

**CITY OF CLEVELAND  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**



**Mary Taylor, CPA**  
Auditor of State



CITY OF CLEVELAND  
CUYAHOGA COUNTY

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**CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006**

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		\$ 1,764
Summer Food Service Program for Children 2006	10.559		130,226
<b>Total Department of Agriculture</b>			<u>131,990</u>
<b>Department of Energy</b>			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 2005	81.042		548,876
Weatherization Assistance for Low-Income Persons 2006	81.042		766,313
<b>Total Department of Energy</b>			<u>1,315,189</u>
<b>Department of Health and Human Services</b>			
Direct Programs:			
Healthy Start Initiative Yr 5	93.926		584,294
Healthy Start Initiative Yr 6	93.926		1,535,566
<b>Subtotal</b>			<u>2,119,860</u>
Centers for Disease Control-Investigations and Technical Assistance:			
Steps To A Healthier U.S. year 1	93.283		251,058
Steps To A Healthier U.S. year 2	93.283		1,214,795
Steps To A Healthier U.S. year 3	93.283		103,386
<b>Subtotal</b>			<u>1,569,239</u>
Pass Through Programs:			
Cuyahoga County Board of Health:			
Immunization Grants 2005	93.268		3,906
Immunization Grants 2006	93.268		111,466
<b>Subtotal</b>			<u>115,372</u>
Cuyahoga County Department of Workforce Development:			
Temporary Assistance for Needy Families 2007	93.558		198
Cuyahoga County Board of Health:			
Preventive Health and Health Services Block Grant:			
Cardiovascular Health 2005	93.991		6,472
Centers for Disease Control - Investigations and Technical Assistance:			
Regional Medical Response System 2004	93.283	18-2-002-2-BI-05	9,363
Regional Medical Response System 2005-06	93.283	18-2-002-2-BI-06	96,191
<b>Subtotal</b>			<u>105,554</u>

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 (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			
Ohio Department of Health:			
City Readiness Initiative 05-06	93.283		759,754
City Readiness Initiative 07	93.283		67,552
<b>Subtotal</b>			<u>827,306</u>
<b>Subtotal</b>	93.283		<u>932,860</u>
Childhood Lead Poisoning Prevention 2006	93.197	18-2-001-1-BD-06	227,947
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2005	93.977	18-2-001-2-BX-05	8,098
Sexually Transmitted Diseases Diagnosis & Treatment 2006	93.977	18-2-001-2-BX-06	87,718
<b>Subtotal</b>			<u>95,816</u>
Acquired Immunodeficiency Syndrome (AIDS) Activity 2004	93.118	18-2-001-2-AS-04	1,346
Acquired Immunodeficiency Syndrome (AIDS) Activity 2005	93.118	18-2-001-2-AS-05	103,848
Acquired Immunodeficiency Syndrome (AIDS) Activity 2006	93.118	18-2-001-2-AS-06	640,728
<b>Subtotal</b>			<u>745,922</u>
Ohio Department of Alcohol and Drug Addiction Services:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint/Reward 1998	93.959		625
Centerpoint/Reward 2005	93.959		1,522
Centerpoint/Reward 2006	93.959		145,513
Centerpoint/Reward 2007	93.959		142,720
Student Assistance 2006	93.959		38,672
<b>Subtotal</b>			<u>329,052</u>
Ohio Department of Development:			
Low-Income Home Energy Assistance 2005	93.568		663,810
Low-Income Home Energy Assistance 2006	93.568		1,224,386
<b>Subtotal</b>			<u>1,888,196</u>
Supplemental Empowerment Zone - Title XX	93.585	G-98-01-244	176,401
<b>Total Department of Health and Human Services</b>			<u><u>8,207,335</u></u>

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 (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 Yr 27	14.218		1,958,994
CDBG Yr 28	14.218		1,395,534
CDBG Yr 29	14.218		2,091,827
CDBG Yr 30	14.218		2,800,881
CDBG Yr 31	14.218		13,090,739
CDBG Yr 32	14.218		8,907,381
CDBG Float Loan	14.218		8,171,156
<b>Subtotal</b>			<u>38,416,512</u>
Multifamily Property Disposition	14.199		173,785
HOME Investment Partnerships Program 1992	14.239		994,159
HOME Investment Partnerships Program 2001	14.239		1,500,206
HOME Investment Partnerships Program 2002	14.239		1,191,955
HOME Investment Partnerships Program 2003	14.239		498,906
HOME Investment Partnerships Program 2004	14.239		2,631,223
HOME Investment Partnerships Program 2005	14.239		896,656
HOME Investment Partnerships Program 2006	14.239		227,263
<b>Subtotal</b>			<u>7,940,368</u>
Emergency Shelter Grants Program 2004	14.231		66,022
Emergency Shelter Grants Program 2005	14.231		940,406
<b>Subtotal</b>			<u>1,006,428</u>
Housing Opportunities for Persons With Aids 2005-2006	14.241		596,327
Housing Opportunities for Persons With Aids 2006-2007	14.241		320,532
<b>Subtotal</b>			<u>916,859</u>
Lead - Based Paint Hazard Control in Privately - Owned Housing 2001	14.900		891,363
Lead Reduction 2003-2007	14.905		586,617
HUD Independent Agencies Special Project-Brownfield	14.XXX		13,108
Empowerment Zones Program	14.244		6,845,735
<b>Total Department of Housing and Urban Development</b>			<u><u>56,790,775</u></u>

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 (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 03	16.592		95
Local Law Enforcement Block Grants Program 04	16.592		393,713
<b>Subtotal</b>			<u>393,808</u>
Public Safety Partnership and Community Policing Grants:			
Creating a Culture of Integrity	16.710		20,988
Cleveland Universal Hiring II	16.710		1,486,105
<b>Subtotal</b>			<u>1,507,093</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders:			
Office of Violence Against Women: Cleveland Arrest Program	16.590		228,801
Public Safety Fire Grants:			
Firefighters Assistance Grants	97.044		18,724
G.R.E.A.T. 2004	16.737		22,734
Pass Through Programs:			
Office of Criminal Justice Services:			
Byrne Formula Grant Program 2004-05:			
2005 Caribbean Gang Task Force	16.579		22,723
2006 Caribbean Gang Task Force	16.579		84,035
2006 JAG	16.579		108,103
Homeland Security 2005	16.579		23,103
Crisis Intervention Training 2005	16.579		2,037
<b>Subtotal</b>			<u>240,001</u>
Violence Against Women Grants :			
Team Approach to VAWA 2005	16.588		29,708
VAWA Team Approach 2006 Law	16.588		164,328
VAWA Team Approach 2005 Law	16.588		2,504
VAWA Team Approach 2006 Law	16.588		154,245
<b>Subtotal</b>			<u>350,785</u>
Juvenile Accountability Incentive Block Grants 2005	16.523		38,824
Juvenile Accountability Incentive Block Grants 2006	16.523		61,133
<b>Subtotal</b>			<u>99,957</u>
Law Enforcement Trust Fund	16.XXX		308,858
<b>Total Department of Justice</b>			<u><u>3,170,761</u></u>



CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 (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:			
Workforce Investment Act (WIA) Cluster:			
Adult Program	17.258		5,850,195
Youth Program	17.259		3,472,087
Dislocated Worker Program	17.260		2,223,840
<b>Total Department of Labor</b>			<u>11,546,122</u>
<b>Department of Transportation</b>			
Direct Programs:			
Airport Improvement Program	20.106		6,164,804
Highway Planning and Construction:			
Federal Highway Administration	20.205		30,915
Federal- Memphis Ave	20.205		34,831
<b>Subtotal</b>			<u>65,746</u>
Pass Through Programs:			
Ohio Department of Transportation			
Highway Planning and Construction:			
Bessemer Ave.	20.205		4,678
Euclid Ave.	20.205		179,554
Detroit Ave.	20.205		160,267
St. Clair Ave.	20.205		480,000
<b>Subtotal</b>			<u>824,499</u>
<b>Total Department of Transportation</b>			<u>7,055,049</u>
<b>Environmental Protection Agency</b>			
Direct Programs:			
Air Pollution Control Program Support 2005	66.001		180,556
Air Pollution Control Program Support 2006	66.001		1,880,979
Air Pollution Control Program Support 2007	66.001		653,432
<b>Subtotal</b>			<u>2,714,967</u>
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach:			
US EPA Lead Poison Prev	66.716		87,030

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 (CONTINUED)

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Environmental Protection Agency-continued</b>			
Direct Programs: continued			
Brownfields Assessment and Cleanup Cooperative Agreements:			
Brownfield Job Training	66.818		77,775
Brownfield Assessment Program	66.818		161,222
<b>Subtotal</b>			<u>238,997</u>
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2005	66.810		149
Bio-Watch Program 2006	66.810		341,185
Bio-Watch Program 2007	66.810		16,964
<b>Subtotal</b>			<u>358,298</u>
<b>Total Environmental Protection Agency</b>			<u>3,399,292</u>
<b>Department of Homeland Security</b>			
Direct Programs			
Metropolitan Medical Response System			
Metropolitan Medical Response System 2003	97.071		29,077
Metropolitan Medical Response System 2004	97.071		753
<b>Metropolitan Medical Response System Subtotal</b>			<u>29,830</u>
TSA Cooperative Agreement	97.072		822,090
Buffer Zone Protection	97.078		57,850
<b>Total Direct Programs</b>			<u>909,770</u>
Pass-Through Programs From:			
<i>Ohio Department of Public Safety</i>			
State Homeland Security Grant Program:			
State Domestic Preparedness Equipment Support Program 2003	97.004	2003-MU-T3-0015	350,000
State Domestic Preparedness Equipment Support Program 2004	97.004		850,394
<b>Total State Homeland Security Grant Program:</b>			<u>1,200,394</u>
Homeland Security Grant Program Cluster			
Homeland Security Grant Program 2005	97.067	See Footnote	2,030,960
Homeland Security Grant Program 2006	97.067	See Footnote	57,429
<b>Total Homeland Security Grant Program Cluster</b>			<u>2,088,389</u>
<i>Cuyahoga County Department of Justice Affairs</i>			
Urban Area Security Initiative 2004	97.008	<b>Cuyahoga County DJA</b>	3,703,797
<b>Total Pass-Through Programs</b>			<u>6,992,580</u>
<b>Total Department of Homeland Security</b>			<u>7,902,350</u>
<b>Grand Total</b>			<u>\$ 99,518,863</u>

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**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 Apartments 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 to come from a variety of public and private sources, including, 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 began to accrue on April 1, 2006 at a fixed annual rate of 0.25% with this Note maturing on April 1, 2046.

**Homeland Security Grant Program Cluster**

The City reported the following federal programs for the Homeland Security Grant Program Cluster on the Schedule of Expenditures of Federal Awards. Several programs for federal fiscal years 2005 and 2006 were incorporated into the Cluster in accordance with the guidance from the U.S. Department of Homeland Security.

<b>Federal Grant / Pass Through Grantor / Program Title</b>	<b>Federal CFDA #</b>	<b>Federal Expenditures</b>
<b>2005 Homeland Security Grant Program Cluster</b>		
<i>Passed Through Ohio Department of Public Safety</i>		
Metropolitan Medical Response System	97.071	\$ 88,809
State Homeland Security Program	97.073	852,519
<i>Passed Through Cuyahoga County Department of Justice Affairs</i>		
Urban Areas Security Initiative	97.008	<u>1,089,632</u>
<b>Total 2005 Homeland Security Grant Program Cluster</b>		<b><u><u>2,030,960</u></u></b>
<b>2006 Homeland Security Grant Program Cluster</b>		
<i>Passed Through Ohio Department of Public Safety</i>		
Metropolitan Medical Response System	97.071	56,906
<i>Passed Through Cuyahoga County Department of Justice Affairs</i>		
Urban Areas Security Initiative	97.008	<u>523</u>
<b>Total 2006 Homeland Security Grant Program Cluster</b>		<b><u><u>\$ 57,429</u></u></b>

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Park Village Apartment Grant**

The 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 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.



