GATEWAY ECONOMIC DEVELOPMENT CORPORATION
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Auditor of State
Betty Montgomery

GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY

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Auditor of State
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INDEPENDENT ACCOUNTANTS' REPORT

Members of the Board of Trustees
Gateway Economic Development Corporation of Greater Cleveland
Cuyahoga County
758 Bolivar Road
Cleveland, Ohio 44115

We have audited the accompanying basic financial statements of the business-type activities of Gateway Economic Development Corporation of Greater Cleveland, Cuyahoga County, Ohio, (Gateway) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of Gateway's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Gateway Economic Development Corporation of Greater Cleveland, Cuyahoga County, Ohio, as of December 31, 2005, and the changes in financial position and cash flows, 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 May 30, 2006, on our consideration of Gateway'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.

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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.

Betty Montgomery
Auditor of State

May 30, 2006

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The discussion and analysis of the Gateway Economic Development Corporation of Greater Cleveland provides an overall review of the Company's financial activities for the year ended December 31, 2005. The intent of the discussion and analysis is to look at the company's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Company's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The most significant financial highlight positively affecting Gateway for the second year is the continued stability resulting from the new improved leases with both teams. The signed Memoranda of Understanding with each team provides Gateway a predictable stream of revenue from the teams that covers all Gateway's operating expenses and places responsibility for most capital repairs on the teams.
- The refinancing of the Subordinate Excise Tax Refunding Notes in 2004 has provided Gateway with the funds to make Capital improvements in and around Gateway, including Security cameras and Bollards.
- Long term loan obligations decreased by $716,312.
- Total Operating Revenues totaled $15,988,775 for the year.
- The Luxury Excise Tax Revenues ended August 1, 2005

Using this Annual Financial Report

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand Gateway Economic Development Corporation of Greater Cleveland as a financial whole.

The Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Assets provide information about the activities of the company. Gateway only has one major fund for business-type activities.

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

While this document contains information about the funds used to provide service to the City, County, the teams and taxpayers, the view of Gateway as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and The Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received.

These statements report Gateway's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, Gateway has improved or diminished.

- Business Activities – Gateway is a Non-Profit 501(c)(3) Corporation created to own, finance, construct and operate the Gateway Sports Complex by overseeing services such as maintenance, security and other capital repairs at the Gateway Sports Complex.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Business-wide financial analysis.
Table 1 provides a summary of Gateway's net assets for 2005 and 2004 Business Activities.

Table 1
NET ASSETS

	2005	2004
ASSETS:		
Current Assets-Unrestricted	$ 172,135	$ 1,512,419
Current Assets-Restricted	6,962,994	11,556,582
Non-Current Assets-Restricted	-	11,026,592
Non-Current Assets Deferred Costs, Net	212,355,264	229,787,391
Total Assets	**$ 219,490,393**	**$ 253,882,984**
LIABILITIES:		
Current Liabilities	11,026,041	35,529,851
Non-Current Liabilities	291,785,072	287,684,263
Total Liabilities	**$ 302,811,113**	**$ 323,214,114**
Net Assets		
Invested in Capital Assets, net of Related Debt	$ (80,873,451)	$ (84,841,178)
Restricted for Debt Service	6,962,994	22,583,174
Unrestricted	(9,410,263)	(7,073,126)
Net of Related Debt		
Total Net Assets	**$ (83,320,720)**	**$ (69,331,130)**

In the case of Gateway, the majority of all assets and liabilities are capital assets. As a result, the depreciation, amortization and interest expense have a significant impact on the Total Net Assets. The majority of the change is due to the change in Accumulated Depreciation of $16,838,657.

Total Liabilities at $302,811,113 decreased by ($20,403,001), mainly due to the reduction of Long Term Debt. This was accomplished through the use of the remaining Luxury tax received in 2005 and the Cash available from 2004.

Net Assets for 2005 totaled ($83,320,720). Increases in this deficit were mainly due to depreciation and amortization in operating expenses.

GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 shows the changes in Net Assets for the year ended December 31, 2005. Gateway implemented GASB statement no. 34, basic financial statements two years ago.

Table 2
Statement of Revenues, Expenses and Changes in Net Assets
As of December 31, 2005

	2005	2004
Operating Revenues		
Lease Income	$ 14,437,420	$ 9,106,873
Other	1,551,355	1,004,223
Total Operating Revenues	15,988,775	10,111,096
Operating Expenses		
Administrative and General	5,437,361	4,627,829
Depreciation and Amortization	17,262,061	18,678,613
Salaries and Related Expenses	410,059	442,154
Professional Fees	59,939	64,885
Property Tax Expense	1,103,718	983,624
Security Expense	650,621	625,001
Repairs and Maintenance	8,659,989	2,377,570
Total Operating Expense	33,583,748	27,799,676
Operating Loss	(17,594,973)	(17,688,580)
Non-Operating Revenues		
Luxury Tax	9,965,468	15,697,969
Premium Seating Revenue	2,789,224	3,047,907
Interest Income	2,612,605	1,937,982
Incremental Transient Occup. Tax Credit	212,180	212,180
Total Non-Operating Revenues	15,579,477	20,896,038
Non-Operating Expenses		
Interest Expense	11,974,094	12,906,865
Total Non-Operating Expense	11,974,094	12,906,865
Net Non-Operating Income	3,605,383	7,989,173
Net Assets		
Net Decrease in Net Assets	(13,989,590)	(9,699,407)
Total Net Assets at Beginning of Year	(69,331,130)	(59,631,723)
Total Net Assets at End of Year	**$ (83,320,720)**	**$ (69,331,130)**

As of August 1, 2005 the Luxury tax revenue for Gateway ended. Receipts were received by the bond trustees thru December 31, 2005. The amount received for 2004 and 2005 was $15,697,969 and $9,965,468, respectively. These funds were used to pay for the Senior Lien Excise Tax Refunding Bonds and Subordinated Excise Tax Refunding Bonds. These bonds were paid off during 2005.

