$ 7,735</u>	<u>\$ 8,365</u>	<u>\$ 2,052</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 7,202	\$ 1,539	\$ 1,612	\$ 33,832
<u>7,202</u>	<u>1,539</u>	<u>1,612</u>	<u>33,832</u>
1,646	2,112	1,798	20,289
52	23	58	9,097
<u>1,747</u>	<u>217</u>	<u>219</u>	<u>7,485</u>
<u>3,445</u>	<u>2,352</u>	<u>2,075</u>	<u>36,871</u>
<u>3,757</u>	<u>(813)</u>	<u>(463)</u>	<u>(3,039)</u>
754	152	34	1,728
(4,332)			(4,553)
(80)	85	589	3,835
<u>(3,658)</u>	<u>237</u>	<u>623</u>	<u>1,605</u>
99	(576)	160	(1,434)
	375		42
			<u>375</u>
99	(201)	160	(1,017)
<u>18,107</u>	<u>11,409</u>	<u>3,565</u>	<u>137,054</u>
<u>\$ 18,206</u>	<u>\$ 11,208</u>	<u>\$ 3,725</u>	<u>\$ 136,037</u>

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 19,355	\$ 2,139	\$ 1,062	\$ 79
Cash payments to suppliers for goods or services	(6,492)	(2,499)	(505)	(21)
Cash payments to employees for services	(8,630)	(3,273)	(559)	(56)
Agency activity on behalf of NEORSD	2,692			
Net cash provided by (used for) operating activities	<u>6,925</u>	<u>(3,633)</u>	<u>(2)</u>	<u>2</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash received through transfers from other funds				
Cash received from hotel tax		3,817		
Cash receipts (payments) from/ to other governments	1			
Proceeds from lease				
Net cash provided by (used for) noncapital financing activities	<u>1</u>	<u>3,817</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(5,466)			
Principal paid on long-term debt	(390)			
Interest paid on long-term debt	(221)			
Net cash provided by (used for) capital and related financing activities	<u>(6,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investment securities	(260)			
Proceeds from sale and maturity of investment securities	405			
Interest received on investments	748	27	9	5
Net cash provided by (used for) investing activities	<u>893</u>	<u>27</u>	<u>9</u>	<u>5</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,742</b>	<b>211</b>	<b>7</b>	<b>7</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>12,141</u></b>	<b><u>935</u></b>	<b><u>427</u></b>	<b><u>257</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 13,883</u></b>	<b><u>\$ 1,146</u></b>	<b><u>\$ 434</u></b>	<b><u>\$ 264</u></b>



<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Golf Courses</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 7,570	\$ 1,551	\$ 1,612	\$ 33,368
(1,120)	(531)	(830)	(11,998)
(1,130)	(1,604)	(1,016)	(16,268)
			2,692
<u>5,320</u>	<u>(584)</u>	<u>(234)</u>	<u>7,794</u>
	375		375
			3,817
	86		87
		589	589
<u>-</u>	<u>461</u>	<u>589</u>	<u>4,868</u>
			(5,466)
(2,305)			(2,695)
<u>(3,865)</u>			<u>(4,086)</u>
<u>(6,170)</u>	<u>-</u>	<u>-</u>	<u>(12,247)</u>
	(8)		(268)
	102		507
706	118	34	1,647
<u>706</u>	<u>212</u>	<u>34</u>	<u>1,886</u>
(144)	89	389	2,301
<u>19,330</u>	<u>82</u>	<u>1,020</u>	<u>34,192</u>
<u>\$ 19,186</u>	<u>\$ 171</u>	<u>\$ 1,409</u>	<u>\$ 36,493</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,384)	\$ (3,884)	\$ (168)	\$ (84)
Adjustments to reconcile operating income (loss) to				
net cash provided by (used for) operating activities:				
Depreciation	4,525	466	220	91
Changes in assets and liabilities:				
Receivables, net	(5,475)	(88)	3	
Due from other funds	2,701	(1)		
Inventory of supplies	86			
Accounts payable	42	(69)	12	
Accrued wages and benefits	329	9	11	
Due to other funds	581	(66)	(80)	(5)
Due to other governments	5,520			
Total adjustments	<u>8,309</u>	<u>251</u>	<u>166</u>	<u>86</u>
NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES	<u>\$ 6,925</u>	<u>\$ (3,633)</u>	<u>\$ (2)</u>	<u>\$ 2</u>

---

<b>Municipal Parking <u>Lots</u></b>	<b><u>Cemeteries</u></b>	<b><u>Golf Courses</u></b>	<b>Total Nonmajor Enterprise <u>Funds</u></b>
\$ 3,757	\$ (813)	\$ (463)	\$ (3,039)
1,747	217	219	7,485
63	11		(5,486)
(9)		1	2,692
(60)	2	7	35
(19)	(1)	2	(33)
(34)	12	(4)	323
(51)	(12)	4	371
(74)			5,446
<u>1,563</u>	<u>229</u>	<u>229</u>	<u>10,833</u>
<u>\$ 5,320</u>	<u>\$ (584)</u>	<u>\$ (234)</u>	<u>\$ 7,794</u>

(Concluded)

**This Page Intentionally Left Blank.**

## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department of the City to other departments of the City on a cost-reimbursement basis. The City's internal service funds are described below:

Motor Vehicle Maintenance	The Division of Motor Vehicle Maintenance was established to provide centralized maintenance, repairs and fueling of certain City vehicles.
Printing and Reproduction	The Division of Printing and Reproduction was established to provide printing and reproduction services for all City divisions.
City Storeroom and Warehouse	The City's Storeroom and Warehouse Division provides centralized mailroom service.
Utilities Administration	The Division of Utilities Administration was established to provide administrative assistance to the Department of Public Utilities.
Sinking Fund Administration	The Sinking Fund Administration Fund was established to account for personnel and other operating expenditures related to the administration of the Debt Service Fund.
Municipal Income Tax Administration	The Municipal Income Tax Administration Fund was established to account for operating expenditures related to the collection of Municipal Income Tax for Cleveland and other municipalities.
Telephone Exchange	The Division of Telephone Exchange was established to operate the communications system for the City at minimal cost.
Radio Communications	The Office of Radio Communications was established to operate the 800MHZ radio communication system.
Workers Compensation Reserve	The Workers Compensation Reserve was established to account for liabilities related to workers compensation claims under the retrospective rating policy.

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,173	\$ 444	\$ 99	\$ 661
Receivables:				
Accounts	1	4		
Accrued interest				
Receivables, net	<u>1</u>	<u>4</u>	<u>-</u>	<u>-</u>
Due from other funds	1,417	68	56	181
Inventory of supplies	<u>1,312</u>	<u>118</u>		
Total current assets	<u>3,903</u>	<u>634</u>	<u>155</u>	<u>842</u>
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	2,295			
Furniture, fixtures, equipment and vehicles	3,425	740		75
Construction in progress		9		
Less: Accumulated depreciation	<u>(4,028)</u>	<u>(404)</u>		<u>(58)</u>
Total capital assets, net	<u>2,501</u>	<u>345</u>	<u>-</u>	<u>17</u>
Total noncurrent assets	<u>2,501</u>	<u>345</u>	<u>-</u>	<u>17</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,404</u>	<u>\$ 979</u>	<u>\$ 155</u>	<u>\$ 859</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers Compensation Reserve</u>	<u>Total</u>
\$ 92	\$ 2,141	\$ 114	\$ 1,135	\$ 5,470	\$ 11,329
	46				5
-	46	-	-	-	46
					51
114		581	134	9,094	11,645
					1,430
<u>206</u>	<u>2,187</u>	<u>695</u>	<u>1,269</u>	<u>14,564</u>	<u>24,455</u>
					663
					146
					2,295
		128	21		4,389
					9
		(95)	(19)		(4,604)
-	-	33	2	-	2,898
-	-	33	2	-	2,898
<u>\$ 206</u>	<u>\$ 2,187</u>	<u>\$ 728</u>	<u>\$ 1,271</u>	<u>\$ 14,564</u>	<u>\$ 27,353</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS**

**DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 603	\$ 61	\$ 1	\$ 16
Accrued wages and benefits	851	77	4	494
Due to other funds	113	9	107	3
Due to other governments				
Total current liabilities	<u>1,567</u>	<u>147</u>	<u>112</u>	<u>513</u>
Long-term liabilities				
Accrued wages and benefits	<u>333</u>	<u>31</u>	<u>1</u>	<u>271</u>
Total liabilities	<u>1,900</u>	<u>178</u>	<u>113</u>	<u>784</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,501	345		17
Unrestricted	<u>2,003</u>	<u>456</u>	<u>42</u>	<u>58</u>
Total net assets	<u>4,504</u>	<u>801</u>	<u>42</u>	<u>75</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,404</u>	<u>\$ 979</u>	<u>\$ 155</u>	<u>\$ 859</u>



<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers Compensation Reserve</u>	<u>Total</u>
\$	\$ 98	\$ 136	\$ 31	\$	\$ 946
27	721	119	16	4,365	6,674
	13	457	557	930	2,189
	<u>1,355</u>				<u>1,355</u>
<u>27</u>	<u>2,187</u>	<u>712</u>	<u>604</u>	<u>5,295</u>	<u>11,164</u>
<u>33</u>		<u>71</u>	<u>9</u>	<u>9,269</u>	<u>10,018</u>
<u>60</u>	<u>2,187</u>	<u>783</u>	<u>613</u>	<u>14,564</u>	<u>21,182</u>
		33	2		2,898
<u>146</u>		<u>(88)</u>	<u>656</u>		<u>3,273</u>
<u>146</u>	<u>-</u>	<u>(55)</u>	<u>658</u>	<u>-</u>	<u>6,171</u>
<u>\$ 206</u>	<u>\$ 2,187</u>	<u>\$ 728</u>	<u>\$ 1,271</u>	<u>\$ 14,564</u>	<u>\$ 27,353</u>