# Mary Taylor, CPA

Auditor of State

## 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, Ohio 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2007. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

### **Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness

We also noted certain internal control matters that we reported to the City's management in a separate letter dated June 29, 2007.

### **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*.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated June 29, 2007.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on the response.

We intend this report solely for the information and use of the audit committee, management, and City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA  
Auditor of State

June 29, 2007



# Mary Taylor, CPA

## Auditor of State

### 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, Ohio 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, 2006. 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, 2006. In a separate letter to the City's management dated June 29, 2007, we reported other matters 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated June 29, 2007.

### **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, 2006, and have issued our report thereon dated June 29, 2007. 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.



Mary Taylor, CPA  
Auditor of State

June 29, 2007



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<p>CFDA# 81.042, Weatherization Assistance for Low-Income Persons            CFDA# 93.283, Steps to a Healthier U.S.            CFDA# 14.244, Empowerment Zones Program            CFDA# 14.241, Housing Opportunities for Persons with AIDS            CFDA# 16.710, Public Safety Partnership &amp; Community Policing Grant</p> <p>Workforce Investment Act (WIA) Cluster:            CFDA# 17.258, Adult Program            CFDA# 17.259, Youth Program            CFDA# 17.260, Dislocated Worker Program</p> <p>CFDA# 97.067, Homeland Security Grant Program            CFDA# 97.008, Urban Area Security Initiative</p>
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type AIB Programs</b>	Type A: > \$ 2,985,566 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
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**Significant Deficiency**

**Division of Water and Cleveland Public Power – Inventory Observation**

The Division of Water (DOW) and Cleveland Public Power (CPP) have comprehensive manuals governing inventory management and maintaining a perpetual inventory system over their 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 Divisions' financial statements. As of December 31, 2006, the value of inventory was approximately \$2,916,000 and \$6,418,000 for DOW and CPP, respectively.

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.

On January 5, 2007, an inventory observation count was performed at six DOW storerooms and three CPP storerooms. The observation process included selecting items from the inventory list and comparing them to an actual count and physical count of that item in the storeroom or warehouse and selecting an item in the storeroom or warehouse, determining the quantity and comparing to the inventory list. We also reviewed the listing for obvious errors and the results are as follows:

<u>Department Location</u>	<u>Items Tested</u>	<u>Errors</u>	<u>Error Rate</u>
<u>Water</u>			
Harvard	60	6	10.0%
Crown	60	2	3.3%
Fairmount	60	0	0%
Garrett Morgan	60	0	0%
Nottingham	60	0	0%
Parma	60	0	0%
Total Division	360	8	2.2%
<u>Cleveland Public Power</u>			
East Side Service Center	60	40	66.6%
Meter Bureau	60	9	15.0%
West 41 <sup>st</sup> Street	55	30	54.5%
Total Division	175	79	45.1%

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. The Divisions were 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  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
-----------------------	-----------------

**Division of Water and Cleveland Public Power – Inventory Observation (Continued)**

Last year we issued an internal control comment after an inventory observation test at the DOW disclosed a 30% error rate. As the above table reflects, this year we repeated the test and the error rate was only 2.2%. This indicates significant improvements over accountability at DOW. However, as the above table reflects, an inventory observation test at CPP disclosed an error rate of 45.14% (79 errors / 175 items tested). Based on the results, the movement of inventory through CPP 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. 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 that DOW and CPP adhere to the policies and procedures outlined in their inventory management manuals. Management should also conduct training for those personnel assigned to the storerooms and warehouses 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.

**Cleveland Public Power Response**

The responsibility for the storeroom operations was reassigned to the Operations section of Cleveland Public Power in November of 2006. Since that time, an inventory team has worked to improve the operations of the Division's three storeroom facilities. The goal of CPP is to decrease errors in its inventory.

The following changes and improvements have been implemented to date:

- Additional resources were allocated to organize the storerooms and to organize the paperwork
- New policy and procedures manual was issued
- Constant review of paperwork and observation of storeroom operation is being conducted
- Restriction of storeroom access to storeroom personnel only
- All inventory is kept in secured areas
- All paperwork is being processed on a daily basis
- Cycle counting has been implemented to discover any material and paperwork discrepancies

Ordinance 483-07, authorizing the construction of a new storeroom facility at West 41<sup>st</sup> Street was passed by Cleveland City Council on June 4, 2007. The new facility will provide adequate space to logically organize the inventory at this location. Specifications are being developed for the construction of the new facility.

Cleveland Public Power has received ordinance authority by City Council to engage the services of a consultant to assist the Division with data reconciliation, to review and develop storeroom policies and procedures, to provide training for storeroom personnel on existing and new storeroom policies, and to assist the Division in the selection of and migration to a new inventory system.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

<b>Finding Number</b>	<b>2006-001</b>
-----------------------	-----------------

**Division of Water and Cleveland Public Power – Inventory Observation (Continued)**

**Cleveland Public Power Response (Continued)**

The Division of Internal Audit will continue to monitor the Division of Water’s progress towards compliance with inventory controls. Internal Audit will also monitor CPP process improvements of their inventory control system.

Priority  
Urgent

Current Status:  
Some areas have been addressed. Further work needs to be done in conjunction with the assistance of a consultant.

Responsible Parties:  
Assistant Commissioner and Commissioner, Cleveland Public Power

Expected Completion Date:  
Second Quarter 2008

**CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 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
2005-001	When conducting an inventory observation at six Division of Water storerooms and warehouses there was an overall 30% error rate in which the quantities on hand did not agree with the perpetual inventory records. A follow-up inventory observation at three locations disclosed a 43% error rate. We recommended the Division adhere to the policies and procedures outlined in the inventory management manual.	No	Based on an inventory observation at the Division of Water, the error rate was only 2.2%. However, an inventory observation at Cleveland Public Power had an error rate of 45%.



# Financial Report

## Comprehensive Annual



For the Fiscal Year ending  
December 31, 2006



CITY OF CLEVELAND  
Mayor Frank G. Jackson





I envision Cleveland as one city, one people, living and working together to ensure that the least of us are better off. Cleveland, the core city of a region of nearly 2.5 million people, has world-class assets including the Cleveland Art Museum, Cleveland Clinic, Cleveland Orchestra, Rock and Roll Hall of Fame and Museum, an Emerald Necklace of regional parks and the second-shortest commute among the nation's top 50 metro areas.



Cleveland is a \$1.1 billion corporation. Its major enterprise funds include Water, Airports, and Cleveland Public Power, which comprise \$600 million of that amount. In 2006, I launched four significant initiatives to strengthen Cleveland's competitiveness:

***Regional Tax Sharing.*** I worked with the leadership of the Cuyahoga County Mayors and City Managers Association to develop a unique approach to business retention and attraction. The Association's 57 cities had been immersed in intramural sparring over jobs and industry. Our response: joint economic agreements tied to Cleveland water service agreements, in which the cities agree to share income taxes from relocating industries. We are making steady progress in obtaining these agreements.

***Operations Efficiency Task Force.*** For the first time since 1980, Cleveland convened a public-private task force to examine the City's operation efficiencies. Phase 1 resulted in 115 tasks for four city departments. By mid-2007, 33 of those tasks will be implemented. Phase 2, involving every other City department, is well underway.

***Citywide Plan and Five-Year Capital Improvements Program.*** Cleveland has just updated its citywide plan and prepared a five-year capital improvements program. The new plan focuses on the connections between and among the City's neighborhoods and is integrated with the City's new geographic information system.

Cleveland has the nation's 8th largest water system, serving Cuyahoga and parts of three adjoining counties. A 2006 water rates ordinance funded a 4-year, \$320 million capital program, and Moody's and Standard & Poor's upgraded our water bond ratings.

Cleveland Hopkins International Airport is the nation's 34th busiest airport and is served by a Continental Airlines hub. Last year we announced new international service to Paris, which will begin in 2008. My appointed Director and his management team are driving improvements to runways, concessions and advertising at Cleveland Hopkins, which was recently named #4 among mid-sized airports by J.D. Power. They are also planning the future of Burke Lakefront Airport.

Cleveland has set and will continue to set new standards for municipal efficiency.

Sincerely,

A handwritten signature in black ink, appearing to be 'Frank G. Jackson'. The signature is stylized and somewhat abstract, with several overlapping lines.

Frank G. Jackson, Mayor

# CITY OF CLEVELAND, OHIO



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended December 31, 2006*

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***CITY OF CLEVELAND***



***Comprehensive Annual Financial Report***

***For the year ended December 31, 2006***

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Issued by the  
Department of Finance

Sharon Dumas  
Director

James E. Gentile, CPA  
City Controller

# CITY OF CLEVELAND, OHIO

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# **INTRODUCTORY SECTION**

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June 29, 2007

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, 2006. 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 2006 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, 2006, 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, 2006 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 1997 through 2006.

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. Effective January 1, 2006 the City implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, which is effective for the year ended December 31, 2006. The City has determined that GASB Statement No. 47 has no impact on its financial statements as of December 31, 2006.

## *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 102.

## **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.

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 2006 was \$743.6 million, which represents an increase of over \$91.1 million from 2005.

### *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 3% in 2006.

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 2006 Accomplishments*

The 2006 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 2006 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- Cleveland's Detroit-Shoreway neighborhood's \$12 million Gordon Square Homes development project included the rehabilitation of four buildings and the creation and preservation of 85 rental-housing units designated for low-income tenants.
- The City, in partnership with the Home Builders of Greater Cleveland and the Buckeye Area Development Corporation, hosted the 2006 CiTiRAMA Home Show, which showcased nine newly constructed homes in Cleveland's Buckeye and Larchmere neighborhoods.
- The Department continues to make measurable progress in creating new affordable and market rate housing units. A total of 351 housing permits were issued in Cleveland during 2006. The City of Cleveland continues to rank #1 in new housing construction in Cuyahoga County.
- A total of 100 vacant homes were rehabilitated and sold to new homeowners through the Department's Afford-a-Home program.
- Repaired or improved more than 2,000 homes through various programs with an overall goal to strengthen the City's neighborhoods and make them a community of choice.
- Provided more than \$2 million in Community Development Block Grant funds to support social service activities throughout the City and an additional \$631,000 for homeless services.

Department of Building and Housing

- Utilized on-line plumbing, heating, and electrical permits through the internet and issued over 400 permits on-line.
- Issued 5,348 notices of Building Code Violations and boarded up 2,231 condemned structures.
- Performed 41,042 building inspections in 2006.

#### Department of Economic Development

- Provided financial assistance to 29 companies which will create 1,861 permanent jobs. Three of these companies are located in the Central Business District of Downtown and will create over 440 new jobs.
- The Core City Program loaned \$15.5 million to various development projects, leveraging an additional \$273.5 million of private investment. Upon completion, these projects are expected to generate \$39 million of new payroll.
- The Division of Workforce Development, under the direction of the Cleveland/Cuyahoga County Workforce Investment Board, provided over 3,600 City residents with a skills assessment, job match assistance and training through the public workforce system, Employment Connection.
- The Division of Workforce Development, under the direction of the Cleveland/Cuyahoga County Workforce Investment Board, placed over 1,600 individuals with full-time employment.

#### Department of Health

- Applied and secured \$15.9 million of overall grant funding. Major grant funding included \$2 million for the Moms First program, \$3.4 million relating to lead reduction and lead poisoning grants and \$2.6 million relating to Air Quality grant programs.
- Developed detailed incidence rates for cancers, including lung, colorectal, breast and prostate by age and race.
- Launched Healthy Cleveland Business Council to encourage employer wellness programs.
- Upgraded and improved Air Quality permit system and collections – increased fee collection from \$30,000 in 2005 to over \$80,000 in 2006.
- Created Cleveland Municipal School District Curriculum for Responsible Sexual Behavior.
- Developed Electronic Medical Record system for Health Center activity.
- Expanded partnership with Cuyahoga County related to Help Me Grow (HMG) program. All prenatal referrals within the City received by HMG are now forwarded to MomsFirst.
- Sought and received new grant dollars (\$4 million) from HUD to provide housing rehabilitation services.