Lease income for 2005 and for the prior year 2004 changed as a result of the Memoranda of Understanding effective as of January 1, 2004 between Gateway and the Cleveland Indians and Gateway and the Cleveland Cavaliers, which modified the provision of the existing leases. The teams also agreed to pay most of the capital repairs. For 2005 Gateway's total operating budget of $2,850,750 was paid by the teams pursuant to the Memoranda of Understanding.

Operating expenses for 2005 totaled $33,583,748 which represents an increase of $5,784,072 from the prior year. The majority of the increase was due to higher Capital repair offsets from Gund Arena including a new scoreboard and seat replacement. With new agreements in place it has been determined that the amount of prepaid rent by Gund Arena could only be recovered as a credit against future rent obligations. Since the requirement to recognize prepaid rent is not an obligation of the city or county and any prepaid rent would be extinguished at the end of the lease there is no possible circumstance where this could be a liability of Gateway to be paid to Gund Arena.

General Budget Highlights

Administration, maintenance and security of Gateway fall under the direction of its Executive Director and staff. Gateway staff under the new Memorandum of Understanding now prepares a detailed operating budget for both teams and a consolidated budget that is reviewed with the teams as well as Gateway's Board of Directors. This budget, once approved, is analyzed and reviewed on a quarterly basis with the teams. Financial reports are also submitted to the Board members monthly and reviewed at quarterly meetings. Gateway also has oversight of capital repairs for both teams.

Table 3
Capital Assets
Net of Accumulated Depreciation

	2005	2004
Land	$ 23,108,049	$ 23,108,049
Building & Improvements		
Ballpark	$ 62,165,101	$ 69,958,380
Arena	$ 82,372,983	$ 86,810,493
Site	$ 15,246,966	$ 17,154,682
Equipment		
Ballpark	$ 7,962,521	$ 9,164,910
Arena	$ 2,284,706	$ 2,985,756
Site	$ 7,500	$ 7,500
Furniture & Fixtures		
Ballpark	$ -	$ -
Arena	$ -	$ (1,110)
Site	$ -	$ -
Capitalized Costs	$ 14,430,104	$ 15,220,795
Other	$ 35,444	$ 42,576
Total	**$ 207,613,374**	**$ 224,452,031**

Capital Assets

Gateway's investment in capital assets for its activities as of December 31, 2005 amount to $207,613,374. This investment in capital assets includes land, both sports facilities and equipment, site-work and furniture.

Table 4 below summarizes Gateway's long-term loan obligations outstanding

Table 4
Outstanding Long-Term Obligations at Year End

	2005	2004
Bonds Payable:		
Senior Lien Excise Tax Refunding Bonds, Issue 2001	$ -	$ 17,415,000
Stadium Revenue Refunding Bonds, Series 2004A		
Term Bonds due September 15, 2014	$ 23,835,000	$ 25,635,000
Stadium Revenue Refunding Bonds, Series 2004B Bonds		
Term Bonds due September 15, 2014	$ 900,000	$ 1,000,000
Subordinated Excise Tax Bonds		
Term Bonds due September 1, 2005	$ -	$ 6,020,000
Notes Payable:		
Cuyahoga County	$ 193,510,496	$ 191,601,742
State of Ohio ($4 million assumed from the Greater Cleveland New Stadium Corporation)	$ 4,000,000	$ 5,635,155
Cleveland Development Partnership	$ 31,934,000	$ 31,934,000
Cleveland Foundation/Cuyahoga County	$ 1,750,000	$ 1,750,000
Subtotal	$ 255,929,496	$ 280,990,897
Less-Current Portion	$ (6,090,000)	$ (30,605,156)
Less-Unamortized Discount	$ (2,939)	$ (3,559)
Less-Unamortized Premium	$ -	$ 170,687
Total	**$ 249,836,557**	**$ 250,552,869**

At the end of 2005, Gateway had Long Term Obligations outstanding of $249,836,557. Additional information on Gateway's long term debt can be found in the footnote section. Of this amount, Gateway's current loan with the County has a balance of $193,510,496. Gateway intends to fully comply with it's obligation under the revolving loan agreement and its obligation to make "net Revenue" payments to the County. However, based on historical trends, Gateway may and probably will not be able to pay back this amount to Cuyahoga County.

Economic Factors and Next Year's 2006 Budget

On February 2, 2004 Gateway announced that the organization had reached agreements to restructure the leases with the Cleveland Cavaliers and Cleveland Indians that secured Gateway's financial standing and insure the upkeep of the team's facilities. The Memorandum of Understanding provided Gateway for the first time, a predictable stream of revenue from the teams that covers all Gateway's operating expenses and places responsibility for most capital repairs on the teams. The new agreement also called for refinancing of stadium revenue bonds to take advantage of low rates that will generate funds to help cover the capital needs of Jacobs Field.