(Concluded)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 15,402	\$ 1,481	\$ 754
Total operating revenue	<u>15,402</u>	<u>1,481</u>	<u>754</u>
<b>OPERATING EXPENSES:</b>			
Operations	14,987	1,346	784
Maintenance	1,247	33	6
Depreciation	217	54	
Total operating expenses	<u>16,451</u>	<u>1,433</u>	<u>790</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,049)</u>	<u>48</u>	<u>(36)</u>
<b>NON-OPERATING REVENUES:</b>			
Investment income	<u>25</u>	<u>7</u>	
Total non-operating revenues	<u>25</u>	<u>7</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(1,024)</u>	<u>55</u>	<u>(36)</u>
Capital contributions	296	8	
Transfers in			
Transfers out			
<b>CHANGE IN NET ASSETS</b>	<u>(728)</u>	<u>63</u>	<u>(36)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>5,232</u>	<u>738</u>	<u>78</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,504</u>	<u>\$ 801</u>	<u>\$ 42</u>

---

<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers Compensation Reserve</u>	<u>Total</u>
\$ 4,091	\$ 284	\$ 7,430	\$ 5,700	\$ 1,143	\$ 2,767	\$ 39,052
<u>4,091</u>	<u>284</u>	<u>7,430</u>	<u>5,700</u>	<u>1,143</u>	<u>2,767</u>	<u>39,052</u>
4,172	631	\$7,965	5,661	464	2,767	38,777
52		\$39	264	837		2,478
10			22	4		307
<u>4,234</u>	<u>631</u>	<u>8,004</u>	<u>5,947</u>	<u>1,305</u>	<u>2,767</u>	<u>41,562</u>
(143)	(347)	(574)	(247)	(162)	-	(2,510)
11		574	12	19		648
11	-	574	12	19	-	648
(132)	(347)	-	(235)	(143)	-	(1,862)
	436		(359)			304
						436
						(359)
(132)	89	-	(594)	(143)	-	(1,481)
207	57		539	801		7,652
<u>\$ 75</u>	<u>\$ 146</u>	<u>\$ -</u>	<u>\$ (55)</u>	<u>\$ 658</u>	<u>\$ -</u>	<u>\$ 6,171</u>

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 15,121	\$ 1,286	\$ 863
Cash payments to suppliers for goods or services	(9,978)	(669)	(717)
Cash payments to employees for services	<u>(6,097)</u>	<u>(700)</u>	<u>(72)</u>
Net cash provided by (used for) operating activities	<u>(954)</u>	<u>(83)</u>	<u>74</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance (repayment) from/to General Fund			
Cash received through transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on investments	<u>30</u>	<u>9</u>	<u>-</u>
Net cash provided by investing activities	<u>30</u>	<u>9</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(924)</b>	<b>(74)</b>	<b>74</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>2,097</u></b>	<b><u>518</u></b>	<b><u>25</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,173</u></b>	<b><u>\$ 444</u></b>	<b><u>\$ 99</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (1,049)	\$ 48	\$ (36)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	217	54	
Change in assets and liabilities:			
Receivables, net	1	(2)	
Due from other funds	(283)	(13)	5
Due from other governments			
Inventory of supplies	(23)	3	
Accounts payable	61	(2)	
Accrued wages and benefits	82	9	(2)
Due to other funds	40	(180)	107
Due to other governments			
Total adjustments	<u>95</u>	<u>(131)</u>	<u>110</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b><u>\$ (954)</u></b>	<b><u>\$ (83)</u></b>	<b><u>\$ 74</u></b>

<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers Compensation Reserve</u>	<u>Total</u>
\$ 3,913	\$ 221	\$ 8,205	\$ 5,704	\$ 1,710	\$ 3,470	\$ 40,493
(505)	(475)	(2,944)	(5,704)	(1,414)		(22,406)
(3,739)	(152)	(5,313)	(813)	(138)		(17,024)
<u>(331)</u>	<u>(406)</u>	<u>(52)</u>	<u>(813)</u>	<u>158</u>	<u>3,470</u>	<u>1,063</u>
			(359)			(359)
	436					436
-	<u>436</u>	-	<u>(359)</u>	-	-	<u>77</u>
13		544	15	22		633
<u>13</u>	-	<u>544</u>	<u>15</u>	<u>22</u>	-	<u>633</u>
(318)	30	492	(1,157)	180	3,470	1,773
<u>979</u>	<u>62</u>	<u>1,649</u>	<u>1,271</u>	<u>955</u>	<u>2,000</u>	<u>9,556</u>
<u>\$ 661</u>	<u>\$ 92</u>	<u>\$ 2,141</u>	<u>\$ 114</u>	<u>\$ 1,135</u>	<u>\$ 5,470</u>	<u>\$ 11,329</u>
\$ (143)	\$ (347)	\$ (574)	\$ (247)	\$ (162)	\$	\$ (2,510)
10			22	4		307
(176)	(63)		4	20	681	(1)
						(20)
(15)		(218)	(630)	(109)		(913)
34	4	(10)	38	3	2,767	2,925
(41)		(25)		402	22	325
		<u>775</u>				<u>775</u>
<u>(188)</u>	<u>(59)</u>	<u>522</u>	<u>(566)</u>	<u>320</u>	<u>3,470</u>	<u>3,573</u>
<u>\$ (331)</u>	<u>\$ (406)</u>	<u>\$ (52)</u>	<u>\$ (813)</u>	<u>\$ 158</u>	<u>\$ 3,470</u>	<u>\$ 1,063</u>

**This Page Intentionally Left Blank.**

# CITY OF CLEVELAND, OHIO

## AGENCY FUNDS

Agency Funds are used to account for assets received and held by the City acting in the capacity of an agent or custodian. The City's agency funds are described below:

Municipal Courts	To account for assets received and disbursed by the Municipal Courts as agent or custodian related to Civil and Criminal Court matters.
Central Collection Agency	To account for the collection of the Municipal Income Tax for the City of Cleveland and any other municipalities that employ the Central Collection Agency as their agency.
Other Agencies	To account for miscellaneous assets held by the City for governmental units or individuals.

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<b>Balance at Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at End of Year</b>
<b>MUNICIPAL COURTS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,390	\$ 73,088	\$ 73,414	\$ 8,064
Total assets	<u>\$ 8,390</u>	<u>\$ 73,088</u>	<u>\$ 73,414</u>	<u>\$ 8,064</u>
<b>LIABILITIES</b>				
Due to others	\$ 8,390	\$ 73,088	\$ 73,414	\$ 8,064
Total liabilities	<u>\$ 8,390</u>	<u>\$ 73,088</u>	<u>\$ 73,414</u>	<u>\$ 8,064</u>
 <b>CENTRAL COLLECTION AGENCY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,573	\$ 8,630	\$ 8,573	\$ 8,630
Taxes receivable	32,054	33,917	32,054	33,917
Due from other governments	979	1,744	979	1,744
Total assets	<u>\$ 41,606</u>	<u>\$ 44,291</u>	<u>\$ 41,606</u>	<u>\$ 44,291</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 41,606	\$ 44,291	\$ 41,606	\$ 44,291
Total liabilities	<u>\$ 41,606</u>	<u>\$ 44,291</u>	<u>\$ 41,606</u>	<u>\$ 44,291</u>

(Continued)



**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
<b>OTHER AGENCIES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,435	\$ 152,982	\$ 152,256	\$ 13,161
Total assets	<u>\$ 12,435</u>	<u>\$ 152,982</u>	<u>\$ 152,256</u>	<u>\$ 13,161</u>
<b>LIABILITIES</b>				
Due to others	\$ 12,435	\$ 152,982	\$ 152,256	\$ 13,161
Total liabilities	<u>\$ 12,435</u>	<u>\$ 152,982</u>	<u>\$ 152,256</u>	<u>\$ 13,161</u>
 <b>TOTALS-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,398	\$ 234,700	\$ 234,243	\$ 29,855
Taxes receivable	32,054	33,917	32,054	33,917
Due from other governments	<u>979</u>	<u>1,744</u>	<u>979</u>	<u>1,744</u>
Total assets	<u>\$ 62,431</u>	<u>\$ 270,361</u>	<u>\$ 267,276</u>	<u>\$ 65,516</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 41,606	\$ 44,291	\$ 41,606	\$ 44,291
Due to others	<u>20,825</u>	<u>226,070</u>	<u>225,670</u>	<u>21,225</u>
Total liabilities	<u>\$ 62,431</u>	<u>\$ 270,361</u>	<u>\$ 267,276</u>	<u>\$ 65,516</u>

(Concluded)

**This Page Intentionally Left Blank.**

**CAPITAL ASSETS  
USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

# CITY OF CLEVELAND, OHIO

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE\* DECEMBER 31, 2005 (Amounts in 000's)

---

Governmental Funds Capital Assets:	
Land	\$ 60,949
Land improvements	112,158
Buildings, structures and improvements	582,380
Furniture, fixtures, equipment and vehicles	149,046
Infrastructure	345,247
Construction in progress	<u>71,832</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,321,612</u>
 Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	\$ 594,790
General Fund and other revenues	344,087
Special Revenue Fund revenues:	
Restricted income taxes	131,085
Federal grants	205,041
Certificates of participation	23,631
Gifts	<u>22,978</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,321,612</u>

\* This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF CLEVELAND, OHIO**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**SCHEDULE BY FUNCTION AND ACTIVITY\***

**DECEMBER 31, 2005**

(Amounts in 000's)