#### Department of Aging

- Provided supportive services to more than 2,100 seniors, provided 1,212 benefit checkups to seniors, and helped over 3,000 seniors secure prescription savings through the Greater Cleveland Access to Benefits Coalition.
- Secured over \$400,000 of external grants.
- Assisted 178 seniors or disabled adults with major home repairs through the Senior Homeowners Assistance Program.
- The annual Senior Day program attracted more than 1,900 senior citizens.

#### The Office of Equal Opportunity

- Conducted approximately 700 certifications for minority and female owned businesses.
- Creation of a new compliance unit for aggressive monitoring and enforcement of program requirements, including certified businesses' participation on City contracts and employment of City residents.
- City contract participation for 2006 by OEO certified businesses exceeded \$10 million.

#### Department of Public Service

- Completed 25 road and bridge projects at the cost of \$90 million. Major projects currently under construction include: Fulton Road Bridge (\$50 million); W. 3<sup>rd</sup> Street Lift Bridge (\$20 million); Euclid Corridor Transportation Project (\$93 million).

- Purchased 457 vehicles/parts for various City divisions at a cost of approximately \$14.9 million.
- The Division of Streets provided snow removal services to over 1,200 miles of City roadways and used over 72,000 tons of salt throughout the 2006 winter season which had snowfall of 55.2 inches.
- The Division of Streets used over 20,000 tons of asphalt, approximately 5,185 cubic yards of concrete for street repairs and 58 segments were resurfaced. The Division also provided leaf recycling services to the citizens.
- The Division of Waste Collection collected and disposed over 294,000 tons of debris. The Division also collected over 2,000 tons of recyclables in 2006.
- 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

- Conducted a full scale exercise that tested the City Tactical Interoperability Plan (TIC) and a full-scale mass casualty exercise at Cleveland Hopkins Airport.
- Hired two additional dog wardens and impounded approximately 4,500 animals in 2006.
- Completed the training and installation of the Computer Aided Dispatch/IMobile project resulting in a decrease of 1:02 minutes in overall response time for EMS calls.

#### Department of Parks, Recreation and Properties

- Completed 18 construction projects during 2006 exceeding \$3.5 million. These projects included site improvements to Kerruish Park Phase 1, Fairview Park, Archmere Park and the Lonnie Burton Recreation Center.
- Commenced design on eleven new projects to be constructed in 2007 at a cost of \$4.3 million. Locations include Grant Park, Highland Park Golf Course and the Treadway Creek Bikeway.
- Created an interment database for Cleveland cemeteries. For the first time, this database will preserve/store burial information on a computerized system for future retrieval.
- The Convention Center held events on 125 days which were attended by over 145,000 people.
- Increased revenue at the Municipal Parking Lot by leasing unused space to the Cleveland Clinic for \$40,000 per month.
- Installed 300 additional electronic parking meters on City streets. Coupled with the existing meters, they should provide \$360,000 of revenue per year.
- Provided approximately 61,000 meals to area youth during the summer.

#### Department of Port Control

- During 2006, construction was completed on the centralized deicing pad. The centralized deicing pad will be used by all airlines, significantly reducing the deicing operations performed at airline gates. The pad was constructed in part to satisfy environmental regulatory requirements.
- Renovations to the long-term parking garage were completed in 2006. This project restored the structural integrity of the parking garage by making repairs to the deck surface, deck ramps, beam columns and expansion joints. The structural rebuild extends the useful life of the garage until a new garage can be constructed.
- The rehabilitation to the apron around the existing Concourse C was completed in 2006. This project consisted of a full depth replacement of the pavement around Concourse C as well as improvements to the existing drainage system.



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 for the future.
- Construction started on the first phase of the Avenue District project. This \$250 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-plus market rate condominium and townhouse units with structured parking, street level retail/commercial space and green space.
- The City purchased the 21 acre Midland Steel property located at 10615 Madison Avenue for \$1.5 million as part of Cleveland's Industrial/Commercial Land Bank. The remediation of this brownfield will make it an attractive and valuable property for future development.
- The "Charter One Uptown Initiative", which will invest \$150 million in large-scale development projects and improved housing opportunities.
- Construction began on the \$4.7 million Parkside Townhomes development – a new homeownership opportunity in the Glenville neighborhood.
- The Dike 14 Master Plan was finalized with the expectation of providing citizens with a unique opportunity to experience nature in an ecologically diverse setting.
- Construction neared completion on the first phase of the \$120 million Steelyard Commons commercial redevelopment project. 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 fully operational in late 2008.

#### *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 2006:

	<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.

#### *2007 Budget*

In preparing its 2007 budget, the City assumed a 2% increase in income tax collections and a 10.7% increase in property taxes due to the County's full valuation of properties in 2006. Total 2007 estimated available General Fund revenues, including other financing sources, are \$502,059,892, which represents a 2.5% increase as compared to 2006 estimated General Fund revenues. The City also considered several anticipated expenditure increases including:

- The Local 93 contract agreement that included a 3% wage increase effective April 1, 2006.
- A 14% increase in the cost of health care benefits.
- Increases in rates for gasoline, natural gas, electricity and steam.

The City does not anticipate a 2007 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 2007, 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 2007 budget are:

- Funding increases in the City's health care costs, worker's compensation and pension fund contributions.
- One-time necessary costs in organizing the 2007 police cadet class.
- The hiring of 30 additional police officers to provide additional security and address the recent increase in criminal activity at some recreation centers.

#### **Major Initiative**

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

- *Municipal Wireless Network Initiative*, in which the City will seek a private sector company to enter into a public/private partnership to offer Wifi internet access throughout Cleveland. The private partner supplies capital, expertise, technology and resources, while the City provides access to assets for deploying the network. Once installed, the network will: improve government services, reduce the Digital Divide in low-income neighborhoods, and foster a stronger economy by attracting and retaining businesses.

- *Our City, Our Arts*, in which artists throughout Cleveland are invited to share their gifts with everyone that visits City Hall. Visual artists are invited to display their works in the Rotunda, while performing artists are encouraged to present their talents in lunch time performances.
- *Phase II of Operations Efficiency*, in which City employees will partner with business leaders to examine business processes in 13 City Departments and develop recommendations to improve government operations. Recommendations will be used to reduce operating expenses, increase efficiency/productivity, and improve customer service to the citizens of the City of Cleveland.

### **Cash Management**

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, \$118,557,000 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 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 2006, the Division of Treasury streamlined the current Treasury Management Solution software used to monitor, analyze, and report the City's investments. As a result of this streamlining, the manual processes related to creating cash control reports have been automated to improve the effectiveness of identifying investment opportunities. The software also enables the City to improve investment forecasting and planning with an emphasis on increasing interest income and the total rate of return.

### **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 select departments that will focus on preventing workplace injuries, safe return to work policy and improving overall 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, 2006 represents the 26<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, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

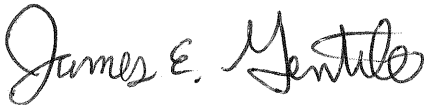
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 22 years (years ended 1984 – 2005). 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, Esq. .... Chief of Staff  
Darnell Brown..... Chief Operating Officer  
Valarie J. McCall ..... Chief of Government Affairs  
Maureen R. Harper..... Chief of Communications  
Tracy Y. Martin..... Chief of Education  
Chris Warren..... Chief of Regional Development  
Andrea V. Taylor ..... Press Secretary  
Victor R. Perez, Esq..... Chief Assistant Prosecutor  
Natoya J. Walker..... Special Assistant to the Mayor  
Barry A. Withers..... 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, Esq..... 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 P. Rush, Esq. .... Director, Department of Community Development  
Michael E. Cox ..... Director, Department of Parks, Recreation and Properties  
Julius Ciaccia, Jr. .... Director, Department of Public Utilities  
Angel Guzman ..... Director, Department of Consumer Affairs  
Robert N. Brown..... Director, City Planning Commission  
Trudy Hutchinson, Esq..... Director, Personnel and Human Resources  
Jomarie Wasik..... Director, Department of Public Service  
Ricky D. Smith, Sr. .... Director, Department of Port Control  
Brian A. Reilly ..... Director, Economic Development  
Lucille Ambroz ..... Secretary, Civil Service Commission  
Matthew Carroll..... Director, Department of Public Health  
Edward W. Rybka..... 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
Martin J. Keane.....	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, 2005

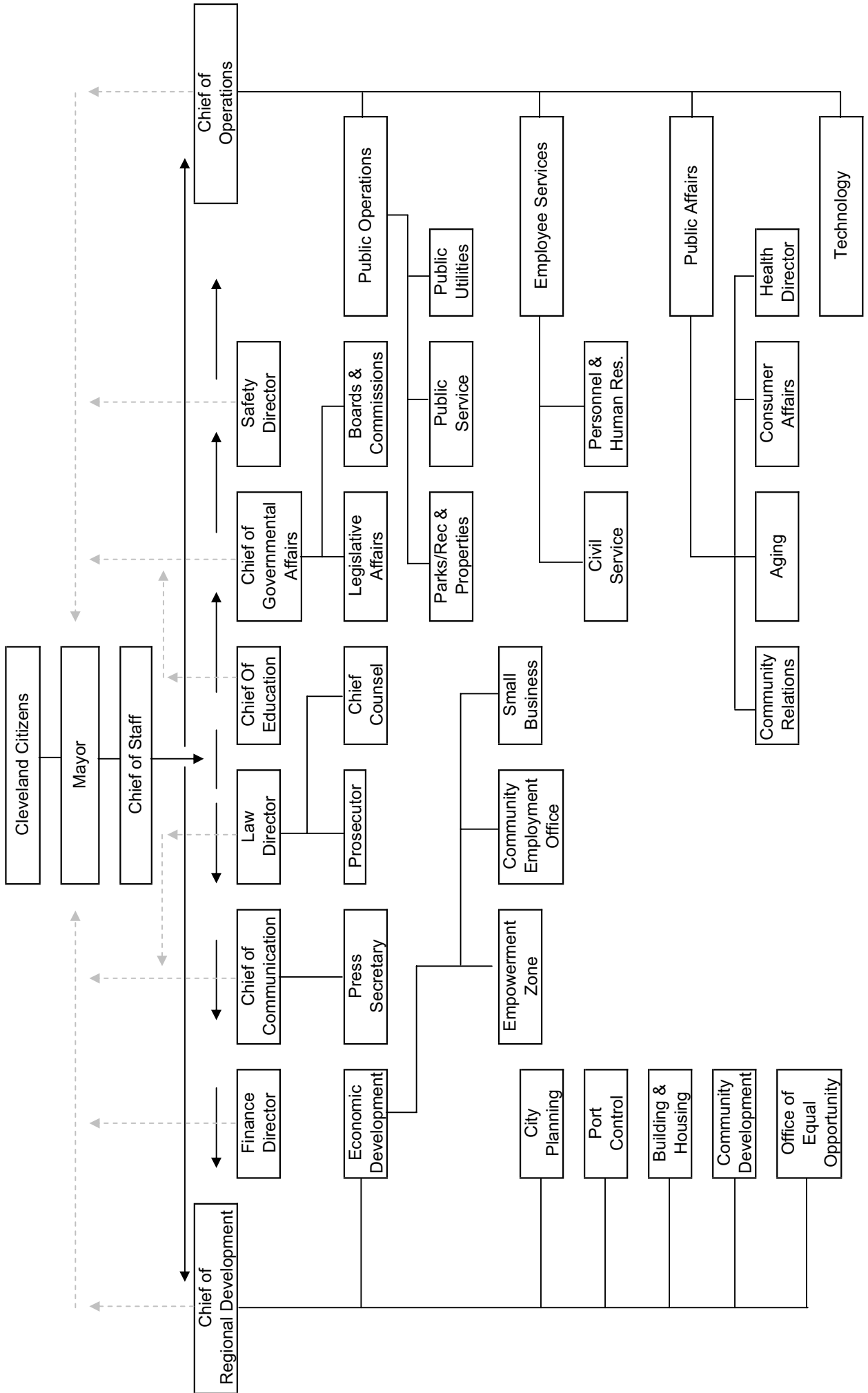
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