As we look back at both 2005 and 2004 the signed Memorandum's of Understanding, the agreements have worked exactly as anticipated. Gateway has had a predictable stream of revenue to cover its expenses and the teams have been very cooperative. With the completion of the second year of a ten year Memoranda of Understanding between Gateway and The Cleveland Indians, and Gateway and The Cleveland Cavaliers, Gateway and the teams have proven that the new agreement is acceptable to all involved. Gateway's bond payments and State of Ohio's notes payable are covered by the Memorandum's of Understanding. Gateway's notes payable with the County, the Cleveland Development Partnership, and Cleveland Foundation/Cuyahoga County are revolving loan agreement and its obligation is to make "net Revenue" payments to each entity. However, based on historical trends, Gateway may and probably will not be able to pay back these note payable amounts.

Gateway's belief that these agreements would protect the financial interests of Gateway for the foreseeable future has proved to be true. This agreement also protects the taxpayer's investment in the facilities through city and county investment without asking the county or city taxpayers to subsidize Gateway operations. The teams have approved Gateway's 2006 operations budget totaling $ 3,159,697. Included in this budget are additional funds to cover assessments totaling $95,796 to participate in the New Business Improvement District. The teams will forward these payments at the beginning of each quarter.

Contacting Gateway's Financial Management

The financial report is designed to provide the city, county, taxpayers and any other interested parties with a general overview of Gateway's finances. If you have any questions about this report or need additional information, contact Gateway's Executive Director, Todd Greathouse at Gateway Economic Development Corporation of Greater Cleveland, 758 Bolivar, Cleveland, Ohio 44115, and phone no. 216-420-4071.

GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND
Statement of Net Assets- Proprietary Fund
As of December 31, 2005

Assets	
Current Assets - Unrestricted	
Cash and Cash Equivalents	$ 55,351
Receivables:	
Interest	28,818
Prepaid Expenses and Other Assets	87,966
	172,135
Current Assets-Restricted	
Restricted Cash and Cash Equivalents	6,962,994
Total Current Assets	7,135,129
Non-Current Assets	
Deferred Costs, Net	4,741,890
Sports Facility Project:	
Land	23,108,049
Stadium	179,854,745
Arena	158,306,378
Site	40,195,778
Capitalized Costs	23,720,720
Furniture, Fixtures and Equipment	201,698
	430,129,258
Less: Accumulated Depreciation	217,773,994
Sports Facility Project, Net	212,355,264
Total Assets	$ 219,490,393

GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND

Statement of Net Assets- Proprietary Fund
As of December 31, 2005

Liabilities	
Current Liabilities	
Accounts Payable	$ 30,620
Accrued Expenses	40,923
Property Taxes Payable	1,066,561
Accrued Interest	304,147
Current Portion of Long Term Debt	6,090,000
Current Portion of Deferred Revenue	3,493,790
Total Current Liabilities	11,026,041
Non Current Liabilities	
Long Term Debt, Less Current Portion	245,902,557
Long Term Accrued Interest	36,190,121
Deferred Revenue, Less Current Portion	6,261,144
Refundable Deposits	3,431,250
Total Long-term Liabilities	291,785,072
Total Liabilities	302,811,113
Net Assets	
Invested in Capital Assets, net of related debt	(80,873,451)
Restricted for Debt Service	6,962,994
Unrestricted	(9,410,263)
Total Net Assets	$ (83,320,720)

GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND

Statement of Revenues, Expenses and Changes in Net Assets- Proprietary Fund
As of December 31, 2005

Operating Revenues	
Lease Income	$ 14,437,420
Other	1,551,355
Total Operating Revenues	15,988,775
Operating Expenses	
Administrative and General	5,437,361
Depreciation and Amortization	17,262,061
Salaries and Related Expenses	410,059
Professional Fees	59,939
Property Tax Expense	1,103,718
Security Expense	650,621
Repairs and Maintenance	8,659,989
Total Operating Expense	33,583,748
Operating Loss	(17,594,973)
Non-Operating Revenues	
Luxury Tax	9,965,468
Premium Seating Revenue	2,789,224
Interest Income	2,612,605
Incremental Transient Occupancy Tax Credit	212,180
Total Non-Operating Revenues	15,579,477
Non-Operating Expenses	
Interest Expense	11,974,094
Total Non-Operating Expense	11,974,094
Net Non-Operating Income	3,605,383
Net Assets	
Net Decrease in Net Assets	(13,989,590)
Total Net Assets at Beginning of Year	(69,331,130)
Total Net Assets at End of Year	$ (83,320,720)

GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND
Statement of Cash Flows- Proprietary Fund
As of December 31, 2005