	<u>Total</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings, Structures and Improvements</u>	<u>Furniture, Fixtures, Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>
<b>General Government:</b>							
General government	\$ 325,735	\$ 208	\$	\$ 303,007	\$ 14,692	\$ 1,068	\$ 6,760
City Hall	20,135	877		19,258			
Justice Center	29,768			28,922	846		
Charles V. Carr Municipal Center	647		15	632			
Total general government	<u>376,285</u>	<u>1,085</u>	<u>15</u>	<u>351,819</u>	<u>15,538</u>	<u>1,068</u>	<u>6,760</u>
<b>Public Service:</b>							
Waste collection	28,271	499		8,259	17,961	1,460	92
Engineering and construction	303,065		18,679		2,491	248,505	33,390
Streets	120,468	1,540	11,495	14,393	19,186	73,854	
Traffic engineering	4,062				1,750	428	1,884
Other	40,834	2,609		30,472	336		7,417
Total public service	<u>496,700</u>	<u>4,648</u>	<u>30,174</u>	<u>53,124</u>	<u>41,724</u>	<u>324,247</u>	<u>42,783</u>
<b>Public Safety:</b>							
Police	96,782	4,805	317	57,851	33,528		281
Fire	60,414	1,670		28,885	29,859		
Emergency medical service	13,822			784	7,175	5,614	249
Dog pound	693			662	31		
Total public safety	<u>171,711</u>	<u>6,475</u>	<u>317</u>	<u>88,182</u>	<u>70,593</u>	<u>5,614</u>	<u>530</u>
<b>Public Health:</b>							
Correction	7,465	287		6,554	624		
Health and environment	11,732	1,112	36	9,290	1,294		
Total public health	<u>19,197</u>	<u>1,399</u>	<u>36</u>	<u>15,844</u>	<u>1,918</u>	<u>-</u>	<u>-</u>
<b>Parks, Recreation and Properties:</b>							
Park maintenance and properties	93,703	37,190	22,484	13,369	15,721	234	4,705
Research, planning and development	41,885	881	25,955	3,162	91	2,997	8,799
Recreation	85,283	976	31,371	47,225	1,876		3,835
Total parks, recreation and properties	<u>220,871</u>	<u>39,047</u>	<u>79,810</u>	<u>63,756</u>	<u>17,688</u>	<u>3,231</u>	<u>17,339</u>
<b>Community Development:</b>							
Community development	30,551	8,195	1,531	8,134	1,094	7,177	4,420
Total community development	<u>30,551</u>	<u>8,195</u>	<u>1,531</u>	<u>8,134</u>	<u>1,094</u>	<u>7,177</u>	<u>4,420</u>
<b>Economic Development:</b>							
Economic development	2,284	100	275	1,521	59	329	
Total economic development	<u>2,284</u>	<u>100</u>	<u>275</u>	<u>1,521</u>	<u>59</u>	<u>329</u>	<u>-</u>
<b>Building &amp; Housing:</b>							
Building & Housing	4,013				432	3,581	
Total building & housing	<u>4,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>432</u>	<u>3,581</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$ 1,321,612</u>	<u>\$ 60,949</u>	<u>\$ 112,158</u>	<u>\$ 582,380</u>	<u>\$ 149,046</u>	<u>\$ 345,247</u>	<u>\$ 71,832</u>

\* This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

# CITY OF CLEVELAND, OHIO

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY\* FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts in 000's)

	Balance January 1, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance December 31, <u>2005</u>
<b>General Government:</b>					
General government	\$ 333,187	\$ 26,333	\$ (34)	\$ (33,751)	\$ 325,735
City Hall	3,475	65		16,595	20,135
Justice Center	29,768				29,768
Charles V. Carr Municipal Center	647				647
Total general government	<u>367,077</u>	<u>26,398</u>	<u>(34)</u>	<u>(17,156)</u>	<u>376,285</u>
<b>Public Service:</b>					
Waste collection	33,308	293	(3,818)	(1,512)	28,271
Engineering and construction	261,404	81,960	(382)	(39,917)	303,065
Streets	130,453	9,154	(4,444)	(14,695)	120,468
Traffic engineering	7,403	1,264	(74)	(4,531)	4,062
Other	34,802	8,458	(6)	(2,420)	40,834
Total public service	<u>467,370</u>	<u>101,129</u>	<u>(8,724)</u>	<u>(63,075)</u>	<u>496,700</u>
<b>Public Safety:</b>					
Police	91,149	2,388	(991)	4,236	96,782
Fire	70,455	4,575	(11,123)	(3,493)	60,414
Emergency medical service	13,175	2,195	(1,004)	(544)	13,822
Dog pound	878	63	(18)	(230)	693
Total public safety	<u>175,657</u>	<u>9,221</u>	<u>(13,136)</u>	<u>(31)</u>	<u>171,711</u>
<b>Public Health:</b>					
Correction	7,390	92		(17)	7,465
Health and environment	11,374	211	(31)	178	11,732
Total public health	<u>18,764</u>	<u>303</u>	<u>(31)</u>	<u>161</u>	<u>19,197</u>
<b>Parks, Recreation and Properties:</b>					
Park maintenance and properties	87,948	4,070	(1,829)	3,514	93,703
Research, planning and development	33,283	20,124	(124)	(11,398)	41,885
Recreation	81,329	4,578		(624)	85,283
Total parks, recreation and properties	<u>202,560</u>	<u>28,772</u>	<u>(1,953)</u>	<u>(8,508)</u>	<u>220,871</u>
<b>Community Development:</b>					
Community development	25,673	6,765	(11)	(1,876)	30,551
Total community development	<u>25,673</u>	<u>6,765</u>	<u>(11)</u>	<u>(1,876)</u>	<u>30,551</u>
<b>Economic Development:</b>					
Economic development	2,226	105	(5)	(42)	2,284
Total economic development	<u>2,226</u>	<u>105</u>	<u>(5)</u>	<u>(42)</u>	<u>2,284</u>
<b>Building &amp; Housing:</b>					
Building & Housing	3,965			48	4,013
Total building & housing	<u>3,965</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>4,013</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>					
CAPITAL ASSETS	<u>\$ 1,263,292</u>	<u>\$ 172,693</u>	<u>\$ (23,894)</u>	<u>\$ (90,479)</u>	<u>\$ 1,321,612</u>

\* This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

# **STATISTICAL SECTION**

**This Page Intentionally Left Blank.**



## CITY OF CLEVELAND, OHIO

### GENERAL FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION AND OTHER USES-(BUDGET BASIS) LAST TEN FISCAL YEARS

(Amounts in 000's)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>REVENUES</b>										
Income taxes	\$ 215,876	\$ 222,745	\$ 230,863	\$ 245,844	\$ 268,786	\$ 262,721	\$ 246,519	\$ 249,680	\$ 251,399	\$ 262,897
Property taxes (1)	40,844	40,844	43,026	45,964	45,131	47,842	47,925	41,133	44,707	43,440
State local government funds	48,689	50,762	54,255	56,923	59,488	59,265	56,211	55,459	55,789	55,887
Other shared revenues (1)	24,820	26,122	26,581	31,187	32,871	31,590	31,491	38,554	38,010	39,057
Licenses and permits	8,403	8,886	10,303	8,731	9,339	8,887	7,807	10,367	13,001	11,760
Charges for services	13,191	13,570	14,975	13,671	16,177	16,030	16,359	15,547	17,190	19,413
Fines, forfeits and settlements	14,422	15,375	15,914	16,611	17,843	16,768	17,778	18,297	15,532	16,133
Investment earnings	1,384	2,159	4,241	4,435	2,526	1,604	1,072	1,534	1,007	2,096
Workers comp refund							5,142			
Grants							4,344	4,806	2,389	831
Miscellaneous	19,475	17,315	9,508	8,759	24,447	29,735	25,589	20,398	20,341	20,241
Premium on interest rate swap agreement								3,400		
Proceeds from the sale of land										87
Transfers in							28,178	34,394	9	6,680
	<u>\$ 387,104</u>	<u>\$ 397,778</u>	<u>\$ 409,666</u>	<u>\$ 432,125</u>	<u>\$ 476,608</u>	<u>\$ 474,442</u>	<u>\$ 488,415</u>	<u>\$ 493,569</u>	<u>\$ 459,374</u>	<u>\$ 478,522</u>
<b>EXPENDITURES AND OTHER USES</b>										
General government	\$ 41,623	\$ 42,352	\$ 45,902	\$ 49,837	\$ 55,922	\$ 54,786	\$ 58,839	\$ 64,663	\$ 63,540	\$ 64,644
Public service	29,537	30,208	30,669	31,222	33,580	33,550	36,645	36,785	34,005	36,627
Public safety	225,669	234,064	240,717	252,723	261,480	272,436	292,140	294,118	263,617	271,442
Community development	5,920	5,943	6,461	6,581	12,583	16,655	11,142	2,700	2,263	2,322
Building and housing								11,589	10,409	10,496
Public health	10,037	10,274	10,418	11,984	12,465	11,884	11,538	12,620	11,953	11,937
Parks, recreation, and properties	33,263	34,952	34,385	36,150	37,574	39,131	39,116	38,706	33,900	35,626
Economic development	1,103	1,039	1,067	1,128	1,014	1,098	1,057	1,120	938	990
Other	14,071	14,575	14,963	16,553	16,742	16,882	18,027	22,555	17,339	17,239
Transfers out	26,208	24,776	23,650	24,778	39,465	41,680	22,754	11,154	21,683	19,582
	<u>\$ 387,431</u>	<u>\$ 398,183</u>	<u>\$ 408,232</u>	<u>\$ 430,956</u>	<u>\$ 470,825</u>	<u>\$ 488,102</u>	<u>\$ 491,258</u>	<u>\$ 496,010</u>	<u>\$ 459,647</u>	<u>\$ 470,905</u>

(1) Prior to 2003, homestead and rollback revenue was classified as property tax. Beginning in 2003, it is now recorded as other shared revenue.