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

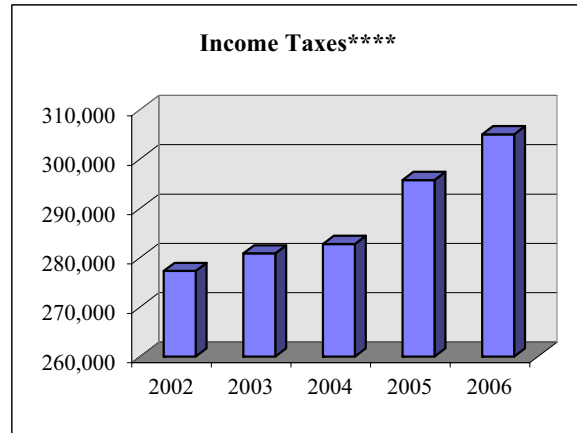
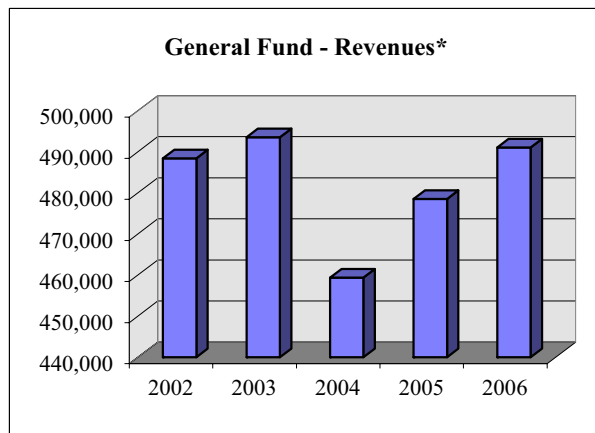
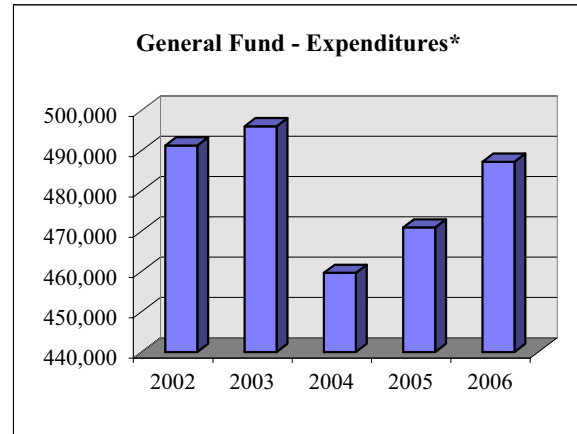
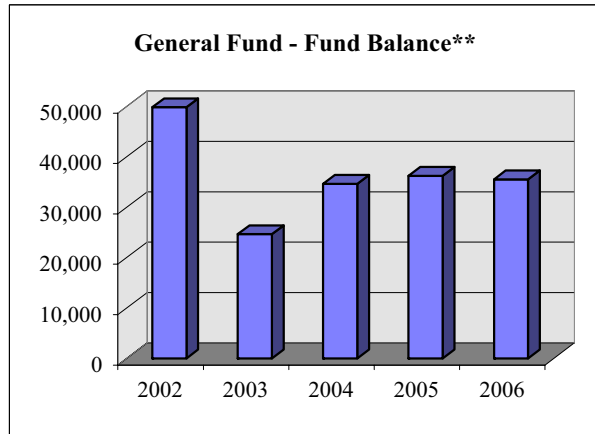




# CITY OF CLEVELAND, OHIO

## FINANCIAL HIGHLIGHTS

(in thousands of dollars)



For Year Ended***	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes****
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
2006	35,531	491,052	487,233	305,010

\* 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.

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# **FINANCIAL SECTION**

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# Mary Taylor, CPA

Auditor of State

## 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, 2006, 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, 2006, 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 29, 2007, 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.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 29, 2007

# 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, 2006. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 50.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2006 by approximately \$2.199 billion (net assets). Of this amount, \$440.5 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the approximately \$2.199 billion of net assets, governmental activities accounted for approximately \$567 million of net assets, while business-type activities net assets accounted for approximately \$1.632 billion.
- The City's net assets increased by \$62.3 million as compared to 2005. The governmental net assets increased by \$31.0 million and the business-type activities net assets increased by \$31.3 million.

The major factors contributing to the \$31.0 million increase to governmental activities net assets are a \$14.7 million increase in capital outlay which was offset by a \$3.4 million decrease in revenues that do not provide current financial resources and a \$15.5 million decrease in governmental fund balance. The \$14.7 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 \$3.4 million decrease in revenue is recognized on the government-wide financial statements, but deferred on the fund financial statements. The decrease of \$15.5 million in governmental fund balance is discussed below.

The primary components of the \$15.5 million decrease in governmental fund balance are as follows: the General Fund had a decrease in fund balance of approximately \$.7 million. This decrease was primarily due to an increase in expenditures for professional services, red light camera photographic enforcement and installation of speed detection systems and mobile enforcement units, and increased uniformed personnel salaries, wages and benefits. The decrease in fund balance of \$14.9 million in Other Governmental Funds is as follows: Special Revenue funds had a fund balance increase of \$18.2 million. This increase was offset by decreases in the following: Capital Projects funds had a decrease in fund balance of \$29.8 million related to various City athletic complexes, recreation centers and the Euclid Avenue Corridor project. The Debt Service funds had a decrease in fund balance of \$3.3 million relating to higher principal debt payments from the previous year.

The contributing factors for the net assets increase of \$31.3 million in business-type activities were significant increases in the following departments: Cleveland Public Power's total net assets increased by \$7.7 million which was attributed to the decrease in purchased power costs. The Water Division's overall increase in net assets of \$20.0 million was primarily due to an increase in customer service requirements. Airport Facilities total net assets increased by \$3.9 million due to a decrease in net non-operating expenses.

- At the end of the current year, unreserved fund balance for the General Fund was \$22.5 million and is available for spending at the City's discretion. The unreserved fund balance equals 4.7% of the total current General Fund expenditures and other financing uses.
- In 2006, the City's total long-term debt and other obligations net of premiums, discounts and unamortized loss on debt refunding decreased by \$50.6 million. The decrease was primarily attributed to the retirement and refunding of \$29.5 million of General Obligation Bonds, the retirement and defeasance of \$140.1 million of Public Power System Revenue Bonds, the retirement and defeasance of \$27.3 million of Waterworks Improvement Revenue Bonds offset by the issuance of \$30.0 million of Ohio Water Development Authority and Public Works Commission Loans and offset by the refunding of \$127.9 million of Power System Revenue Bonds. Also, the City retired \$281.8 million offset by the refunding of \$267.8 million of 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 -100 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, 2006 and 2005

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
(Amounts in 000's)						
Assets:						
Current and other assets	\$717,380	\$712,551	\$1,181,603	\$1,263,957	\$1,898,983	\$1,976,508
Capital assets	<u>855,085</u>	<u>843,706</u>	<u>2,677,996</u>	<u>2,577,812</u>	<u>3,533,081</u>	<u>3,421,518</u>
Total assets	1,572,465	1,556,257	3,859,599	3,841,769	5,432,064	5,398,026
Liabilities:						
Long-term obligations	758,265	795,786	2,066,191	2,079,244	2,824,456	2,875,030
Other liabilities	<u>246,727</u>	<u>224,018</u>	<u>162,004</u>	<u>162,447</u>	<u>408,731</u>	<u>386,465</u>
Total liabilities	1,004,992	1,019,804	2,228,195	2,241,691	3,233,187	3,261,495
Net assets:						
Invested in capital assets, net						
of related debt	350,278	303,683	622,195	510,205	972,473	813,888
Restricted	273,513	285,446	512,585	614,998	786,098	900,444
Unrestricted	<u>(56,318)</u>	<u>(52,676)</u>	<u>496,624</u>	<u>474,875</u>	<u>440,306</u>	<u>422,199</u>
Total net assets	<u>\$567,473</u>	<u>\$536,453</u>	<u>\$1,631,404</u>	<u>\$1,600,078</u>	<u>\$2,198,877</u>	<u>\$2,136,531</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 \$2.199 billion at the close of the most recent fiscal year. This represents an increase of 2.9% in 2006. Of the City's net assets, 25.8% represents its governmental net assets and 74.2% represents its business-type net assets.

Of the net assets from governmental activities, \$350.3 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, \$273.5 million, represents resources that are subject to external restrictions on how they may be used. There was a modest decrease in unrestricted net assets of \$3.6 million.

The total assets from governmental activities increased by \$16.2 million in 2006. This increase is primarily attributed to an increase in net capital asset additions of \$11.4 million and an increase of \$7.1 million of net receivables. These increases were partially offset by a decrease of \$1.6 million in due from other governments.

The total liabilities from governmental activities decreased by \$14.8 million. The decrease was primarily due to a decrease of \$37.5 million on long-term obligations, which was partially offset by increases in accounts payable, accrued wages and benefits, accrued interest payable and deferred and unearned revenue.

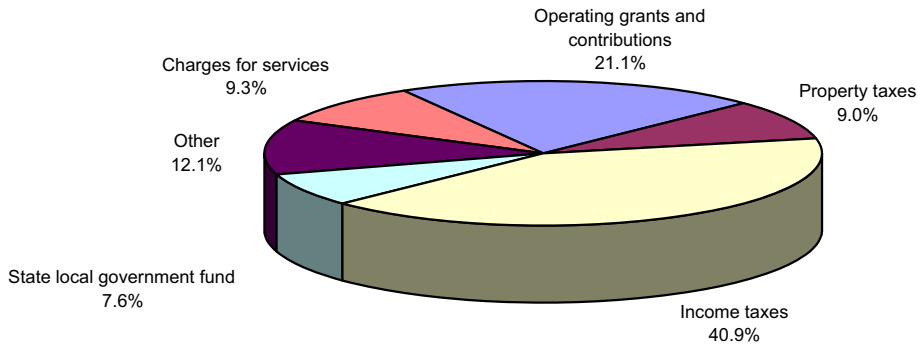
At the end of the current year, the City is able to report positive balances in total net assets for both the governmental activities as well as its business-type activities. Information regarding government-wide changes in net assets is provided below:

**Changes in Net Assets  
For Fiscal Years Ended December 31, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u> (Amounts in 000's)		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 69,085	\$ 59,083	\$ 495,519	\$ 517,828	\$ 564,604	\$ 576,911
Operating grants and contributions	155,858	130,592	14,598	7,826	170,456	138,418
Capital grants and contributions	23,839	26,988	67,433	61,173	91,272	88,161
General revenues:						
Income taxes	302,084	288,191			302,084	288,191
Property taxes	66,762	64,390			66,762	64,390
Other taxes	26,492	25,051			26,492	25,051
Shared revenues	16,949	22,468			16,949	22,468
Other grants and contributions		1			-	1
State local government funds	55,905	55,696			55,905	55,696
Unrestricted investment earnings	4,273	2,989	14	2,205	4,287	5,194
Miscellaneous	18,460	21,135		946	18,460	22,081
<b>Total revenues</b>	<u>739,707</u>	<u>696,584</u>	<u>577,564</u>	<u>589,978</u>	<u>1,317,271</u>	<u>1,286,562</u>
Expenses:						
General government	89,269	86,332			89,269	86,332
Public service	81,248	80,888			81,248	80,888
Public safety	301,208	293,242			301,208	293,242
Community development	62,701	56,413			62,701	56,413
Building and housing	13,832	10,650			13,832	10,650
Public health	27,674	24,950			27,674	24,950
Parks, recreation and properties	45,546	44,840			45,546	44,840
Economic development	44,739	41,030			44,739	41,030
Other	9,918	11,212			9,918	11,212
Interest on debt	32,162	27,557			32,162	27,557
Water			204,994	192,187	204,994	192,187
Electricity			141,546	153,676	141,546	153,676
Airport facilities			157,976	146,807	157,976	146,807
Non-major activities			42,112	41,526	42,112	41,526
<b>Total expenses</b>	<u>708,297</u>	<u>677,114</u>	<u>546,628</u>	<u>534,196</u>	<u>1,254,925</u>	<u>1,211,310</u>
Changes in net assets before transfers	31,410	19,470	30,936	55,782	62,346	75,252
Transfers	(390)	(375)	390	375	-	-
<b>Changes in net assets</b>	<u>31,020</u>	<u>19,095</u>	<u>31,326</u>	<u>56,157</u>	<u>62,346</u>	<u>75,252</u>
Net assets at beginning of year	<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>
<b>Net assets at end of year</b>	<u>\$ 567,473</u>	<u>\$ 536,453</u>	<u>\$ 1,631,404</u>	<u>\$ 1,600,078</u>	<u>\$ 2,198,877</u>	<u>\$ 2,136,531</u>