Cash Flows from Operating Activities	
Cash Received from Lease Revenue	$ 2,789,987
Cash Received from Other Revenue	1,297,723
Cash Paid for Administrative and General	(139,367)
Cash Paid for Salaries and Related Expenses	(407,550)
Cash Paid for Professional Fees	(59,939)
Cash Paid for Property Tax Expense	(983,423)
Cash Paid for Security Expense	(650,621)
Cash Paid for Repairs and Maintenance	(2,252,671)
	(405,861)
Cash Flows from Non-Capital Financing Activities	
Cash Received from Luxury Tax Revenue	11,236,481
Cash Received from Premium Seating Revenue	3,240,158
Cash Received from Transient Occupancy Tax Credit	212,180
	14,688,819
Cash Flows from Capital and Related Financing Activities	
Proceeds from Restricted Investments	7,866,471
Investment Income Received	2,589,470
Interest Expense	(8,549,010)
Increase in Deferred Revenue	1,108,583
Proceeds from Notes Payable	1,908,753
Principal Paid on Bonds Payable	(26,970,155)
	(22,045,888)
Net Decrease in Cash and Cash Equivalents	(7,762,930)
Cash and Cash Equivalents at Beginning of Year	14,781,275
Cash and Cash Equivalents at End of Year	$ 7,018,345
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (Loss)	$ (17,594,973)
Adjustments to Reconcile to Net Cash Provided by Operating Activities:	
Depreciation and amortization	17,262,061
Net Changes in Operating Assets and Liabilities:	
Decrease in Prepaid Expenses and Other Assets	83,185
(Decrease) in Accounts Payable	(349)
(Decrease) in Accrued Expenses	(22,448)
(Decrease) in Property Taxes Payable	120,295
Increase in Deferred Revenue	(253,632)
Net Cash (Used) by Operating Activities	$ (405,861)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. DESCRIPTION OF THE REPORTING ENTITY AND BASIS OF PRESENTATION

Gateway Economic Development Corporation of Greater Cleveland (Gateway) was incorporated on May 31, 1990 and is a governmental not-for-profit corporation legally separate from any other entity. Gateway, the City of Cleveland, and Cuyahoga County have entered into a three party agreement, whereby Gateway is authorized to construct, own, and provide for the operation of the sports facility, which includes a baseball stadium, arena and a joint development site (the Project). Substantially all of Gateway's assets are restricted as to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Gateway follows the accrual basis of accounting whereby revenues are recognized when they are earned and become measurable and expenses are recognized where they are incurred.

Gateway applies a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included on the balance sheet. The Statement of Activity presents increases (e.g., revenues) and decreases (e.g., expenses) in fund equity.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made.

B. Cash and Cash Equivalents

Cash received by Gateway is deposited into checking accounts for short-term needs or investment accounts under the direction of trustees appointed through the various financing agreements in order to pay long-term debt principal and interest. For presentation on the balance sheet, investments with an original maturity of three months or less are considered cash equivalents.

C. Investments

Investments are stated at fair value per GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

D. Sports Facility Project

Costs directly attributable to the stadium, arena and site are separately classified in the financial statements. Joint or common costs are allocated to the project components based upon management's allocation. The Stadium and Arena were substantially completed April 1, 1994 and September 15, 1994, respectively.

The sports facility project is recorded on the basis of cost and is depreciated on a straight-line basis over the estimated useful life of each class of depreciable asset. Normal maintenance and repair costs are expensed as incurred.

Land contributed to Gateway in 1990 includes the acquisition and demolition cost of obtaining the land by Greater Cleveland New Stadium Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Federal Taxes

Gateway is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code.

F. 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 borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Gateway applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities of the proprietary fund. For Gateway, these revenues are lease income and naming rights revenue. Revenues and expenses not meeting these definitions are reported as non-operating.

3. LUXURY TAX

Effective August 1, 1990, Cuyahoga County (the County) began to levy excise taxes on sales of liquor, cigarettes, beer, wine and mixed beverages in the County and will continue to do so for a period of fifteen years. Accordingly, as of August 1, 2005 the excise tax revenue ended. Receipts were received by the trustees thru December 31, 2005. Under the terms of the three party agreement between, Gateway, the City of Cleveland, and Cuyahoga County, the County has agreed to contribute the entirety of the luxury tax revenues to the payment of the costs of the sports facility and operations of Gateway during the capitalized interest period, which is equivalent to the construction period. After the capitalized interest period, the County pledged the luxury tax revenues to the payment of debt service obligations of Gateway and to pay costs of the sports facility. Any balance of such revenues is to be used to pay the costs of related economic development projects of the City of Cleveland.

Luxury tax receipts are transferred immediately upon receipt by the County to a bailee of luxury tax creditors (including the bond trustees). It is the duty of the bailee, by agreement to safe keep the luxury tax receipts, to invest the receipts and hold investment income, and to distribute luxury tax receipts only to those creditors entitled to receive the luxury taxes.

4. DEPOSITS AND INVESTMENTS

Gateway may invest the proceeds of various bond offerings (see Note 7) in authorized securities and deposits, including obligations of the federal government and its agencies, deposits with financial institutions, and other securities permitted by Gateway's financing agreements.

4. DEPOSITS AND INVESTMENTS (Continued)

Gateway records the government securities held in the Senior Lien Refunding, Stadium Revenue and Subordinate Interest and Bond Funds at their fair value. Based upon the terms of the Debt Service Deposit Agreement, the following summarizes the balances in funds established by the trust indentures, at their amortized costs, at December 31, 2005:

	Interest Fund	Bond Fund	Reserve Fund	Total
Stadium Revenue Refunding Series A	$0	$0	$3,412,983	$3,412,983
Stadium Revenue Refunding Series B	0	0	102,928	102,928
Stadium Revenue Bonds	105	231	20	356
	$105	$231	$3,515,931	$3,516,267

Cash on Hand: At year-end, Gateway had $200 in undeposited cash on hand, which is included in the balance sheet of Gateway as part of equity in pooled cash and cash equivalents.