**CITY OF CLEVELAND, OHIO**

**GOVERNMENTAL FUNDS - REVENUES AND OTHER FINANCING SOURCES  
AND EXPENDITURES BY FUNCTION AND OTHER USES  
LAST TEN FISCAL YEARS**

(Amounts in 000's)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Income taxes	\$ 243,213	\$ 255,925	\$ 272,309	\$ 285,947
Property taxes (1)	63,968	64,354	66,662	70,937
State local government funds	50,865	50,217	53,998	59,413
Other shared revenues (1)	34,590	37,561	37,393	43,121
Licenses and permits	8,714	9,252	10,574	9,099
Charges for services	13,744	16,326	16,648	17,850
Fines, forfeits and settlements	14,771	15,572	14,766	19,070
Investment earnings	9,963	10,492	23,890	14,621
Grants	90,412	92,276	100,255	107,455
Assessments and contributions	120	168	115	
Workers compensation settlement and refunds	2,095			
Enterprise reimbursements	1,342	116		
Miscellaneous	38,374	36,064	66,890	109,565
Transfers in	47,568	41,580	42,673	66,270
Proceeds from capital lease				
Premium on interest rate swap agreement				
Premium on bonds and notes				
Proceeds from loans				
Proceeds from sale of bonds and notes	58,491	214,166	48,736	35,778
Proceeds from the sale of land				
Proceeds from sale of certificates of participation				20,000
	<u>\$ 678,230</u>	<u>\$ 844,069</u>	<u>\$ 754,909</u>	<u>\$ 859,126</u>
<b>EXPENDITURES AND OTHER USES</b>				
Current:				
General government	\$ 44,268	\$ 44,568	\$ 54,789	\$ 63,476
Public service	50,246	47,975	53,898	52,792
Public safety	227,572	236,426	241,632	249,160
Human resources	9,494	9,549	9,920	7,520
Community development	57,509	56,754	52,178	50,750
Building and housing				
Public health	22,560	22,343	19,814	21,071
Parks, recreation and properties	34,528	36,858	42,645	41,738
Economic development	22,285	18,439	13,368	18,754
Other	12,980	19,546	14,876	15,031
Capital outlay	42,314	81,222	184,528	133,490
Inception of capital lease				
Debt service:				
Principal retirement	21,935	25,003	26,511	48,442
Interest	23,444	26,488	30,293	29,304
Other	2,602	352		
Transfers out	48,497	40,981	42,074	67,679
Discount on bonds and notes				
Payments to refund notes, bonds and certificates of participation	16,644	47,665	24,823	
	<u>\$ 636,878</u>	<u>\$ 714,169</u>	<u>\$ 811,349</u>	<u>\$ 799,207</u>

Note: Includes all Governmental Fund Types

(1) Prior to 2003, homestead and rollback revenue was classified as property tax. Beginning in 2003, it is now recorded as other shared revenue.

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 291,514	\$ 277,687	\$ 279,186	\$ 278,719	\$ 294,200	\$ 292,193
66,642	71,610	72,683	63,353	67,999	66,055
60,015	59,252	56,436	55,462	55,808	55,899
43,626	43,341	44,664	55,030	57,213	59,576
9,255	8,967	10,656	13,727	16,033	14,806
18,370	18,798	21,672	21,345	18,707	23,182
20,990	13,096	24,946	25,689	19,611	19,985
14,327	10,425	4,762	3,634	3,758	8,774
83,334	106,965	139,953	120,379	118,228	126,139
84		2,500	101	6,131	3,650
54,495	54,249	19,099	17,013	21,462	14,394
57,049	69,156	96,056	59,368	47,256	43,245
			6,254	6,628	8,425
			5,100		
		2,648	3,156	1,504	13,306
				11,365	
26,335	4,060	76,675	104,000	51,875	121,395
					8,454
<u>\$ 746,036</u>	<u>\$ 737,606</u>	<u>\$ 851,936</u>	<u>\$ 832,330</u>	<u>\$ 797,778</u>	<u>\$ 879,478</u>
\$ 69,397	\$ 74,752	\$ 71,551	\$ 74,128	\$ 71,291	\$ 71,107
63,698	50,209	55,939	56,761	56,044	60,049
279,540	273,951	283,172	302,707	272,752	282,684
8,471	13,425	21,545			
53,125	82,194	86,641	61,227	65,034	55,688
			11,935	10,497	10,472
21,852	19,796	21,176	21,870	21,862	24,121
39,941	39,951	36,088	37,829	32,934	35,503
16,071	41,466	27,245	33,728	46,966	40,446
19,425	16,373	12,973	14,197	11,510	11,212
51,586	74,329	63,171	64,738	82,780	84,438
			419	9,271	4,130
30,646	31,463	62,347	32,949	40,865	39,384
28,825	28,312	26,748	27,628	32,002	29,822
		1,662	1,537	1,778	2,338
57,823	68,346	100,365	59,773	50,271	43,697
				200	54
					94,145
<u>\$ 740,400</u>	<u>\$ 814,567</u>	<u>\$ 870,623</u>	<u>\$ 801,426</u>	<u>\$ 806,057</u>	<u>\$ 889,290</u>

# CITY OF CLEVELAND, OHIO

## AD VALOREM

### PROPERTY TAX LEVIES AND COLLECTIONS- REAL, UTILITY AND TANGIBLE TAXES LAST TEN FISCAL YEARS

<u>Tax Year/ Collection Year</u>	<u>Current Levy</u>	<u>Delinquent Levy (1)</u>	<u>Total Levy</u>	<u>Current Collection</u>	<u>Current Levy Collected</u>	<u>Delinquent Collection</u>	<u>Total Collections</u>	<u>Total Collections As Percent of Current Levy</u>	<u>Cumulative Delinquencies</u>
1995/1996	\$ 64,041,017	\$ 12,339,642	\$ 76,380,659	\$ 59,133,403	92.3%	\$ 2,850,250	\$ 61,983,653	96.8%	\$ 12,752,255
1996/1997	65,060,514	14,986,362	80,046,876	59,733,751	91.8%	3,023,595	62,757,346	96.5%	14,222,919
1997/1998	68,518,965	13,796,053	82,315,018	62,883,792	91.8%	2,785,155	65,668,947	95.8%	14,128,110
1998/1999	69,516,994	14,138,999	83,655,993	63,427,067	91.2%	4,219,704	67,646,771	97.3%	13,869,371
1999/2000	69,830,697	14,601,538	84,432,235	62,471,564	89.5%	4,214,775	66,686,339	95.5%	16,484,006
2000/2001	76,121,582	17,631,916	93,753,498	66,447,200	87.3%	4,253,228	70,700,428	92.9%	21,498,001
2001/2002	74,682,276	21,767,423	96,449,699	64,376,023	86.2%	6,680,368	71,056,391	95.1%	21,966,674
2002/2003	73,483,514	22,436,554	95,920,068	65,058,362	88.5%	5,052,595	70,110,957	95.4%	25,151,032
2003/2004	76,856,612	25,539,455	102,396,067	67,571,431	87.9%	7,055,068	74,626,499	97.1%	24,928,208
2004/2005	77,235,122	23,517,509	100,842,630	67,759,024	87.7%	5,428,007	73,187,031	94.8%	26,330,702

Source: Cuyahoga County Auditor's Office

(1) Levy includes adjustments, abatements, additions and penalties against current delinquent levy.

# CITY OF CLEVELAND, OHIO

## ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Amounts in 000's)

Tax Year/ Collection Year	Real Property (1)		Personal Property (2)		Public Utilities (3)		Total	Ratio of Total Assessed Value To Total Estimated Actual Value		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value	Actual Value
1995/1996	\$3,700,852	\$10,573,863	\$820,959	\$3,283,836	\$484,244	\$550,277	\$5,006,055	\$14,407,976		34.7%
1996/1997	3,767,013	10,762,894	856,832	3,427,327	476,677	541,678	5,100,522	14,731,899		34.6%
1997/1998	4,015,815	11,473,757	885,245	3,540,980	474,182	538,843	5,375,242	15,553,580		34.6%
1998/1999	4,085,338	11,672,394	913,154	3,652,616	478,752	544,036	5,477,244	15,869,046		34.5%
1999/2000	4,100,737	11,716,391	952,829	3,811,316	444,315	504,903	5,497,881	16,032,610		34.3%
2000/2001	4,618,340	13,195,257	988,532	3,954,128	451,775	513,380	6,058,647	17,662,765		34.3%
2001/2002	4,673,268	13,352,194	980,928	4,087,202	377,364	428,823	6,031,560	17,868,219		33.8%
2002/2003	4,592,623	13,121,780	853,282	3,709,921	358,143	406,980	5,804,048	17,238,681		33.7%
2003/2004	4,898,754	13,996,440	722,499	3,141,300	355,889	404,419	5,977,142	17,542,159		34.1%
2004/2005	4,985,131	14,243,231	671,795	2,920,848	350,690	398,511	6,007,616	17,562,590		34.2%

Source: Cuyahoga County Auditor's Office

- (1) The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.
- (2) Beginning in 2002 the assessed valuation of personal property constituting "inventory" was reduced from 25% of true value by 1% of true value per year in 2002 and 2003. The percentage is scheduled to decrease by 1% or 2% a year provided that certain factors are met until it reaches zero. In 2004, these factors were not met; therefore, the assessed valuation was not changed. The rate for non-inventory personal property remained at 25%.
- (3) Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment was reduced from 100% to 25% of true value, with makeup payments in varying amounts to be made through 2016 to taxing subdivisions by the State from State resources. All taxable property remained at 88% true value.