Business-type net assets increased \$31.3 million in 2006. Of the business-type net assets, \$622.2 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. \$512.6 million of net assets are subject to external restrictions on their use. The remaining balance of \$496.6 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

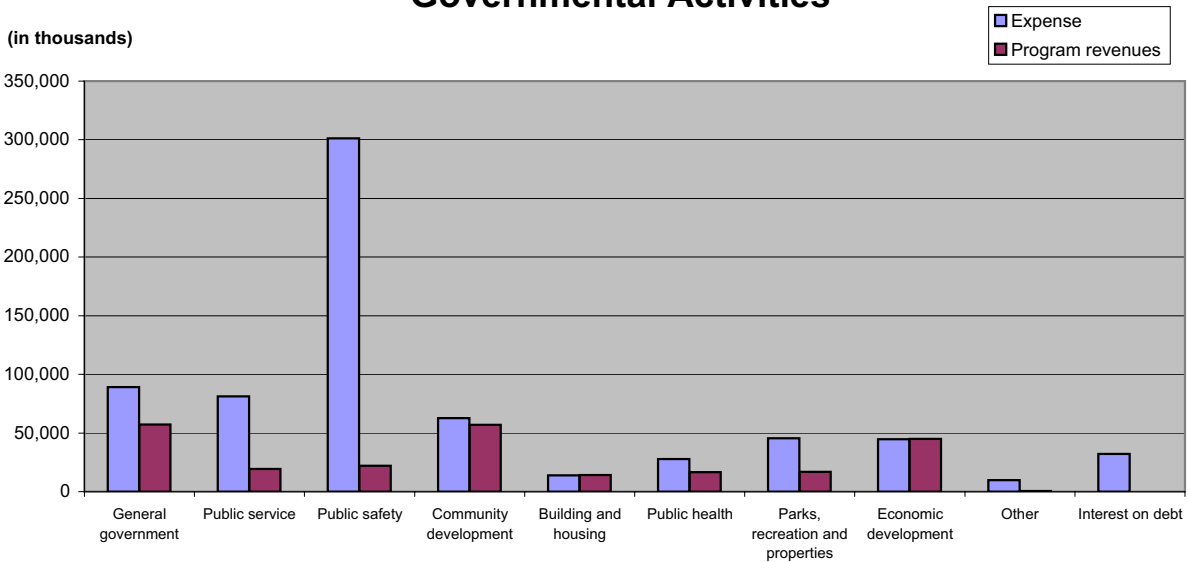
## Revenues by Source - Governmental Activities



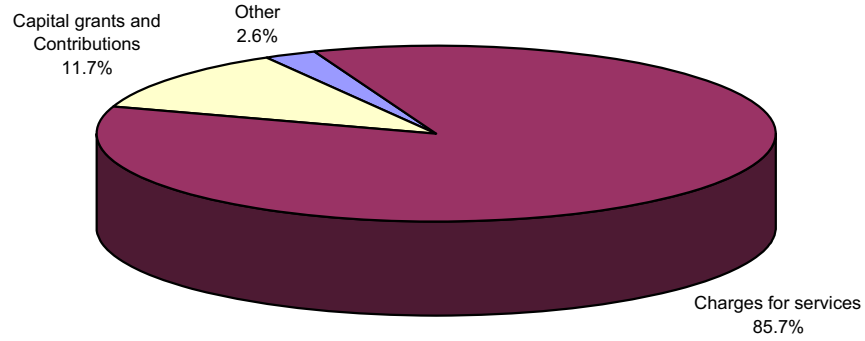
Other includes capital grants and contributions, other taxes, shared revenues, other grants and contributions, unrestricted investment earnings and miscellaneous revenue.

## Expenses and Program Revenues - Governmental Activities

(in thousands)

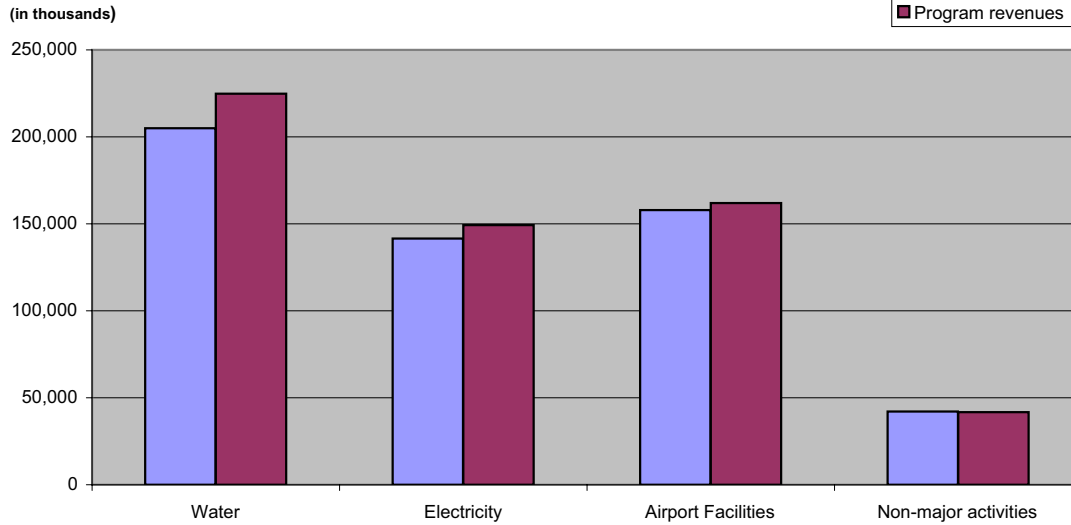


## Revenues by Source - Business-type Activities



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 \$17.8 million primarily due to a net increase in capital assets of \$100.2 million and an increase in unrestricted cash and cash equivalents and investments of \$9.7 million partially offset by a decrease in restricted assets of \$93.9 million. Business-type total liabilities decreased by \$13.5 million primarily due to the reduction of bonded debt by \$12.3 million due to principal payments and refunding of Public Power Systems Revenue Bonds, reduction of bonded debt by \$14.0 million due to principal payments and the refunding of Airport System Revenue Bonds, reduction of bonded debt by \$1.9 million due to principal payments and defeasance of Waterworks Improvement Revenue Bonds and an increase of \$30.0 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 2006 amounted to \$105.7 million. This represents a \$5.4 million decrease from 2005 operating revenues of \$111.1 million. This decrease was primarily due to decreases in landed weight and rental rates and charges. Cleveland Hopkins International Airport served 11,321,050 passengers in 2006. This reflects a 1.2% decrease from the number of passengers served in 2005. This decrease is attributed to normal industry fluctuation.

**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 2006, 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 2006 decreased approximately 5.7% to \$210.0 million from \$222.6 million in 2005. This decrease was mainly attributed to a 5.0% decrease in billed consumption. Operating expenses, exclusive of depreciation, increased to \$132.9 million compared to \$123.9 million in 2005.

**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 2006 operating revenue decreased 2.7% to \$146.3 million from \$150.3 million in 2005. Purchased power expense decreased 10.8% to \$79.7 million in 2006 from \$89.3 million in 2005. Operating expenses, exclusive of depreciation and purchased power, decreased slightly to \$35.2 million, compared to \$36.6 million in 2005.

## 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 \$416.3 million, a decrease of \$15.5 million in comparison with the prior year. The total governmental unreserved fund balance is \$124.2 million of which \$103.3 million is undesignated. The components of the total undesignated governmental fund balance include \$22.5 million in the General Fund which is available for spending at the City's discretion; an additional \$71.2 million of undesignated Special Revenue Funds available for expenditures that are legally restricted for a particular purpose; and the Capital Project Fund has \$9.6 million of undesignated fund balance to be used for the acquisition or construction of major capital projects. An additional \$20.9 million is designated for future capital improvements. The remaining \$292.1 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 (\$92.7 million), 2) to make future loans (\$158.2 million), 3) to pay debt service (\$34.2 million), and 4) for a variety of other restricted purposes (\$7.0 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 \$22.5 million while the total fund balance was \$35.5 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 4.7% of total General Fund expenditures and transfers out, while total fund balance represents approximately 7.4% 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**  
**2006 and 2005**  
**(Amounts in thousands)**

	<u>2006</u>	<u>2005</u>
Revenues:		
Income taxes	\$269,730	\$259,727
Property taxes	43,911	43,439
State local government funds	55,908	55,899
Other shared revenues	39,089	38,487
Licenses and permits	11,734	11,780
Charges for services	18,381	20,790
Fines, forfeits and settlements	23,464	16,699
Investment earnings	3,008	2,351
Grants	1,180	831
Miscellaneous	11,310	9,566
Total revenues	<u>477,715</u>	<u>459,569</u>
Expenses:		
General government	70,387	65,123
Public service	35,651	35,852
Public safety	284,257	273,608
Community development	1,945	2,192
Building and housing	10,261	10,472
Public health	11,910	11,819
Parks, recreation and properties	35,445	34,046
Economic development	939	965
Other	9,256	11,212
Total expenses	<u>460,051</u>	<u>445,289</u>
Excess of revenues over expenditures	17,664	14,280
Other financing sources (uses):		
Transfers in	125	5,544
Transfers out	(18,471)	(18,332)
Proceeds from the sale of land		87
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(682)	1,579
Fund balance at beginning of year	<u>36,213</u>	<u>34,634</u>
Fund balance at end of year	<u>\$35,531</u>	<u>\$36,213</u>

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

General Fund revenues and other sources totaled \$477.8 million in 2006, an increase of approximately \$12.6 million from 2005. 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 2006, approximately 86% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax collections increased approximately \$10.0 million in 2006 over the comparable amount in 2005 due to increased collections in the current year.

### ***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) (in thousands)</u>	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
2006	\$ 4,947,986	\$ 677,333	\$ 314,385	\$ 5,939,704
2005	\$ 4,985,131	\$ 671,795	\$ 350,690	\$ 6,007,616

Property tax revenues increased by \$.5 million in 2006 principally due to a slightly higher collection rates which were partially offset by an increase in delinquencies relating to real and public utilities property taxes in 2006.

***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 \$.6 million in 2006.

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 remained consistent from 2005 to 2006.

***Analysis of General Fund Expenditures***

General Fund expenditures and other financing uses totaled \$478.5 million in 2006, an increase of 3.2% from 2005. 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 2006</u>	<u>% of Total</u>	<u>Actual 2005</u>	<u>% of Total</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 70,387	14.71	\$ 65,123	14.05	\$ 5,264	8.08
Public Service	35,651	7.45	35,852	7.73	(201)	(0.56)
Public Safety	284,257	59.40	273,608	59.02	10,649	3.89
Community Development	1,945	0.41	2,192	0.47	(247)	(11.27)
Building and Housing	10,261	2.14	10,472	2.26	(211)	(2.01)
Public Health	11,910	2.49	11,819	2.55	91	0.77
Parks, Recreation and Properties	35,445	7.41	34,046	7.34	1,399	4.11
Economic Development	939	0.20	965	0.21	(26)	(2.69)
Other	9,256	1.93	11,212	2.42	(1,956)	(17.45)
Operating Transfers Out	<u>18,471</u>	3.86	<u>18,332</u>	3.95	<u>139</u>	0.76
Total expenditures and other financing uses	<u>\$ 478,522</u>		<u>\$ 463,621</u>		<u>\$ 14,901</u>	

The total expenditures and other financing uses increased by \$14.9 million. The primary factors for the increase were due to an increase in expenditures for professional services, expenditures associated with the red light camera photographic enforcement and the installation of speed detection systems and mobile enforcement units. Increases in Public Safety expenditures were associated with increases in uniformed personnel salaries, wages and benefits for the Divisions of Police and Fire.