Deposits: At December 31, 2005, Gateway had the following:

Account Type	Fair Value
Demand Deposits	$ 55,151
Money Market Treasury Account	6,962,994
	$7,018,145

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, Gateway will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, $6,818,145 of Gateway's bank balance of $7,018,145 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject Gateway to a successful claim by the F.D.I.C.

Gateway has no deposit policy for custodial risk beyond the requirement of permitted by Gateway's financing agreements and State Statue. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with Gateway or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

5. DEFERRED COSTS

Deferred costs at December 31, 2005 consist of the following:

Organization	$1,110,501
Financing	6,802,497
Lease Negotiation	4,387,356
	12,300,354
Accumulated Amortization	(7,558,463)
	$4,741,891

Organization costs associated with Gateway were amortized over the construction period. As of December 31, 1994, such costs were fully amortized.

The financing cost incurred with issuing the Senior Lien Excise Tax Refunding Bonds was capitalized and will be amortized over the life of the debt issue on a basis that approximates a constant rate of amortization of debt outstanding.

The financing cost incurred with issuing the Stadium Revenue Refunding Bonds and the Refinanced Subordinated Excise Tax Bonds (the "Bonds"), including original issue discount, if any, were capitalized and will be amortized over the life of the debt issue on a basis that approximates a constant rate of amortization of debt outstanding. The remaining financing costs associated with the Stadium Revenue Bonds and the original Subordinated Excise Tax Bonds including original issue discount were written off.

The financing cost incurred with issuing the Subordinated Excise Tax Refunding Bonds were capitalized and will be amortized over the life of the remaining debt issue on a straight-line basis.

The notes payable to Cuyahoga County are deferred and amortized over the life of the respective debt issue on a basis that approximates a constant rate of amortization of debt outstanding. Cost associated with credit enhancement are deferred and amortized over the respective life of each contract on a straight line basis.

Lease negotiation costs associated with the stadium and arena leases (see Note 10) are being amortized over the respective leases.

6. CAPITALIZED COSTS

There were no additions to capitalized costs during the year ended December 31, 2005. Capitalized costs consist of net interest expense capitalized, property taxes, legal fees, and indirect project costs incurred during the construction period. Capitalized costs are depreciated over 30 years.

7. LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2005 is as follows:

	Stated Interest Rate	Balance 12/31/2004	Increase	Decrease	Balance 12/31/2005	Amounts Due in One Year
Bonds Payable:						
Senior Lien Excise Tax Refunding Bonds, Issue 2001	4.125%-5.125%	$ 17,415,000		$ 17,415,000	$0	
Stadium Revenue Refunding Bonds, Series 2004A Term bonds due September 15, 2014	2.45%-4.97%	25,635,000		1,800,000	23,835,000	2,245,000
Stadium Revenue Refunding Bonds, Series 2004B Term bonds due September 15, 2014	3.49%	1,000,000		100,000	900,000	100,000
Subordinated Excise Tax Refunding Bonds Term bonds due September 15, 2005	2.75%	6,020,000		6,020,000	0	
Notes Payable: Cuyahoga County	Variable	191,601,742	1,908,754		193,510,496	3,745,000
State of Ohio ($4 million assumed from the Greater Cleveland New Stadium Corporation)	0%-2.5%	5,635,155		1,635,155	4,000,000	
Cleveland Development Partnership	3%-6.25%	31,934,000			31,934,000	
Cleveland Foundation /Cuyahoga County	3%	1,750,000			1,750,000	
		280,990,897	1,908,754	26,970,155	255,929,496	6,090,000
Less-current portion		(30,605,156)			(6,090,000)	
Less-unamortized discount		(3,559)	620		(2,939)	
Plus-unamorzed premium		170,687		170,687	-	
Total long-term debt less current portion		$250,552,869	$ 1,909,374	$ 27,140,842	$249,836,557	$ 6,090,000

7. LONG-TERM OBLIGATIONS (Continued)

On December 27, 1990 Gateway issued approximately $148 million of tax exempt bonds to be used primarily to pay for the cost of the stadium. The trust indentures generally require the establishment of the following funds:

FUND	PURPOSE
Escrow Fund	To account for the process of the bonds until certain conditions are met.
Construction Fund	To account for the financial resources to be used for the construction of the stadium
Bond Fund	To account for the accumulation of financial resources for the principa interest on the bonds
Bond Reserve Fund	To account for the escrowed financial resources
Rebate Fund	To account for any excess earnings from the bonds during the capitalized interest period as required by the Internal Revenue Code.

A. Senior Lien Excise Tax Refunding Bonds

The Senior Lien Excise Tax Refunding Bonds were issued during 2001 to refinance the Senior Lien Excise Bonds. The total proceeds from the bonds were $45,557,523 representing the par amount of $44,575,000, plus the original issue premium of $1,828,965, minus the underwriter's compensation of $937,465, plus accrued interest of $91,023.

The net proceeds were used for the purpose of refunding all of the Senior Lien Excise Tax Bonds, Series 1990; $7,585,000 of the Subordinated Tax Bonds maturing September 1, 2005; and the costs of issuing the bonds. The bonds were fully paid as of December 31, 2005.

B. Stadium Revenue Refunding Bonds

The Stadium Revenue Refunding Bonds were issued during 2004 to refinance the Stadium Revenue Bonds. The total proceeds from the bonds were $26,399,507 representing the par amount of $25,635,000 for Series A Bonds and $1,000,000 for Series B Bonds, less the original issue discount of $3,743, minus the underwriter's compensation of $231,750.