# CITY OF CLEVELAND, OHIO

## AD VALOREM PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS (PER \$1,000 OF ASSESSED VALUATION)

<b>Tax Year/ Collection Year</b>	<b>City of Cleveland</b>					<b>Total City Rate</b>	<b>County</b>	<b>Library and School</b>	<b>Total</b>
	<b>General Fund</b>	<b>Bond Retirement</b>	<b>Police Pension</b>	<b>Fire Pension</b>					
1995/1996	7.75	4.35	0.30	0.30	12.70	16.60	51.10	80.40	
1996/1997	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30	
1997/1998	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30	
1998/1999	7.75	4.35	0.30	0.30	12.70	15.30	65.00	93.00	
1999/2000	7.75	4.35	0.30	0.30	12.70	15.30	64.80	92.80	
2000/2001	7.75	4.35	0.30	0.30	12.70	16.20	64.60	93.50	
2001/2002	7.75	4.35	0.30	0.30	12.70	16.20	68.80	97.70	
2002/2003	7.75	4.35	0.30	0.30	12.70	16.20	68.80	97.70	
2003/2004	7.75	4.35	0.30	0.30	12.70	18.00	71.60	102.30	
2004/2005	7.75	4.35	0.30	0.30	12.70	16.45	71.70	100.85	

Source: Cuyahoga County Auditor's Office

# CITY OF CLEVELAND, OHIO

## RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population(1)</u>	<u>Assessed Value (2) (Amounts in 000's)</u>	<u>Gross General Bonded Debt (3)</u>	<u>Less Balance in Debt Service Fund (4)</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1996	505,616	\$ 5,006,055	\$ 291,665,000	\$ 8,460,000	\$ 283,205,000	5.66%	\$560.12
1997	505,616	5,100,522	299,100,000	5,408,000	293,692,000	5.76%	580.86
1998	505,616	5,375,242	306,165,000	6,083,000	300,082,000	5.58%	593.50
1999	505,616	5,477,244	312,225,000	7,575,000	304,650,000	5.56%	602.53
2000	478,403	5,497,881	316,950,000	6,580,000	310,370,000	5.65%	648.76
2001	478,403	6,058,647	293,380,000	772,000	292,608,000	4.83%	611.63
2002	478,403	6,031,560	319,085,000	2,865,000	316,220,000	5.24%	660.99
2003	478,403	5,804,048	356,900,000	4,331,000	352,569,000	6.07%	736.97
2004	478,403	5,977,142	346,700,000	7,491,000	339,209,000	5.68%	709.04
2005	478,403	6,007,616	353,325,000	5,321,000	348,004,000	5.79%	727.43

(1) Bureau of Census.

(2) Cuyahoga County Auditor's Office. Values listed for year of collection.

(3) General Obligation Debt Outstanding December 31.

(4) Balance in Debt Service Fund excludes the balance in the Stadium Bond Fund, Subordinated Income Tax Fund, Subordinated Income Tax Reserve Fund, Urban Renewal Notes Fund, Lower Euclid Avenue TIF Fund, Core City Bonds Fund, Urban Renewal Fund and Urban Renewal Reserve Fund.

# CITY OF CLEVELAND, OHIO

## COMPUTATION OF LEGAL DEBT MARGIN (1) DIRECT DEBT CALCULATION DECEMBER 31, 2005

Total of all City Debt Outstanding	\$ 2,621,683,000
Debt Exempt From Direct Debt Limitation:	
Tax Supporting:	\$ 353,325,000
Self-Supporting:	
Revenue Bonds and Notes	2,049,820,000
Ohio Water Development Authority Loans	78,498,000
Urban Renewal Bonds and Notes	7,555,000
Subordinated Income Tax Refunding Bonds	62,400,000
Non-tax Revenue Bonds	70,085,000
Total Exempt Debt	2,621,683,000
Net Indebtedness (Voted and Unvoted) Subject to 10.50% Debt Limitation	-
Less: Applicable Debt Service Fund	5,321,000
Net Indebtedness Subject to 10.50% Limitation	\$ -
Net Indebtedness (Unvoted) Subject to 5.50% Legal Debt Limitation	
Less: Applicable Debt Service Fund	\$ 5,321,000
Net Indebtedness Subject to 5.50% Limitation	\$ -
Assessed Valuation of City (2004 for 2005 Collection)	\$ 6,007,616,318
10.50% of Valuation (Maximum Voted and Unvoted General Obligation Debt Allowed)	\$ 630,799,713
Net Indebtedness Subject to 10.50% Debt Limitation	\$ -
Legal 10.50% Margin	\$ 630,799,713
5.50% of Valuation (Maximum Unvoted Non-exempt General Obligation Debt Allowed)	\$ 330,418,898
Net Indebtedness Subject to 5.50% Debt Limitation	\$ -
Legal 5.50% Margin	\$ 330,418,898

(1) Computation of Legal Debt Margin (Direct Debt Calculation) based on Section 133, the Uniform Bond Act of the Ohio Revised Code. Under the indirect debt limitation calculation per the Ohio Revised Code the City has the ability to issue approximately \$50 million of additional unvoted debt.



# CITY OF CLEVELAND, OHIO

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT DECEMBER 31, 2005

	<u>Gross Debt</u>	<u>Debt Service Fund</u>	<u>Net Debt</u>	<u>Percent Applicable (1)</u>	<u>City's Share</u>
City of Cleveland (4)	\$ 353,325,000	\$ 5,321,000	(2) \$ 348,004,000	100.00%	\$ 348,004,000
Cleveland Municipal School District (3)	239,965,000	35,151,832	204,813,168	97.30%	199,283,212
Shaker Heights School District (3)	21,804,987	3,128,706	18,676,281	5.41%	1,010,387
Berea School District (3)	10,990,000	1,340,977	9,649,023	5.60%	540,345
Cuyahoga County (3)	231,365,971	54,091,862	177,274,109	19.38%	<u>34,355,722</u>
<b>TOTAL OVERLAPPING DEBT</b>					<u>235,189,666</u>
<b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>					<u><u>\$ 583,193,666</u></u>

(1) Percent applicable column is calculated using current assessed valuation of the City area overlapping the applicable taxing district divided by total current assessed valuation of that taxing district.

(2) Balance in Debt Service Fund excludes the balance in the Stadium Bond Fund, Urban Renewal Fund, Urban Renewal Reserve Fund, Urban Renewal Notes Fund, Subordinated Income Tax Fund, Subordinated Income Tax Reserve Fund, Core City Bonds Fund and Lower Euclid Avenue TIF Fund.

(3) Cuyahoga County Budget Commission.

(4) Only General Obligation Debt of the City is presented in this computation.



## CITY OF CLEVELAND, OHIO

### RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES-(BUDGET BASIS) LAST TEN FISCAL YEARS

<u>Year</u>	<u>Debt Service on General Tax Supported Debt</u>	<u>Debt Service on Self-Supporting Debt</u>	<u>General Fund Expenditures (1)</u>	<u>Ratio of Tax Supported Debt Service to General Fund Expenditures</u>	<u>Ratio of Self-Supporting Debt Service to General Fund Expenditures</u>
1996	\$ 34,890,298	\$ 2,601,657	\$ 387,431,000	9.01%	0.67%
1997	35,157,587	352,168	398,183,000	8.83%	0.09%
1998	35,603,010	0	408,232,000	8.72%	0.00%
1999	36,590,983	0	430,956,000	8.49%	0.00%
2000	38,584,776	0	470,825,000	8.20%	0.00%
2001	39,958,441	0	488,102,000	8.19%	0.00%
2002	39,478,519	0	491,258,000	8.04%	0.00%
2003	42,759,353	0	496,010,000	8.62%	0.00%
2004	44,043,822	0	459,647,000	9.58%	0.00%
2005	44,306,331	0	470,905,000	9.41%	0.00%

(1) Expenditures and other financing uses based on budget basis accounting.

**CITY OF CLEVELAND, OHIO**

**REVENUE BOND COVERAGE-AIRPORT BONDS  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1996	\$61,778,000	\$34,050,000	\$27,728,000	\$16,771,815	1.65
1997	56,335,000	31,864,000	24,471,000	16,411,660	1.49
1998	68,259,000	34,263,000	33,996,000	19,133,000	1.78
1999	77,943,000	40,252,000	37,691,000	27,127,792	1.39
2000	90,205,000	47,381,000	42,824,000	32,431,700	1.32
2001	103,498,000	56,795,000	46,703,000	32,534,400	1.44
2002	101,081,000	59,025,000	42,056,000	31,594,000	1.33
2003	107,758,000	57,845,000	49,913,000	36,232,000	1.38
2004	135,117,000	58,647,000	76,470,000	45,190,000	1.69
2005	140,157,000	66,957,000	73,200,000	53,921,000	1.36

- (1) Gross revenues include operating revenues plus interest income. Beginning in 2001, a minimum of 40% of passenger facility charge (PFC), as well as, grant funds from the FAA for the new runway revenue is also dedicated to the payment of debt service charges and is included in gross revenues.
- (2) Direct operating expenses are calculated in accordance with bond indenture.
- (3) Annual debt service requirements include principal and interest of both self-supported revenue and self-supported general obligation bonds, but exclude such amounts of principal and interest for which sufficient monies have been irrevocably deposited with the trustee.

**CITY OF CLEVELAND, OHIO**

**REVENUE BOND COVERAGE-WATER BONDS  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1996	\$176,968,000	\$100,882,000	\$76,086,000	\$43,107,346	1.77
1997	187,151,000	100,286,000	86,865,000	50,927,000	1.71
1998	204,021,000	102,462,000	101,559,000	49,796,000	2.04
1999	213,777,000	99,700,000	114,077,000	57,666,000	1.98
2000	225,060,000	109,159,000	115,901,000	59,131,675	1.96
2001	229,827,000	116,841,000	112,986,000	52,998,449	2.13
2002	226,394,000	119,736,000	106,658,000	57,490,816	1.86
2003	210,352,000	123,640,000	86,712,000	58,348,434	1.49
2004	215,012,000	127,021,000	87,991,000	50,932,915	1.73
2005	230,354,000	123,931,000	106,423,000	52,248,888	2.04

(1) Gross revenues include operating revenues plus interest income.

(2) Direct operating expenses are calculated in accordance with bond indenture.

(3) Annual debt service requirements include principal and interest of both self-supported revenue and self-supported general obligation bonds.

**CITY OF CLEVELAND, OHIO**

**REVENUE BOND COVERAGE-PUBLIC POWER SYSTEM BONDS  
LAST TEN FISCAL YEARS**

---

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1996	\$99,881,000	\$68,566,000	\$31,315,000	\$17,033,000	1.84
1997	111,663,000	77,015,000	34,648,000	20,561,000	1.69
1998	121,896,000	87,658,000	34,238,000	20,797,000	1.65
1999	132,651,000	99,436,000	33,215,000	19,240,000	1.73
2000	137,407,000	104,889,000	32,518,000	19,445,000	1.67
2001	134,632,000	97,834,000	36,798,000	18,045,161	2.04
2002	143,383,000	103,050,000	40,333,000	18,313,085	2.20
2003	141,190,000	104,940,000	36,250,000	18,751,836	1.93
2004	142,148,000	109,275,000	32,873,000	19,857,476	1.66
2005	152,146,000	125,924,000	26,222,000	14,733,126	1.78

- (1) Gross revenues include operating revenues plus interest income.
- (2) Direct operating expenses are calculated in accordance with bond indenture.
- (3) Annual debt service requirements include principal and interest of both self-supported revenue and self-supported general obligation bonds.