**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 \$243.4 million, \$72.5 million and \$141.0 million, respectively, at December 31, 2006. The change in net assets for each of the respective funds amounted to an increase of \$20.0 million, an increase of \$7.7 million and an increase of \$3.9 million, during 2006. 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, 2006 and 2005, the City had approximately 8,225 and 8,262 full-time employees, respectively. Of the 8,225 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 23 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>
2006	\$ 423,960
2005	\$ 420,590

The increase in salaries and wages in 2006 is primarily due to a 3% raise.

*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 369,214 actively contributing members as of December 31, 2006. At December 31, 2006 assets of this pension system approximated \$78.4 billion. More data on this pension system is 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. As of December 31, 2005, the latest information available, management of the fund indicates membership of approximately 27,735 active members and 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 is 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>2006</u>	<u>2005</u>
	(in thousands)	
Paid by City to:		
OPERS	\$ 36,016	\$ 35,540
OP&F	<u>31,331</u>	<u>30,678</u>
Total paid by City	<u>67,347</u>	<u>66,218</u>
Paid by employees to:		
OPERS	23,638	22,245
OP&F	<u>14,937</u>	<u>14,623</u>
Total paid by employees	<u>38,575</u>	<u>36,868</u>
Total	<u>\$ 105,922</u>	<u>\$ 103,086</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 2006, 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, 2006, amounts to \$3.5 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 3.3% (a 1.3% increase for governmental activities and a 3.9% increase for business-type activities). A summary of the City's capital assets at December 31, 2006 is as follows:

	<b>Capital Assets, Net of Accumulated Depreciation</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
		(in thousands)	
Land	\$ 58,411	\$ 189,756	\$ 248,167
Land improvements	42,021	551,673	593,694
Utility plant		1,038,784	1,038,784
Buildings, structures and improvements	382,776	439,481	822,257
Furniture, fixtures, equipment and vehicles	58,358	101,963	160,321
Infrastructure	214,940		214,940
Construction in progress	98,579	356,339	454,918
<b>Total</b>	<b>\$ 855,085</b>	<b>\$ 2,677,996</b>	<b>\$ 3,533,081</b>

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

- Cleveland Public Power incurred \$21.2 million of capital expenditures relating to pole replacements, motor vehicles, equipment, plant improvement and distribution feeders.
- During 2006, the Division of Water had expenditures for capital improvements totaling \$104.3 million. Major expenses were for 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 \$79.4 million. Major components were the completion of the renovation of the Concourse C apron and the completion of the centralized deicing pad.
- Water Pollution Control had capital expenditures of \$5.1 million. Major initiatives included the various sewer line replacement projects.
- Governmental activities major capital projects included \$9.7 million for the Kinsman Road resurfacing project, \$16.3 million relating to the Euclid Corridor and Euclid Avenue projects, \$20.4 million for various improvements throughout the City's 21 wards and \$7.0 million for buildings and building betterments.

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 \$2.74 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, 2006 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	<b>Balance January 1, <u>2006</u></b>	<b>Debt <u>Issued</u></b>	<b>Debt <u>Refunded/Defeased</u> (in thousands)</b>	<b>Debt <u>Retired</u></b>	<b>Balance December 31, <u>2006</u></b>
Governmental Activities:					
General Obligation Bonds	\$ 353,325	\$	\$	\$ (29,530)	\$ 323,795
Urban Renewal Bonds/Notes	7,555			(385)	7,170
Subordinated Income Tax Bonds	62,400			(1,700)	60,700
Non-tax Revenue Bonds	70,085			(732)	69,353
Certificates of Participation	146,225			(2,275)	143,950
Gateway Note Payable	2,750			(250)	2,500
Capital Lease Obligations	<u>18,083</u>	<u>          </u>	<u>          </u>	<u>(3,026)</u>	<u>15,057</u>
Total Governmental Activities	<u>660,423</u>	<u>-</u>	<u>-</u>	<u>(37,898)</u>	<u>622,525</u>
Business –Type Activities:					
Revenue Bonds	2,049,820	453,165	(456,320)	(51,620)	1,995,045
Ohio Water Development Loans	78,498	30,042		(5,125)	103,415
Deferred Payment Obligation	<u>20,306</u>	<u>          </u>	<u>          </u>	<u>(1,878)</u>	<u>18,428</u>
Total Business –Type Activities	<u>2,148,624</u>	<u>483,207</u>	<u>(456,320)</u>	<u>(58,623)</u>	<u>2,116,888</u>
Total	<u>\$ 2,809,047</u>	<u>\$ 483,207</u>	<u>\$ (456,320)</u>	<u>\$ (96,521)</u>	<u>\$ 2,739,413</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 \$22.9 million in 2006 which represents 49% 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 51% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, homestead/rollback reimbursement from the State, 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, 2006:

	<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-	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, 2006 was:

Net General Bonded Debt:	\$320,265,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.39%
Net General Bonded Debt Per Capita:	\$669.45

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 \$623,669,011 and unvoted debt limit (5.5%) is \$326,683,768. At December 31, 2006, the City had the capacity, under the indirect debt limitation calculation per the Ohio Revised Code, to issue approximately \$75 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.

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 all the major carriers. All airlines continue to operate at Hopkins Airport. The extension retains the residual rate structure of the Airport.

Construction was completed on a centralized deicing pad, thereby significantly reducing the amount of on-gate deicing operations at Hopkins Airport. This project will enhance environmental stewardship and operation efficiency at the Airport.

On January 29, 2007, legislation was passed authorizing the issuance of not to exceed \$43,700,000 of Various Purpose General Obligation Bonds and \$2,050,000 of Final Judgment General Obligation Bonds. Effective April 18, 2007, the City issued \$42,900,000 Various Purpose General Obligation Bonds, Series 2007A, to finance a portion of the costs of permanent improvements and \$2,050,000 Final Judgment General Obligation Bonds Series 2007B, to pay for final judgments and court ordered settlements.

On February 1, 2007, the City entered into a forward starting BMA swap in order to maximize the savings on the refunding of the Series 1997A Airport System Revenue Bonds. The counterparties to this agreement are Goldman Sachs Capital Markets, L.P., Morgan Stanley Capital Services Inc. and RFPC Capital Services, LLC. Variable rate bonds will be issued on October 3, 2007 which will refund \$118,495,000 of outstanding Series 1997A Bonds. These bonds will be swapped to a fixed rate of 4.037%. Over the life of this transaction, the City is expected to save \$9.7 million in total debt service payments.

On February 5, 2007, legislation was passed by City Council authorizing the issuance of not to exceed \$185,000,000 of Water Revenue Bonds. Effective June 28, 2007, the City issued \$143,570,000 Water Revenue Bonds, Series O, 2007. The proceeds of these bonds will be used to pay costs of improvements to the Waterworks System.

On March 26, 2007, City Council passed the 2007 budget for the City in the amount of \$522.2 million, which reflects a \$18.6 million increase of General Fund appropriations as compared to the fiscal year 2006 final budget. The City will continue to monitor expenses and revenues in 2007 and deliver the needed services to Cleveland residents.

Under the authority of legislation passed in April 2006, the City issued \$28,080,000 Various Purpose General Obligation Refunding Bonds, Series 2007C, which were effective May 7, 2007. These bonds refunded \$28,245,000 of outstanding General Obligation Bonds and resulted in present value savings in debt service costs of \$1.04 million or 3.69%.



**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.

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# **BASIC FINANCIAL STATEMENTS**

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006  
(Amounts in 000's)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 267,126	\$ 136,526	\$ 403,652
Investments	9,038	242,861	251,899
Receivables:			
Taxes	127,085		127,085
Accounts	10,847	117,150	127,997
Grants	506		506
Loans	232,830		232,830
Unbilled revenue		34,368	34,368
Accrued interest	993	2,121	3,114
Assessments	2,861		2,861
Less: Allowance for doubtful accounts	<u>(4,769)</u>	<u>(15,015)</u>	<u>(19,784)</u>
Receivables, net	<u>370,353</u>	<u>138,624</u>	<u>508,977</u>
Internal balances	507	(507)	
Due from other governments	64,134	946	65,080
Inventory of supplies	2,281	10,051	12,332
Prepaid expenses and other assets		2,055	2,055
Restricted assets:			
Cash and cash equivalents		537,269	537,269
Investments		83,798	83,798
Accrued interest receivable		1,926	1,926
Bond retirement reserve		53	53
Accrued passenger facility charge		<u>3,124</u>	<u>3,124</u>
Total restricted assets	<u>-</u>	<u>626,170</u>	<u>626,170</u>
Unamortized bond issuance costs	3,941	24,877	28,818
Capital assets:			
Land and construction in progress	156,990	546,095	703,085
Other capital assets, net of accumulated depreciation	<u>698,095</u>	<u>2,131,901</u>	<u>2,829,996</u>
Total capital assets	<u>855,085</u>	<u>2,677,996</u>	<u>3,533,081</u>
Total assets	<u>1,572,465</u>	<u>3,859,599</u>	<u>5,432,064</u>
<b>LIABILITIES</b>			
Accounts payable	20,678	26,783	47,461
Accrued wages and benefits	42,545	13,333	55,878
Due to other governments	80,381	62,075	142,456
Accrued interest payable	15,638	34,208	49,846
Deferred revenue	80,127		80,127
Unearned revenue	4,508		4,508
Liabilities payable from restricted assets		25,605	25,605
Loans payable	2,850		2,850
Long-term obligations:			
Due within one year	74,467	58,483	132,950
Due in more than one year	<u>683,798</u>	<u>2,007,708</u>	<u>2,691,506</u>
Total liabilities	<u>1,004,992</u>	<u>2,228,195</u>	<u>3,233,187</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	350,278	622,195	972,473
Restricted for:			
Capital projects	62,152	264,783	326,935
Debt service	26,838	210,827	237,665
Loans	158,187		158,187
Other purposes	26,336	36,975	63,311
Unrestricted	<u>(56,318)</u>	<u>496,624</u>	<u>440,306</u>
Total net assets	<u>\$ 567,473</u>	<u>\$ 1,631,404</u>	<u>\$ 2,198,877</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, 2006  
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	\$ 89,269	\$ 31,896	\$ 23,839	\$ (32,026)	\$	\$ (32,026)
Public service	81,248	5,158	14,230	(61,860)		(61,860)
Public safety	301,208	12,773	9,364	(279,071)		(279,071)
Community development	62,701	2	56,882	(5,817)		(5,817)
Building and housing	13,832	10,701	3,407	276		276
Public health	27,674	2,898	13,838	(10,938)		(10,938)
Parks, recreation and properties	45,546	746	16,232	(28,568)		(28,568)
Economic development	44,739	4,496	40,397	154		154
Other	9,918	415		(9,503)		(9,503)
Interest on debt	32,162			(32,162)		(32,162)
Total governmental activities	708,297	69,085	23,839	(459,515)	-	(459,515)
<b>Business-type activities:</b>						
Water	204,994	209,694	6,817		19,759	19,759
Electricity	141,546	146,293	1,135		7,678	7,678
Airport facilities	157,976	105,711	53,280		3,959	3,959
Non-major activities	42,112	33,821	6,201		(474)	(474)
Total business-type activities	546,628	495,519	67,433		30,922	30,922
<b>Total</b>	<b>\$ 1,254,925</b>	<b>\$ 564,604</b>	<b>\$ 91,272</b>	<b>(459,515)</b>	<b>30,922</b>	<b>(428,593)</b>
<b>General revenues:</b>						
Income taxes				302,084		302,084
Property taxes				66,762		66,762
Other taxes				26,492		26,492
Shared revenues				16,949		16,949
Grants and contributions not restricted to specific programs						
State local government funds				55,905	14	55,905
Unrestricted investment earnings				4,273		4,273
Other				18,460		18,460
Transfers				(390)	390	
Total general revenues and transfers				490,535	404	490,939
Change in net assets				31,020	31,326	62,346
Net assets at beginning of year				536,453	1,600,078	2,136,531
Net assets at end of year				567,473	1,631,404	2,198,877