The net proceeds were used for the purpose of refunding all of the Stadium Revenue Bonds, financing construction costs and the funding cost of issuing the bonds.

In accordance with the original trust indenture, the Funds were held in a Bond Reserve Fund and an Escrow Fund.

7. LONG-TERM OBLIGATIONS (Continued)

C. Subordinated Excise Tax Refunding Bonds

The Subordinated Excise Tax Refunding Bonds are guaranteed by Cuyahoga County through an annual appropriation of debt service.

The Subordinated Excise Tax Refunding Bonds were issued during 2004 to refinance the Subordinated Excise Tax Bonds. The total proceeds from the bonds were $7,590,000 representing the par amount. The net proceeds were used for the purpose of refunding all of the Stadium Excise Tax Bonds in the amount of $7,590,000. The excess amount of the Bond Reserve Principal Account of $809,175 was used for funding the cost of issuing the bonds of $143,000, funding the accrued interest due at the refunding date, and funding the cost of operation for Gateway. The bonds were fully paid as of December 31, 2005.

D. Cuyahoga County Notes Payable

On September 24, 1992, Cuyahoga County (the "County") issued $75 million ($35 million fixed rate and $40 million variable rate) Taxable Economic Development Revenue Bonds. In conjunction with this bond issue, Gateway and the County entered into a Revolving Loan Agreement, whereby the County agreed to loan the bond proceeds to Gateway to pay Arena construction costs. On February 1, 1994, Cuyahoga County issued an additional $45 million Taxable Economic Development Revenue Bonds. The Revolving Loan Agreement was amended to allow Gateway to borrow the additional proceeds. As of December 31, 2005, Gateway has borrowed $193.5 million, including interest, under the Revolving Loan Agreement. Gateway is responsible to pay interest on the County bonds to the extent interest expense exceed interest earned by the County on bonds proceeds which have not been borrowed by Gateway. Interest payable included in the notes payable to the County totaled approximately $87,030,496 at December 31, 2005. However, based on historical trends, Gateway may and probably will not be able to pay back this amount to Cuyahoga County. Financing costs of $3.6 million, payable by Gateway in connection with the County Bond Offerings are also included in the notes payable liability. The associated expense of $3.6 million is included in deferred financing costs.

Gateway entered into an Emergency Loan Agreement dated December 28, 1995 (effectuated in early 1996) in which Gateway received a total of $11.5 million to pay for certain cost overruns that were incurred in the construction of the Gateway stadium and arena project. Of this amount, the agreement called for $2.5 million to be repaid by the City of Cleveland, $4 million to be repaid directly by Gateway, with the remaining $5 million to be repaid by the Greater Cleveland Convention and Visitors Bureau (the "Bureau") pending negotiations regarding this repayment between Cuyahoga County and the Bureau. At that time, Gateway determined that the $5 million to be repaid by the Bureau was not a legal obligation of Gateway and, therefore, recognized this amount as revenue in 1996 pending the outcome of the negotiations between Cuyahoga County and the Bureau. In 2005, the Bureau paid $212,180 pursuant to the amended Cooperative Agreement (see note 12). During 1999, the issue of the $5 million dollar portion of the Emergency Loan Agreement was re-evaluated by Cuyahoga County and Gateway. As of March 21, 2000, Cuyahoga County is of the opinion that the $5 million was a legal liability of Gateway. The management of Gateway is currently reviewing this issue to determine if a legal liability in fact exists. However, based on historical trends, Gateway may and probably will not be able to pay back this amount to Cuyahoga County. Accordingly, this amount is not reflected as an accounting liability and prior fund equity was not restated on Gateway's balance sheet as of December 31, 2005.

7. LONG-TERM OBLIGATIONS (Continued)

E. State of Ohio Notes Payable

Four million was borrowed by the Greater Cleveland New Stadium Corporation from the State of Ohio for land acquisitions on June 23, 1986. The Greater Cleveland New Stadium Corporation was later merged into Gateway on November 19, 1990. On December 17, 1990, Gateway and the State of Ohio entered into an amended and restated loan agreement. The agreement allows for the forgiveness of interest immediately, and the forgiveness of principal, if certain conditions are met. The forgiveness of principal will be accounted for when and if all conditions are satisfied. The note is due immediately, if any of the conditions are violated. As Gateway is in compliance with the terms and conditions of the note, the note is classified as long-term as of December 31, 2005.

Gateway entered into a new loan agreement with the Ohio Department of Development on April 20, 1994 for $12 million. The principal and interest on the note and service fees are payable in 12 annual installments, due and payable on September 1 of each year, beginning in 1994. Interest is payable at a rate of 2.5% annually.

F. Cleveland Development Partnership Notes Payable

The Cleveland Development Partnership and Gateway have entered into two loan agreements for a total of $31,934,000. Per the agreements, payment is only to be made on this amount by Gateway out of “surplus cash” as specifically defined in the loan agreements.