**CITY OF CLEVELAND, OHIO**

**DEBT COVERAGE-SEWER AND SEWAGE DISPOSAL DEBT  
LAST TEN FISCAL YEARS**

---

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement</u>	<u>Coverage</u>
1996	\$17,556,000	\$11,998,000	\$5,558,000	\$2,087,048	2.66
1997	18,423,000	13,303,000	5,120,000	906,000	5.65
1998	19,835,000	12,735,000	7,100,000	1,109,000	6.40
1999	20,087,000	12,931,000	7,156,000	850,000	8.42
2000	20,452,000	13,529,000	6,923,000	749,000	9.24
2001	20,576,000	13,727,000	6,849,000	846,000	8.10
2002	20,103,000	14,282,000	5,821,000	879,000	6.62
2003	19,568,000	14,646,000	4,922,000	747,804	6.58
2004	20,274,000	15,852,000	4,422,000	601,250	7.35
2005	20,808,000	16,917,000	3,891,000	612,451	6.35

(1) Gross revenues include operating revenues plus interest income.

# CITY OF CLEVELAND, OHIO

## PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

---

<u>Year</u>	<u>Total Estimated Actual Value (1)</u>	<u>Bank Deposits at December 31 (2)</u>	<u>Building Permits Issued (3)</u>
1996	\$ 14,407,976	\$ 27,068,211	8,077
1997	14,731,899	53,941,971	9,728
1998	15,553,580	58,904,596	9,216
1999	15,869,046	57,816,942	8,882
2000	16,032,910	61,943,764	9,194
2001	17,662,765	63,893,769	9,853
2002	17,868,219	95,761,917	10,427
2003	17,238,681	97,238,973	9,471
2004	17,542,159	101,838,959	10,020
2005	17,562,590	109,071,512	9,699

(1) Estimate actual value for real, personal and public utilities-Cuyahoga County Auditor's Office.  
Value listed for year of collection.

(2) United States Commercial Bank Deposits - Cuyahoga County,  
<http://www.clevelandfed.org/statistics/NIC/CB-Dep-OH.cfm>

(3) Building permits issued - Division of Building and Housing, City of Cleveland.



# CITY OF CLEVELAND, OHIO

## PRINCIPAL PROPERTY TAXPAYERS

DECEMBER 31, 2005

The largest property taxpayers with respect to property located in the City, based on assessed valuation of property for the 2005 tax collection year are as follows:

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Assessed Valuation by Category
<b>Real Property</b>			
City of Cleveland, Ohio	Government	\$ 101,474,305	2.04%
Cleveland Financial Associates	Commercial Real Estate Holdings	47,232,500	0.95%
Cleveland Clinic Foundation	Hospital System	36,009,880	0.72%
NPW LTD Partnership	Commercial Real Estate Holdings	35,560,000	0.71%
National City Center LLC	Commercial Real Estate Holdings	28,000,000	0.56%
ISG Cleveland Inc.	Steel Manufacturing	25,984,630	0.52%
Ohio Bell Telephone	Communications	19,713,925	0.40%
Bishop James Hickey	Commercial Real Estate Holdings	19,425,000	0.39%
600 Superior Part LLC	Commercial Real Estate Holdings	15,925,000	0.32%
Western Reserve University	Higher Education	15,750,000	0.31%
<b>TOTAL</b>		345,075,240	6.92%
<b>Total Assessed Valuation-Real<sup>(1)</sup></b>		\$ 4,985,130,700	82.98%
 <b>Tangible Personal Property (other than Public Utilities)</b>			
Continental Airlines Inc.	Airline	\$ 11,024,670	1.64%
Cargill, Inc.	Salt Mining	10,586,210	1.58%
B.F. Goodrich Company	Automotive Products	9,677,610	1.44%
PPG Ohio, Inc.	Automotive Finishes, Coating	8,013,540	1.19%
Sherwin Williams	Paint Products	7,910,650	1.18%
Express Jet Airlines, Inc.	Airline	6,950,590	1.03%
GE Capital Corp.	Finance	6,463,290	0.96%
IBM Credit LLC	Finance	6,321,160	0.94%
Anchor Tool & Die	Manufacturing and Machining	6,190,870	0.92%
GE Lighting, Inc.	Lamp Products Manufacturing	5,987,300	0.90%
<b>TOTAL</b>		79,125,890	11.78%
<b>Total Assessed Valuation-Tangible</b>		\$ 671,795,608	11.18%
 <b>Public Utilities (Real and Tangible Personal Property)</b>			
Cleveland Electric Illuminating Co.	Utilities-Electric	\$ 138,442,336	39.48%
Ohio Bell Telephone	Communications	63,641,160	18.15%
East Ohio Gas	Utilities-Natural Gas	25,152,347	7.17%
Ameritech	Communications	21,064,414	6.00%
<b>TOTAL</b>		248,300,257	70.80%
<b>Total Assessed Valuation- Public Utilities</b>		350,690,010	5.84%
<b>Total Assessed Valuation-All Categories</b>		\$ 6,007,616,318	100.00%

Source: Cuyahoga County Auditor's Office

(1) Includes Public Utilities Real Property.

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF INSURANCE COVERAGE  
DECEMBER 31, 2005**

<u>Type of Coverage/ Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Annual Premium</u>
<b>AIRPORTS:</b>			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Old Republic Insurance Co. Primary Airport General Liability Insurance	PR174707	12/31/05-12/31/06	\$392,968
B) Subscribing insurers at Lloyd's of London Excess Airport Liability Insurance	JDDNX09803507	12/31/05-12-31/06	\$144,000
2) PROPERTY DAMAGE AND EARNINGS INSURANCE			
A) FH Global Insurance Company	NC011	03/06/05-03/06/06	\$386,748
3) VEHICLE LIABILITY INSURANCE			
A) St. Paul Fire and Marine Insurance Company	GA06300129	09/13/05-09/13/06	\$299,572
4) MOBILE EQUIPMENT LIABILITY INSURANCE			
A) St. Paul Fire and Marine Insurance Company	6600816C509	09/13/05-09/13/06	\$13,307
<b>CLEVELAND PUBLIC POWER:</b>			
1) PROPERTY COVERAGE:			
A) Lloyd's of London Property Insurance Coverage	PL191204	12/22/04-02/21/06	\$325,000
B) Lloyd's of London Property Insurance Coverage	PL191204	12/22/04-02/21/06	(included above)

---

<u>Details of Coverage</u>	<u>Liability Limit</u>
Bodily injury and property damage including airport operations hazard, contractual hazard, non-owned aircraft products-completed operations hazard, products-completed operations hazard, hazard, liquor liability hazard and hangarkeepers liability	\$30 million annual aggregate. Aggregate annual deductible of \$150,000.
Excess liability coverage	\$170 million annual aggregate, excess to \$30 million primary coverage.
Property damage, gross earnings, demolition, and increased cost of construction	\$439,204 aggregate total.
"Certified" Terrorism Risk Coverage and "Non-Certified" Terrorism Risk Coverage	\$1 million per occurrence/ \$5 million annual aggregate.
Earthquake and flood	\$100 million annual aggregate.
Debris removal (greater of )	25% of value or \$5 million.
Extra expense, service interruption bodily injury, EDP-media, property damage/bodily injury (automatic coverage or errors and omissions), transit and expediting expense	\$1 million with deductibles of \$100,000 per occurrence.
Bodily injury and property damage Liability and Comprehensive/Collision Liability and Comprehensive/Collision	\$1 million with \$10,000 per accident deductible.
Liability coverage for bodily injury and property damage \$1,000,000 subject to a \$2,500 deductible per occurrence	\$1 million with \$10,000 per accident deductible.
Blanket real and personal property special form coverage for insured perils' newly acquired location; fire brigade charges and extinguishing services	\$107,550,000 aggregate total.
Comprehensive coverage including production machinery (including breakdown)	\$250,000 deductible for turbines/generators, \$75,000 for all other.

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF INSURANCE COVERAGE - Continued**  
**DECEMBER 31, 2005**

---

<b><u>Type of Coverage/ Name of Carrier</u></b>	<b><u>Policy Number</u></b>	<b><u>Policy Period</u></b>	<b><u>Annual Premium</u></b>
<b>NEW CLEVELAND BROWNS' STADIUM CONSTRUCTION</b>			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Pinkney Perry Insurance Agency (Zurich Global)			
General liability coverage	ERP3589292-05	06/01/05-06/01/06	\$108,736

---

<u>Details of Coverage</u>	<u>Liability Limit</u>
All Coverages Combined, subject to applicable sub-limits of liability in the policy	\$308,000,000 per occurrence.
Earthmovement	
Earthquake	\$100,000 per occurrence.
Flood	
Outside 500 year Flood Plain or its comparable equivalent	\$100,000 per occurrence.
Aggregate policy year limit	\$100,000 per occurrence.
Debris Removal, excluding pollutants, or removal required by the enforcement of law, etc. * or 25% of the loss, whichever is greater	\$5,000,000* per occurrence.
Machinery Breakdown	\$100,000 per occurrence.
Water Damage	\$100,000 per occurrence.
Ammonia Contamination	\$100,000 per occurrence.
Service Interruption	\$200,000 per occurrence.
Hazardous Substances	\$100,000 per occurrence.