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET-GOVERNMENTAL FUNDS**

**DECEMBER 31, 2006**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 30,957	\$ 223,651	\$ 254,608
Investments		9,038	9,038
Receivables:			
Taxes	95,078	32,007	127,085
Accounts	9,417	1,419	10,836
Grants		506	506
Loans		232,830	232,830
Accrued interest		966	966
Assessments		2,861	2,861
Less: Allowance for doubtful accounts	<u>(4,769)</u>		<u>(4,769)</u>
Receivables, net	<u>99,726</u>	<u>270,589</u>	<u>370,315</u>
Due from other funds	7,939	5,158	13,097
Due from other governments	36,215	27,919	64,134
Inventory of supplies	<u>102</u>	<u>978</u>	<u>1,080</u>
<b>TOTAL ASSETS</b>	<b>\$ 174,939</b>	<b>\$ 537,333</b>	<b>\$ 712,272</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,459	\$ 15,583	\$ 19,042
Accrued wages and benefits	38,013	3,284	41,297
Due to other governments	91	78,430	78,521
Deferred revenue	87,121	40,618	127,739
Unearned revenue		4,508	4,508
Due to other funds	<u>10,724</u>	<u>14,181</u>	<u>24,905</u>
Total liabilities	<u>139,408</u>	<u>156,604</u>	<u>296,012</u>
<b>FUND BALANCES</b>			
Reserved for:			
Loans		158,187	158,187
Inventory	102	978	1,080
Debt service		34,160	34,160
Encumbrances	7,000	85,659	92,659
Rainy day reserve fund	5,927		5,927
Unreserved, reported in:			
General fund	22,502		22,502
Special revenue funds:			
Designated for future capital improvements		6,118	6,118
Undesignated		71,169	71,169
Capital projects funds			
Designated for future capital improvements		14,850	14,850
Undesignated		9,608	9,608
Total fund balances	<u>35,531</u>	<u>380,729</u>	<u>416,260</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 174,939</b>	<b>\$ 537,333</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.	851,829
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	47,612
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.	(754,643)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net assets	<u>6,415</u>
Net assets of governmental activities	<u>\$ 567,473</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, 2006**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Income taxes	\$ 269,730	\$ 33,716	\$ 303,446
Property taxes	43,911	22,876	66,787
State local government funds	55,908		55,908
Other shared revenues	39,089	34,721	73,810
Licenses and permits	11,734	2,786	14,520
Charges for services	18,381	2,592	20,973
Fines, forfeits and settlements	23,464	4,413	27,877
Investment earnings	3,008	10,801	13,809
Grants	1,180	136,098	137,278
Contributions		3,113	3,113
Miscellaneous	<u>11,310</u>	<u>7,373</u>	<u>18,683</u>
Total revenues	<u>477,715</u>	<u>258,489</u>	<u>736,204</u>
<b>EXPENDITURES:</b>			
Current:			
General government	70,387	4,518	74,905
Public service	35,651	23,088	58,739
Public safety	284,257	8,836	293,093
Community development	1,945	60,086	62,031
Building and housing	10,261	3,407	13,668
Public health	11,910	14,993	26,903
Parks, recreation and properties	35,445	2,372	37,817
Economic development	939	43,693	44,632
Other	9,256		9,256
Capital outlay		65,216	65,216
Inception of capital lease		3,302	3,302
Debt service:			
Principal retirement		37,648	37,648
Interest		31,462	31,462
Other		<u>662</u>	<u>662</u>
Total expenditures	<u>460,051</u>	<u>299,283</u>	<u>759,334</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>17,664</u>	<u>(40,794)</u>	<u>(23,130)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	125	41,728	41,853
Transfers out	(18,471)	(24,194)	(42,665)
Proceeds from the sale of land		<u>8,411</u>	<u>8,411</u>
Total other financing sources (uses)	<u>(18,346)</u>	<u>25,945</u>	<u>7,599</u>
NET CHANGE IN FUND BALANCES	(682)	(14,849)	(15,531)
FUND BALANCES AT BEGINNING OF YEAR	<u>36,213</u>	<u>395,578</u>	<u>431,791</u>
FUND BALANCES AT END OF YEAR	<u>\$ 35,531</u>	<u>\$ 380,729</u>	<u>\$ 416,260</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, 2006 (Amounts in 000's)

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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)	\$ (15,531)
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.	14,686
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,415)
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.	36,866
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.	1,778
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(3,364)</u>
Change in net assets of governmental activities (page 51)	<u>\$ 31,020</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, 2006**

(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	\$ 269,235	\$ 269,235	\$ 271,120	\$ 1,885
Property taxes	42,534	42,534	43,911	1,377
State local government funds	55,848	55,848	55,922	74
Other shared revenues	38,878	38,878	39,144	266
Licenses and permits	11,800	11,800	11,785	(15)
Charges for services	19,919	19,919	19,978	59
Fines, forfeits and settlements	23,735	23,735	20,838	(2,897)
Investment earnings	2,126	2,126	3,350	1,224
Grants			1,187	1,187
Miscellaneous	<u>22,048</u>	<u>22,048</u>	<u>23,692</u>	<u>1,644</u>
Total revenues	486,123	486,123	490,927	4,804
<b>EXPENDITURES:</b>				
Current:				
General government	73,240	73,340	67,730	5,610
Public service	39,108	39,111	37,383	1,728
Public safety	286,026	285,826	280,899	4,927
Community development	2,322	2,122	1,985	137
Building and housing	10,837	10,837	9,965	872
Public health	12,713	13,023	12,259	764
Parks, recreation and properties	38,749	38,236	36,639	1,597
Economic development	1,042	1,042	921	121
Other	<u>17,479</u>	<u>17,979</u>	<u>17,381</u>	<u>598</u>
Total expenditures	481,516	481,516	465,162	16,354
EXCESS OF REVENUES OVER EXPENDITURES	4,607	4,607	25,765	21,158
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,576	3,576	125	(3,451)
Transfers out	<u>(22,088)</u>	<u>(22,088)</u>	<u>(22,071)</u>	<u>17</u>
Total other financing sources (uses)	<u>(18,512)</u>	<u>(18,512)</u>	<u>(21,946)</u>	<u>(3,434)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(13,905)</u>	<u>(13,905)</u>	<u>3,819</u>	<u>17,724</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			<u>2,524</u>	<u>2,524</u>
NET CHANGE IN FUND BALANCES	<u>(13,905)</u>	<u>(13,905)</u>	<u>6,343</u>	<u>20,248</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>13,924</u>	<u>13,924</u>	<u>13,924</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	\$ <u>19</u>	\$ <u>19</u>	\$ <u>20,267</u>	\$ <u>20,248</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, 2006**

**(Amounts in 000's)**

	<b>Business Type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Division of Water</b>	<b>Cleveland Public Power</b>	<b>Department of Port Control</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 94,524	\$ 10,442	\$ 10,054	\$ 20,791	\$ 135,811	\$ 13,233
Restricted cash and cash equivalents	12,982	1,272	11,351		25,605	
Investments	125,054	28,383	77,488	11,936	242,861	
Receivables:						
Accounts	38,247	21,120	3,485	54,295	117,147	14
Unbilled revenue	24,153	1,943	6,121	2,151	34,368	
Accrued interest	1,065	318	632	104	2,119	30
Less: Allowance for doubtful accounts	(11,547)	(1,338)	(1,293)	(837)	(15,015)	
Receivables, net	51,918	22,043	8,945	55,713	138,619	44
Due from other funds	3,563	2,532	549	659	7,303	13,706
Due from other governments			946		946	
Inventory of supplies	2,916	6,409	220	506	10,051	1,201
Prepaid expenses and other assets	1,683	54	318		2,055	
Total current assets	292,640	71,135	109,871	89,605	563,251	28,184
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	220,111	7,903	263,644	20,006	511,664	
Investments	1,998	13,162	63,207	5,431	83,798	
Accrued interest receivable	630	14	1,169	113	1,926	
Bond retirement reserve			53		53	
Accrued passenger facility charges			3,124		3,124	
Total restricted assets	222,739	21,079	331,197	25,550	600,565	-
Unamortized bond issuance costs	5,704	2,590	12,421	4,162	24,877	
Capital assets:						
Land	5,463	4,863	160,872	18,558	189,756	663
Land improvements	16,973	2,759	755,939	5,442	781,113	146
Utility plant	1,056,192	408,633		119,735	1,584,560	
Buildings, structures and improvements	204,520	42,278	415,923	144,209	806,930	2,673
Furniture, fixtures, equipment and vehicles	131,280	42,882	46,625	15,556	236,343	4,738
Construction in progress	315,892	23,720	6,867	9,860	356,339	24
Less: Accumulated depreciation	(469,329)	(216,013)	(428,660)	(163,054)	(1,277,056)	(4,976)
Total capital assets, net	1,260,991	309,122	957,566	150,306	2,677,985	3,268
Total noncurrent assets	1,489,434	332,791	1,301,184	180,018	3,303,427	3,268
<b>TOTAL ASSETS</b>	<b>\$ 1,782,074</b>	<b>\$ 403,926</b>	<b>\$ 1,411,055</b>	<b>\$ 269,623</b>	<b>\$ 3,866,678</b>	<b>\$ 31,452</b>

(Continued)

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET - PROPRIETARY FUNDS**

**DECEMBER 31, 2006**

(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>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 7,621	\$ 9,904	\$ 6,810	\$ 2,410	\$ 26,745	\$ 1,674
Accrued wages and benefits	10,092	3,789	3,097	2,302	19,280	8,157
Due to other funds	2,614	1,064	714	3,414	7,806	1,395
Due to other governments			5,036	57,039	62,075	1,860
Accrued interest payable	16,379	1,084	15,780	965	34,208	
Current payable from restricted assets	12,982	1,272	11,351		25,605	
Current portion of long-term obligations	20,840	8,045	19,807	3,211	51,903	
Total current liabilities	<u>70,528</u>	<u>25,158</u>	<u>62,595</u>	<u>69,341</u>	<u>227,622</u>	<u>13,086</u>
Long-term liabilities:						
Accrued wages and benefits	2,279	810	725	475	4,289	12,143
Construction loans payable	95,175			4,678	99,853	
Deferred payment obligation			16,396		16,396	
Revenue bonds payable	713,313	191,383	923,080	59,146	1,886,922	
Total noncurrent liabilities	<u>810,767</u>	<u>192,193</u>	<u>940,201</u>	<u>64,299</u>	<u>2,007,460</u>	<u>12,143</u>
Total liabilities	<u>881,295</u>	<u>217,351</u>	<u>1,002,796</u>	<u>133,640</u>	<u>2,235,082</u>	<u>25,229</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	431,663	109,695	(2,441)	83,267	622,184	3,268
Restricted for capital projects	141,994	1,461	116,677	4,651	264,783	
Restricted for debt service	83,734	2,958	116,020	8,115	210,827	
Restricted for passenger facility charges			36,975		36,975	
Unrestricted	243,388	72,461	141,028	39,950	496,827	2,955
Total net assets	<u>900,779</u>	<u>186,575</u>	<u>408,259</u>	<u>135,983</u>	<u>1,631,596</u>	<u>6,223</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,782,074</u>	<u>\$ 403,926</u>	<u>\$ 1,411,055</u>	<u>\$ 269,623</u>		<u>\$ 31,452</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(192)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 1,631,404</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, 2006**