Included in the “Thereafter” amount are amounts due on the Cleveland Development Partnership note payable of $31,934,000 and the Cleveland Foundation/Cuyahoga County note payable of $1,750,000. The $31,934,000 is not included in prior years’ scheduled principal payments because it is only payable out of “surplus cash” as specifically defined in the loan agreement with the Cleveland Development Partnership and after various other obligations are paid first. Based on historical trends, Gateway may, and probably will not earn the required revenues in order for the payment obligation on this note to occur. The $1,750,000 note payable to the County is due to have repayment starting July 1999 (per additional payment under the revolving loan agreement with Cuyahoga County). Based on historical trends, Gateway may and probably will not earn the required revenues in order for Gateway to meet the repayment obligation on these notes.

G. Debt to Maturity

The following schedule represents future principal payments on long-term debt:

	Principal	Interest
2006	6,090,000	14,863,971
2007	6,290,000	14,749,803
2008	6,510,000	14,627,271
2009	6,760,000	14,495,053
2010	7,030,000	14,231,129
Amount Thereafter	223,249,496	105,498,623
	$ 255,929,496	$ 178,465,850

8. CAPITAL ASSETS

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

	1/1/2005	Additions	Deletions	12/31/2005
Non-depreciable capital assets:				
Land	$ 23,108,049	$ -	$ -	$ 23,108,049
Total non-depreciable capital assets:	23,108,049	-	-	23,108,049
Depreciable capital assets:				
Stadium	179,854,745			179,854,745
Arena	158,306,378			158,306,378
Site	40,195,778			40,195,778
Capitalized Costs	23,720,720			23,720,720
Furniture, Fixtures and Equipment	201,698			201,698
Total depreciable capital assets:	402,279,319	-	-	402,279,319
Less accumulated depreciation:				
Stadium	100,731,455	8,995,668		109,727,123
Arena	68,511,242	5,137,450		73,648,692
Site	23,043,387	1,907,416		24,950,803
Capitalized Costs	8,499,925	790,691		9,290,616
Furniture, Fixtures and Equipment	149,328	7,432		156,760
Total accumulated depreciation:	200,935,337	16,838,657	-	217,773,994
Depreciable net assets, net of accumulated depreciation	201,343,982	(16,838,657)	-	184,505,325
Capital assets, net	$ 224,452,031	$ (16,838,657)	$ -	$ 207,613,374

9. DEFERRED REVENUE

Deferred revenue at December 31, 2005 consists of the following:

Scoreboard Revenue	$ 3,840,707
Prepaid Stadium Lease Income	3,240,158
Deferred County Revenue	2,674,069
	9,754,934
Less – current portion	(3,493,790)
	$ 6,261,144

In December, 1991, Ballpark Management Company, an affiliate of the Cleveland Indians, entered into the Premium Seating License agreements for the benefit of Gateway, with various companies to license private suites at the stadium for ten years beginning in 1994. Deposits and the related interest earned totaling $21,813,304 at March 31, 1994, were held in an escrow account until substantial completion of the Stadium. The deferred premium seating revenue is amortized over the term of the license agreements beginning in April, 1994, when construction of the Stadium was completed.

9. DEFERRED REVENUE (Continued)

In accordance with the Ballpark Management lease agreement, Gateway received $3,240,158 from the Cleveland Indians representing 2006 debt services on the Stadium Revenue Bonds. The revenue will be recognized upon the payment of debt services, which is paid directly to the Trustee for the Stadium Revenue Bonds by the Cleveland Indians (also see Note 10).

10. LEASES

On July, 3, 1991, Gateway entered into a 20 year lease agreement with the Cleveland Indians and Ballpark Management Company providing for the lease of the Stadium and related improvements as well as management and operation of the stadium, Gateway reimbursed the Cleveland Indians for certain preopening marketing costs.

The significant provisions of the leases are as follows:

- Gateway will receive annually, during the life of the lease terms, the lesser of $2.95 million or the net debt service on the Stadium Revenue bonds.
- The Indians will annually pay Gateway an amount using a predetermined formula which starts at $.75 per ticket for annual attendance over 1,850,000.
- Gateway must establish a capital maintenance fund to accumulate funds for the repair and maintenance of the ballpark. As of December 31, 2005, $8,185 was deposited in a capital maintenance fund and is included in cash.

The Memorandum of Understanding (MOU) dated January 1, 2004 between Gateway and the Indians modified the understanding of the parties. The Agreed Rent consists of the funds necessary to permit Gateway to meet its obligations to the Indians under the terms of the lease and common area agreements, including funds to pay ball park real estate taxes, overhead expenses, and common area expenses.

On December 20, 1991, Gateway entered into a 30 year lease agreement with the Cavaliers Division of Nationwide Advertising Services, Inc. (a division of Gund Business Enterprises) providing primarily for the lease of the arena. The lease agreements and subsequent amendments require that Gateway shall cause the County to provide $120 million to be deposited into the County Guaranty Escrow Fund and used to meet certain arena obligations during the construction period. The Cavaliers lease agreements also provide that Gateway must issue or cause the City of

Cleveland to issue on-site parking bonds with proceeds deposited into an On-Site Parking Construction Draw Account (See Note 11).

The significant provisions of the leases are as follows:

- Gateway will receive annual payments consisting of 27.5% of Executive Suite Revenue (as defined), and 48% of club seat revenue (as defined), and, additional payments based on attendance (as defined).
- Gateway will pay certain parking revenue to the Cavaliers based on a predetermined formula (as defined) with a minimum annual payment of $1.5 million.
- Gateway must establish a capital maintenance fund to accumulate funds for the payment of repairs and maintenance. This fund was not established as of December 31, 2004.