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS DECEMBER 31, 2005

The population of the City, the County, the PMSA and the State for each decade from 1950 to 2000 (U.S. Bureau of the Census) is as follows:

<u>Year</u>	<u>Population</u>			
	<u>City</u>	<u>County</u>	<u>PMSA</u>	<u>State</u>
1950	914,808	1,389,532	1,532,574	7,946,627
1960	876,050	1,647,895	1,919,483	9,706,397
1970	750,903	1,721,300	2,063,729	10,652,017
1980	573,822	1,498,400	1,898,825	10,797,630
1990	505,616	1,412,140	1,831,122	10,847,115
2000	478,403	1,393,978	2,250,871	11,353,140

### AGE DISTRIBUTION (1), (2)

<u>Age</u>	<u>2000</u>			
	<u>Males</u>		<u>Females</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Under 5 years	19,686	8.7%	18,908	7.5%
5-9 yrs	21,094	9.3%	20,614	8.2%
10-14 yrs	18,767	8.3%	18,032	7.2%
15-19 yrs	16,316	7.2%	16,179	6.4%
20-24 yrs	14,895	6.6%	17,166	6.9%
25-34 yrs	34,078	15.1%	37,769	15.0%
35-44 yrs	36,000	15.9%	37,822	15.0%
45-54 yrs	26,547	11.7%	28,564	11.3%
55-59 yrs	8,464	3.7%	10,393	4.1%
60-64 yrs	7,578	3.3%	9,552	3.8%
65 and over	23,125	10.2%	36,854	14.6%
<b>Total</b>	<b>226,550</b>	<b>100.0%</b>	<b>251,853</b>	<b>100.0%</b>

Median Age 31.6 34.3

### DISTRIBUTION OF FAMILIES BY INCOME BRACKET (average 3.2 persons) (1), (2)

<u>Income</u>	<u>2000</u>		<u>2000</u>	
	<u>Families</u>	<u>Percentage</u>	<u>Household</u>	<u>Percentage</u>
Less than \$10,000	\$ 18,241	16.2 %	\$ 40,118	21.0 %
\$10,000-\$14,999	9,112	8.1 %	18,446	9.7 %
\$15,000-\$24,999	19,545	17.3 %	33,725	17.7 %
\$25,000-\$34,999	16,699	14.8 %	28,228	14.8 %
\$35,000-\$49,999	19,400	17.2 %	28,814	15.1 %
\$50,000-\$74,999	18,451	16.3 %	25,592	13.4 %
\$75,000-\$99,999	6,896	6.1 %	9,328	4.9 %
\$100,000 to \$149,999	3,227	2.9 %	4,336	2.3 %
\$150,000 to \$199,999	535	0.5 %	820	0.4 %
\$200,000 or more	732	0.6 %	1,318	0.7 %
<b>Total</b>	<b>112,838</b>	<b>100.0 %</b>	<b>190,725</b>	<b>100.0 %</b>

Median Family Income (1) \$ 25,928 \$ 30,286

Source: (1) U.S. Census of Population 2000

(2) Northern Ohio Data and Information Service, College of Urban Affairs, Cleveland State University,  
<http://nodis.cusohio.edu/nodis/2000reports>.

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued DECEMBER 31, 2005

### Employment by Sectors

The following table indicates the distribution of employees among major industrial classifications in the Cleveland-Elyria-Mentor MSA<sup>(3)</sup> for the years 2004 and 2005 and the Cleveland-Lorain Elyria PMSA<sup>(2)</sup> for the years 2001 through 2003:

### Distribution of Employees by Sector (Amounts in 000's)

	<u>2005<sup>(1)</sup></u>	<u>2004<sup>(1)</sup></u>	<u>2003<sup>(1)</sup></u>	<u>2002<sup>(1)</sup></u>	<u>2001<sup>(1)</sup></u>
<b>Good Producing Industries:</b>					
Natural Resources, Mining & Construction	43.1	44.6	44.9	44.7	45.2
Primary Metals	11.2	11.2	12.0	12.0	17.0
Fabricated Metal Products	31.1	31.4	31.9	32.4	35.9
Industrial Machinery	0.0	0.0	0.0	0.0	30.5
Electrical Equipment	0.0	0.0	7.6	8.7	14.6
Transportation Equipment	19.9	21.2	23.0	24.5	21.5
Printing & Publishing	0.0	0.0	0.0	0.0	15.2
Non-Durable Goods	41.6	42.4	47.5	50.2	0.0
Chemical Products	0.0	0.0	0.0	0.0	16.1
Rubber & Plastic Products	0.0	0.0	0.0	0.0	13.6
Other Durable Goods	45.6	45.7	41.5	44.6	38.9
<b>Total Goods Producing Industries</b>	<b>192.5</b>	<b>196.5</b>	<b>208.4</b>	<b>217.1</b>	<b>248.5</b>
<b>Service Producing Industries:</b>					
Transportation, Warehousing & Utilities	32.4	31.9	33.6	31.5	47.5
Wholesale Trade	55.0	54.6	54.6	56.5	70.4
Retail Trade	110.3	113.6	119.5	118.9	199.8
Financial Activities	78.9	81.1	81.2	80.9	82.5
Health Services	140.4	137.1	143.0	141.0	116.5
Other Services	320.8	317.0	321.2	324.5	241.5
Federal Government	18.1	18.5	18.8	19.0	19.7
State Government	8.2	8.2	8.5	8.9	9.2
Local Government	114.2	114.9	121.4	121.9	122.8
<b>Total Goods Producing Industries</b>	<b>878.3</b>	<b>876.9</b>	<b>901.8</b>	<b>903.1</b>	<b>909.9</b>
<b>Grand Total</b>	<b>1,070.8</b>	<b>1,073.4</b>	<b>1,110.2</b>	<b>1,120.2</b>	<b>1,158.4</b>
Goods Producing Percentage	18.0%	18.3%	18.8%	19.4%	21.5%
Service Producing Percentage	82.0%	81.7%	81.2%	80.6%	78.5%

Source: Ohio Bureau of Employment Services, Labor Market Information Division

(1) Office of Research, Assessment, & Accountability, Bureau of Labor Market Information, [www.lmi.state.oh.us/CES/LMR.htm](http://www.lmi.state.oh.us/CES/LMR.htm).

(2) Effective January 1, 1994 the Cleveland PMSA was modified to include Lorain and Ashtabula counties.

(3) Effective 2003, the metropolitan statistical areas were modified. The 2003 classification is the Cleveland-Elyria-Mentor, OH MSA. Ashtabula County is no longer included in this MSA.

## CITY OF CLEVELAND, OHIO

### DEMOGRAPHIC STATISTICS - Continued DECEMBER 31, 2005

#### Employment

The following table compares estimated employment statistics for Cuyahoga County and the Cleveland-Lorain-Elyria PMSA<sup>(2)</sup> (1996 - 2003) and the Cleveland-Elyria-Mentor, OH MSA<sup>(3)</sup> (2004 and 2005) including comparisons with unemployment rates for the State of Ohio and the United States:

<u>Years<sup>(1)</sup></u>	<u>Employed</u>		<u>Unemployed</u>		<u>Unemployment Rate</u>			
	<u>County</u>	<u>PMSA/MSA</u>	<u>County</u>	<u>PMSA/MSA</u>	<u>County</u>	<u>PMSA/ MSA</u>	<u>Ohio</u>	<u>U.S.</u>
1996	655,700	1,046,100	34,300	57,100	5.0%	5.2%	4.9%	5.4%
1997	651,900	1,061,600	33,000	53,500	4.8%	4.8%	4.6%	4.9%
1998	644,400	1,088,700	30,000	49,400	4.4%	4.3%	4.3%	4.5%
1999	649,900	1,093,400	31,300	49,100	4.6%	4.3%	4.3%	4.2%
2000	646,300	1,070,500	31,100	49,800	4.6%	4.4%	4.1%	4.0%
2001	643,400	1,071,100	30,800	51,700	4.6%	4.6%	4.2%	4.7%
2002	624,900	1,040,300	44,800	72,700	6.7%	6.5%	5.7%	5.8%
2003 <sup>(2)</sup>	631,800	1,055,300	43,500	72,400	6.4%	6.4%	6.2%	5.7%
2004 <sup>(3)</sup>	626,800	1,018,600	37,600	58,300	5.7%	5.4%	6.1%	5.4%
2005 <sup>(3)</sup>	624,100	1,029,600	36,600	61,700	5.5%	5.7%	5.9%	4.9%

Source: Bureau of Labor Market Information

- (1) Effective January 1, 1994, the Cleveland PMSA was modified to include Lorain and Ashtabula Counties.
- (2) Office of Research Assessments & Accountability, Bureau of Labor Market Information, 2003 <http://lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>.
- (3) Effective 2003, the metropolitan statistical areas were modified. The 2003 classification is the Cleveland-Elyria-Mentor, OH MSA. Ashtabula County is no longer included in this MSA.



# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued DECEMBER 31, 2005

---

### Corporate Headquarters

The following table shows the corporations among Fortune magazine's listing of the five hundred largest corporations in the United States which are located in the Cleveland-Elyria-Mentor, OH: MSA <sup>(1)</sup>:

#### The 500 Largest Industrial and Service Corporations Ranked by Revenues <sup>(A)</sup>

<u>Rank</u>	<u>Company</u>	<u>Worldwide Revenues (\$ millions)</u>	<u>Worldwide Assets (\$ millions)</u>	<u>Major Product or Services</u>
153	Progressive	\$ 14,303.4	\$ 18,898.6	Insurance
210	Eaton	11,115.0	10,218.0	Automotive and Electronics
213	National City Corporation	11,036.1	142,397.1	Commercial Banking
279	Parker Hannifin Corporation	8,270.6	6,899.0	Hydraulic Components
311	Sherwin Williams	7,190.7	4,369.2	Paints
325	Key Corp	6,695.0	93,126.0	Commercial Banking
486	Lubrizol	4,098.9	4,366.3	Specialty Chemicals

Source: (A) [www.fortune.com/fortune500/snapshot/html](http://www.fortune.com/fortune500/snapshot/html)

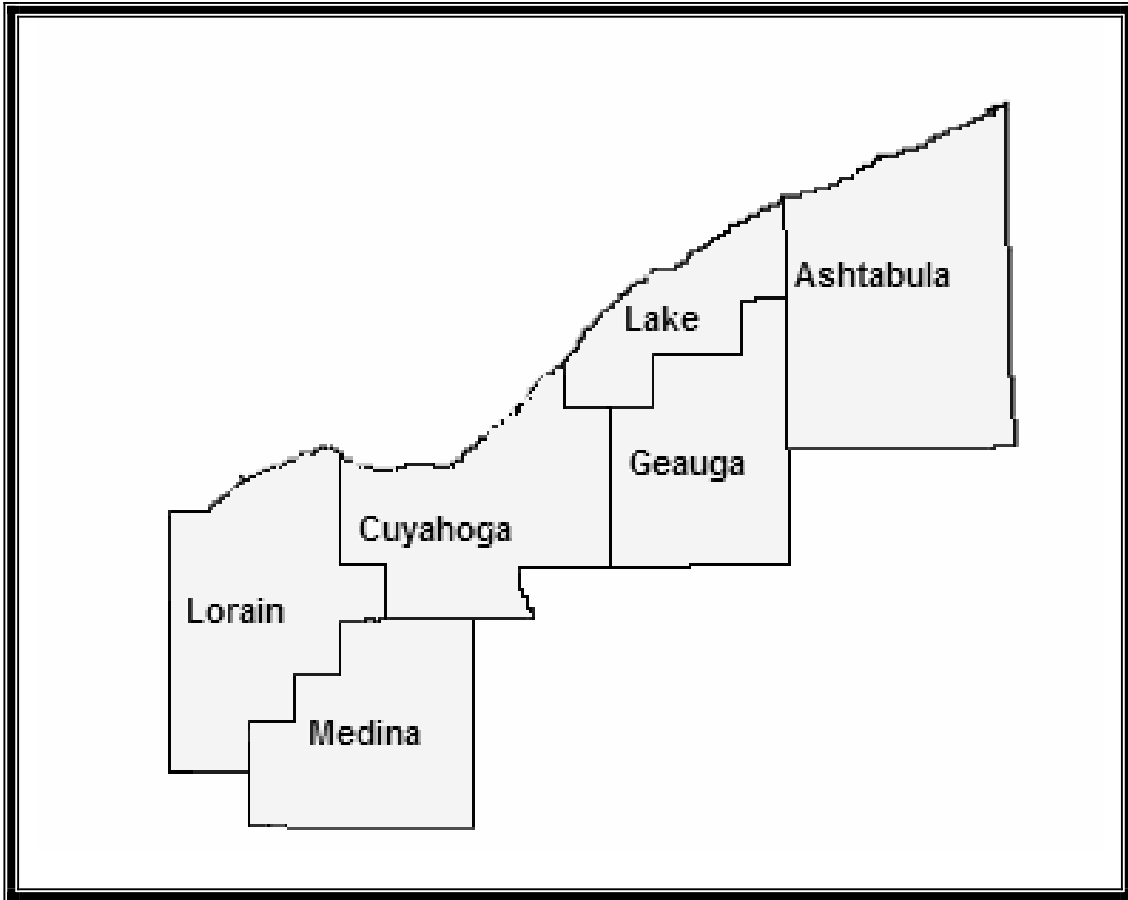
(1) Effective 2003, the metropolitan statistical area is classified as the Cleveland-Elyria-Mentor, OH MSA

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS – Continued

DECEMBER 31, 2005

### METROPOLITAN CLEVELAND<sup>(1)</sup>



- 2,223,300 people<sup>(3)</sup>
- Six counties
- Largest metropolitan area in Ohio
- 1,076,700 employed labor force<sup>(2)</sup>

Source: Bureau of Labor Market Information

(1) Effective January 1, 1994, the Cleveland PMSA was modified to include Lorain and Ashtabula Counties. Effective 2003, the metropolitan statistical areas were again modified. The 2003 classification is the Cleveland-Elyria-Mentor, OH MSA. Although Ashtabula County is no longer included in this MSA, it is considered part of the Cleveland metropolitan area and is presented here for informational purposes.

(2) Office of Research, Assessment & Accountability, Bureau of Labor Market Information, 2005; <http://www.lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>.

(3) U.S. Census of Population 2000

**CITY OF CLEVELAND, OHIO**  
**DEMOGRAPHIC STATISTICS – Continued**  
**DECEMBER 31, 2005**

DATE OF INCORPORATION .....	MARCH 5, 1836
DATE OF ADOPTION OF ORIGINAL CITY CHARTER .....	JULY 1, 1913
FORM OF GOVERNMENT .....	MAYOR AND TWENTY-ONE COUNCILMEMBERS
AREA-SQUARE MILES .....	76
MILES OF SHORELINE ON CUYAHOGA RIVER .....	17
MILES OF SHORELINE ON LAKE ERIE .....	14

**ELECTION OF NOVEMBER 2005 (Mayoral)**

Number of Registered Voters-Last General Election .....	326,937
Number of Ballots Cast-Last General Election .....	102,283
Percentage of Registered Votes Cast .....	31.29

**AIRPORTS**

Cleveland Hopkins International Airport	
Enplaned Passengers .....	5,724,440
Total Airport Landing Weight (1,000 lbs) .....	7,910,706
Number of Scheduled Aircraft Departures per day (Average at Hopkins) .....	355
Miles from City Hall to Cleveland Hopkins International Airport .....	13
Miles from City Hall to Burke Lakefront Airport .....	1/4

**WATER SYSTEM**

Number of Customer Billings .....	1,681,990
Daily Average Pumpage-Gallon .....	236,200,000
Greatest Pumpage for a Single Day...(06/27/2005) .....	334,620,000
Maximum-Filtration Plant Capacity .....	529,000,000
Maximum-Intake Capacity per day .....	740,000,000
Number of Miles of Watermains Owned by City .....	1,928
Number of Miles of Watermains Owned by Suburb .....	3,114
Population Served .....	1,500,000

**FIRE DEPARTMENT**

Number of Stations .....	26
Number of Employees (uniformed) .....	906

**POLICE DEPARTMENT**

Number of Districts .....	6
Number of Employees (uniformed) .....	1,615

**BUILDINGS**

Permits Issued .....	9,699
Estimated Cost of Construction .....	\$652,537,449
Inspections under Ohio Basic Building Code .....	44,066

**PARKS AND RECREATION**

Number of Parks (district, neighborhood, and urban) .....	150
Number of Ball Diamonds (at 70 sites) .....	140
Total Playgrounds .....	112
Recreation Centers .....	19
Basketball Courts (at 65 sites):	
Full .....	120
Half .....	16
Pools:	
Indoor .....	18
Outdoor .....	22
Aquatic Play Areas .....	6
Golf Courses (2-18 hole courses at each) .....	2
Halloran Park Ice Rink .....	1
Zelma Watson George Roller Rink (indoor) .....	1
Tennis Courts (at 30 sites) .....	120
Soccer Fields .....	12
Cudell Fine Arts Center .....	1
Rockefeller Park Public Greenhouse .....	1
Camp George L. Forbes .....	1
Total Park Acreage (not including golf courses) .....	1,477

# CITY OF CLEVELAND, OHIO

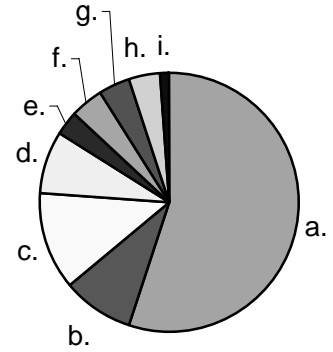
## SCHEDULE OF STATISTICS-GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2005

### OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

#### REVENUE DOLLAR BY SOURCE

Where the money came from

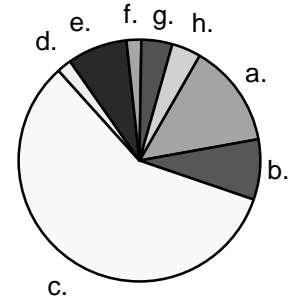
a. Income taxes	a.	\$0.55
b. Property taxes	b.	0.09
c. State local government funds	c.	0.12
d. Other shared revenues	d.	0.08
e. Licenses and permits	e.	0.03
f. Charges for services	f.	0.04
g. Fines, forfeits and settlements	g.	0.04
h. Miscellaneous	h.	0.04
i. Transfers In	i.	0.01
		\$1.00



#### EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

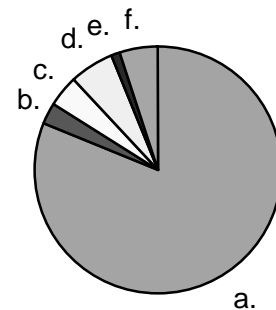
a. General government	a.	\$0.14
b. Public service	b.	0.08
c. Public safety	c.	0.58
d. Public health	d.	0.02
e. Parks, recreation and properties	e.	0.08
f. Building and Housing	f.	0.02
g. Economic and Community Development and other	g.	0.04
h. Transfers out	h.	0.04
		\$ 1.00



#### EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages, and related benefits	a.	\$0.81
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.06
e. Materials and supplies	e.	0.01
f. Transfers out	f.	0.05
		\$1.00



# **SPECIAL THANKS TO:**

The Division of Financial Reporting and Control

---

## **Accounting and Administrative**

Shelfie Carter  
Celina Chaves  
Greg Cordek  
Michael Gehlmann  
Michael Klein  
Ray Pring

Dan Rehor  
Karen Schuster  
Va'Kedia Stiggers  
Sharon Teter  
Gary Walker  
Pandora Ward

## **Data Processing**

Sharon Muchewicz  
Sigrid Truxel  
Penny Gearo

## **Photography**

Donn Nottage, Chief Photographer

City of Cleveland  
Bureau of Photographic Services

## **Cover color separations and printing**

City of Cleveland  
Division of Printing and Reproduction

James E. Gentile, CPA  
City Controller  
Department of Finance  
Room 18 – City Hall  
Cleveland, Ohio 44114  
(216) 664-3881





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF CLEVELAND**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 10, 2006**