10. LEASES (Continued)

The Memorandum of Understanding (MOU) dated February 2, 2004 between Gateway and the Cavaliers modified the understanding of the parties, whereby the Cavaliers agree to pay Gateway's operating and common area expenses and capital repairs in the arena up to $500,000 (without aggregation of such capital repairs), thus enabling Gateway to fulfill its obligations to the Cavs under the lease agreement.

11. PARKING FACILITIES

On October 15, 1992, the City of Cleveland issued $71,000,000 for Parking Facility Improvement Revenue Bonds to finance the construction of, among others, the Gateway onsite and offsite garages. The garages are to be owned by the City; however, construction was managed by Gateway.

The City and Gateway have also entered into an agreement providing for the payment of debt services on the City's Parking Bonds. Pursuant to the agreement, Gateway is liable for the debt service on the Parking Bonds allocated to the Gateway Parking Facilities, payable only from the net revenues of the parking facilities. Net revenues from the garages are pledged first to the City for payment of debt service and secondly to the teams in accordance with their lease agreements.

The liability for payment of this debt service lies with the City of Cleveland and, therefore, is not included as a liability on Gateway's balance sheet. Accordingly, the net revenues of the parking facilities are not reflected in Gateway's revenues on their Statement of Activity.

12. RISK MANAGEMENT

Gateway has obtained commercial insurance for the following risks:

- Commercial general liability and garage keepers automobile liability.
- Directors, Officers, and Trustees liability.

Gateway also provides health, dental, vision, and life insurance for two full-time employees through a group program sponsored by the Council of Smaller Enterprises (COSE).

13. INCREMENTAL TRANSIENT OCCUPANCY TAX CREDIT

Gateway, Cuyahoga County and The Convention and Visitors Bureau of Greater Cleveland, Inc. (the "Bureau") entered into a Cooperative Agreement (known commonly as the "Bed Tax Agreement") as of September 15, 1992 (the "Cooperative Agreement") which included a provision that allowed a credit to be given to Gateway as payment on the Cuyahoga County Note Payable (for the Arena Bonds Issued by Cuyahoga County discussed in Note 7, which will be referred to herein as the "Gateway Account"). This amount represents the incremental amount the Bureau receives from the County Transient Occupancy Tax, per Section 5739.024, Ohio Revised Code (the "Bed Tax"), which is understood to be generated by new Gateway attendees' utilization of overnight accommodations in the County (the "Annual Incremental Credit"). This credit was to be determined pursuant to and in accordance with a certain Consultant Agreement to be entered into by and among Cuyahoga County, the Bureau and Gateway. This agreement stated in part that "for 1994 or such later year that the Arena Facility is first used, the Bureau shall credit to the Gateway Account the amount determined pursuant to the Consultant Agreement within 10 days of notice thereof. For succeeding years, the Bureau is to credit to the Gateway Account the applicable Annual Incremental Credit as limited by the Bureau's receipt of Bed Tax revenues, as provided" by the Consultant Agreement. Due to no fault of any of the parties, a Consultant Agreement had never been entered into and the Bureau had never credited any amount to the Gateway Account.

13. INCREMENTAL TRANSIENT OCCUPANCY TAX CREDIT (Continued)

Per an agreement entered into between Gateway, Cuyahoga County and the Bureau on December 22, 1998, the Cooperative Agreement was amended by the parties redefining the Annual Incremental Credit and providing for the deposit by the Bureau to the Gateway Account for calendar years 1994 through 1998 a specific sum of money. Per this agreement, the parties have defined the Annual Incremental Credit to mean the amount of $200,000 per calendar year for a total of $1 million dollars, which was credited to the Gateway Account in 1999. For subsequent years, the Annual Incremental Credit will be determined upon Cuyahoga County certifying to the Bureau the amount paid during the calendar year on bond services charges for up to $75,000,000 on the Arena Bonds (see Note 7) accompanied by a financial statement of Gateway reflecting its need to pay any amount not funded from other Gateway revenue. The Annual incremental Credit for the year 2005 amounted to $212,180. Such credit will be limited to the difference between the debt service required by the Arena Bonds and the amounts paid by Gateway to Cuyahoga County, if any, along with any other credits. The annual increase of this credit will be capped at no more than 3% greater than the prior calendar year's credit. Since payment of the Annual Incremental Credit will only be advanced upon the aforementioned certification and delivery of a financial statement from Gateway, this revenue will be recognized by Gateway in the year in which the credit is received. The $1 million for calendar years 1994 through 1998 reflected in 1999, $186,488 for the year 2000, $212,180 for the years 2001 through 2005 was reflected on Gateway's Statement of Activity for their respective years, as revenue as well as a corresponding reduction to Long-Term Debt (specifically the Cuyahoga County Note Payable) as reflected on Gateway's balance sheet.

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*

Members of the Board of Trustees
Gateway Economic Development Corporation of Greater Cleveland
Cuyahoga County
758 Bolivar Road
Cleveland, Ohio 44115

We have audited the financial statements of the business-type activities of Gateway Economic Development Corporation of Greater Cleveland, Cuyahoga County, Ohio, (Gateway) as of and for the year ended December 31, 2005, which comprise Gateway's basic financial statements and have issued our report thereon dated May 30, 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 Gateway's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to Gateway's management dated May 30, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether Gateway'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*.

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We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

May 30, 2006

Auditor of State
Betty Montgomery

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GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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
JULY 13, 2006