(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		
OPERATING REVENUES:						
Charges for services	\$ 209,978	\$ 146,347	\$ 105,716	\$ 33,866	\$ 495,907	\$ 43,482
Total operating revenue	<u>209,978</u>	<u>146,347</u>	<u>105,716</u>	<u>33,866</u>	<u>495,907</u>	<u>43,482</u>
OPERATING EXPENSES:						
Operations	84,371	17,934	58,361	23,255	183,921	42,966
Maintenance	48,508	17,262	4,065	8,075	77,910	2,173
Purchased power		79,746			79,746	
Depreciation	37,582	16,713	49,828	7,745	111,868	336
Total operating expenses	<u>170,461</u>	<u>131,655</u>	<u>112,254</u>	<u>39,075</u>	<u>453,445</u>	<u>45,475</u>
OPERATING INCOME (LOSS)	<u>39,517</u>	<u>14,692</u>	<u>(6,538)</u>	<u>(5,209)</u>	<u>42,462</u>	<u>(1,993)</u>
NON-OPERATING REVENUES (EXPENSES):						
Investment income	13,925	2,929	17,179	2,874	36,907	917
Interest expense	(33,690)	(9,096)	(35,726)	(3,052)	(81,564)	
Passenger facility charges			22,336		22,336	
Sound insulation program			(4,587)		(4,587)	
Gain(Loss) on disposal of capital assets	(894)	2			(892)	
Hotel tax				4,272	4,272	
Other revenues (expenses)	648	(819)	(5,426)	462	(5,135)	
Total non-operating revenues (expenses)	<u>(20,011)</u>	<u>(6,984)</u>	<u>(6,224)</u>	<u>4,556</u>	<u>(28,663)</u>	<u>917</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	19,506	7,708	(12,762)	(653)	13,799	(1,076)
Capital contributions	486		16,709	209	17,404	706
Transfers in				390	390	422
Transfers out					-	
Change in net assets	<u>19,992</u>	<u>7,708</u>	<u>3,947</u>	<u>(54)</u>	<u>31,593</u>	<u>52</u>
NET ASSETS AT BEGINNING OF YEAR	<u>880,787</u>	<u>178,867</u>	<u>404,312</u>	<u>136,037</u>		<u>6,171</u>
NET ASSETS AT END OF YEAR	<u>\$ 900,779</u>	<u>\$ 186,575</u>	<u>\$ 408,259</u>	<u>\$ 135,983</u>		<u>\$ 6,223</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					(267)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 31,326</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, 2006**

(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>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 208,456	\$ 152,881	\$ 105,269	\$ 33,482	\$ 500,088	\$ 40,973
Cash payments to suppliers for goods or services	(51,913)	(6,774)	(41,942)	(13,426)	(114,055)	(22,309)
Cash payments to employees for services	(74,504)	(25,469)	(22,401)	(17,101)	(139,475)	(18,114)
Cash payments for purchased power		(82,080)			(82,080)	
Agency activity on behalf of NEORS				(1,713)	(1,713)	
Other		(5,237)			(5,237)	
Net cash provided by operating activities	82,039	33,321	40,926	1,242	157,528	550
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Cash payments for sound insulation of homes			(4,587)		(4,587)	
Cash received (paid) through transfers from/to other funds				390	390	422
Cash received from hotel tax				4,351	4,351	
Cash receipts (payments) from/to other governments	1,920	10	(1,224)	79	785	
Proceeds from lease				587	587	
Net cash provided by (used for) noncapital financing activities	1,920	10	(5,811)	5,407	1,526	422
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Cash receipts for passenger facility charges			22,331		22,331	
Proceeds from sale of revenue bonds, loans and notes	29,978	131,644	286,073	57,512	505,207	
Acquisition and construction of capital assets	(104,670)	(23,006)	(73,517)	(6,362)	(207,555)	
Principal paid on long-term debt	(18,321)	(11,025)	(10,958)	(2,846)	(43,150)	
Interest paid on long-term debt	(41,011)	(8,144)	(49,513)	(2,625)	(101,293)	
Cash paid to escrow agent for refunding	(12,417)	(131,110)	(280,306)	(58,710)	(482,543)	
Capital grant proceeds			18,458		18,458	
Net cash provided by (used for) capital and related financing activities	(146,441)	(41,641)	(87,432)	(13,031)	(288,545)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investment securities	(76,724)	(23,309)	(124,356)	(6,924)	(231,313)	
Proceeds from sale and maturity of investment securities	122,282	27,041	167,108	14,591	331,022	
Interest received on investments	19,742	3,026	19,405	3,019	45,192	932
Net cash provided by investing activities	65,300	6,758	62,157	10,686	144,901	932
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,818</b>	<b>(1,552)</b>	<b>9,840</b>	<b>4,304</b>	<b>15,410</b>	<b>1,904</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>324,799</b>	<b>21,169</b>	<b>275,209</b>	<b>36,493</b>	<b>657,670</b>	<b>11,329</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 327,617</b>	<b>\$ 19,617</b>	<b>\$ 285,049</b>	<b>\$ 40,797</b>	<b>\$ 673,080</b>	<b>\$ 13,233</b>

(Continued)

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(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	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 39,517	\$ 14,692	\$ (6,538)	\$ (5,209)	\$ 42,462	\$ (1,993)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	37,582	16,713	49,828	7,745	111,868	336
Non-cash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	(635)	1,383	646	(5,506)	(4,112)	(8)
Due from other funds	2,156	198	24	126	2,504	(2,063)
Inventory of supplies	1,894	(700)	(28)	157	1,323	229
Prepaid expenses and other assets	16		(15)		1	
Accounts payable	98	480	2,548	623	3,749	728
Accrued wages and benefits	(623)	112	357	(174)	(328)	3,609
Due to other funds	148	157	30	(511)	(176)	(794)
Due to other governments			(2,537)	3,991	1,454	506
Accrued expenses and other liabilities	1,886	286			2,172	
Total adjustments	<u>42,522</u>	<u>18,629</u>	<u>47,464</u>	<u>6,451</u>	<u>115,066</u>	<u>2,543</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 82,039</u>	<u>\$ 33,321</u>	<u>\$ 40,926</u>	<u>\$ 1,242</u>	<u>\$ 157,528</u>	<u>\$ 550</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, 2006**

**(Amounts in 000's)**

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 30,369
Taxes receivable	31,196
Due from other governments	<u>2,261</u>
Total assets	<u>63,826</u>
<b>LIABILITIES</b>	
Due to other governments	39,983
Due to others	<u>23,843</u>
Total liabilities	<u>\$ 63,826</u>

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

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

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**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, 2006 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 of Cleveland, 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, 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 3 appropriation amendments during 2006 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 2006 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)	\$ 3,819
Adjustments:	
Revenue accruals	(13,212)
Expenditure accruals	2,478
Encumbrances and pre-encumbrances	<u>6,233</u>
Net change in fund balance	<u>\$ (682)</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 upgrading 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 eight swap agreements outstanding at December 31, 2006, two for its Subordinated Income Tax Refunding Bonds, one on the Certificates of Participation (Cleveland Browns Stadium), one on the Parking Facilities Refunding Revenue Bonds, two related to the Series 2003 A and B Airport System Revenue Bonds, one related to the 2004 Series M Water Revenue Bonds and one related to the 2006 A-1 Public Power System Refunding 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, 2006 the City implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, which is effective for the year ended December 31, 2006. The City has determined that GASB Statement No. 47 has no impact on its financial statements as of December 31, 2006.

**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 \$754.6 million difference are as follows:

	(Amounts in 000's)
Bonds payable	\$ 602,259
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(3,941)
Unamortized bond premium	14,735
Accrued interest payable	15,639
Capital leases payable	15,057
Loans payable	2,850
Claims and adjustments	4,425
Compensated absences	<u>103,619</u>
Net adjustments to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 754,643</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 \$14.7 million difference are as follows:

	(Amounts in 000's)
Capital outlay	\$ 57,097
Depreciation expense	(41,801)
Capital asset disposal	<u>(610)</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>\$ 14,686</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	\$ (51,027)
Current year deferred revenues	<u>47,612</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>\$ (3,415)</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 \$36.9 million which is detailed as follows:

	(Amounts in 000's)
Accrued interest	\$ (701)
Principal repayments:	
General obligation debt and other obligations	34,872
Payment on capital lease	3,026
Payment on Loan	60
Amortization of debt issuance cost	<u>(391)</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>\$ 36,866</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 \$1.8 million difference are as follows:

	(Amounts in 000's)
Compensated absences	\$ 2,931
Claims judgements	<u>(1,153)</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>\$ 1,778</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, Cemeteries, Golf Courses and certain Special Revenue Funds are deposited or invested in individual segregated bank accounts. Monies for the Neighborhood Development Investment Funds, Economic Development Funds and Supplemental Empowerment Zone 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 \$91,365,000 and the actual bank balance totaled \$118,557,000. 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*, \$91,365,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the 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:** In accordance with its investment policy, the City limits its exposure to fair value losses caused by rising interest rates, investing 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, 2006 include U.S. Agencies, U.S. Treasury Bills, 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	\$ 449,639	\$ 451,157	\$ 229,804	\$ 219,835	\$
U.S. Treasury Bills	7,942	7,941	7,942		
Repurchase Agreements	5,818	5,818	5,818		
STAROhio	86,141	86,141	86,141		
Investments in Mutual Funds	266,814	266,814	266,814		
Guaranteed Investment Contracts	200,069	200,069		134,452	65,617
Manuscript Debt	8,078	8,078		905	7,173
Other	<u>191,121</u>	<u>191,121</u>	<u>191,121</u>		
 Total Investments	 1,215,622	 1,217,139	 787,640	 355,192	 72,790
 Total Deposits	 <u>91,365</u>	 <u>91,365</u>	 <u>91,365</u>		
 Total Deposits and Investments	 <u>\$ 1,306,987</u>	 <u>\$ 1,308,504</u>	 <u>\$ 879,005</u>	 <u>\$ 355,192</u>	 <u>\$ 72,790</u>

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 a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. As of December 31, 2006, the investments in U.S. Agency Obligations, STAROhio, mutual funds, guaranteed investment contracts and deposits in the collective pool ("Other") are approximately 37%, 7%, 22%, 17% and 16%, respectively, of the City's total investments.

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

*Government-Wide Financial Statements*

	<b>(Amounts in 000's)</b>
Unrestricted:	
Cash and cash equivalents	\$ 403,652
Investments	251,899
Restricted:	
Cash and cash equivalents	537,269
Investments	<u>83,798</u>
Total	<u>\$ 1,276,618</u>

*Fund Financial Statements*

	<b>(Amounts in 000's)</b>
Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	\$ 254,608
Investments	9,038
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	135,811
Investments	242,861
Restricted:	
Cash and cash equivalents	537,269
Investments	83,798
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	<u>13,233</u>
Subtotal	1,276,618
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	<u>30,369</u>
Total	<u>\$ 1,306,987</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, 2006, is as follows:

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance December 31, <u>2006</u>	Due Within One <u>Year</u>
	(Amounts in 000's)				
<b>Governmental Activities</b>					
General Obligation Bonds due through 2027, 2.00% to 6.25%	\$ 353,325	\$	\$ (29,530)	\$ 323,795	\$ 31,590
<i>Other Obligations:</i>					
Urban Renewal Bonds due through 2018, 6.625% to 6.75%	7,555		(385)	7,170	410
Subordinated Income Tax Refunding Bonds due through 2024, 4.88%	62,400		(1,700)	60,700	1,800
Non-Tax Revenue Bonds:					
Stadium due through 2020, 2.75%-5.00%	14,835			14,835	
Taxable Economic and Community Dev. (Core City Bonds)					
Series 2003 and 2004 due through 2033, 3.05% to 5.25%	46,095		(655)	45,440	1,175
Lower Euclid Avenue TIF 2003A&B due through 2032, 1.00% to 5.00%	9,155		(77)	9,078	87
Certificates of Participation - Stadium due through 2027, 5.00% to 6.00%	146,225		(2,275)	143,950	5,826
Capital Lease Obligations, due through 2012, 3.04% to 3.36%	18,083		(3,026)	15,057	3,124
Gateway Note Payable, due through 2016	2,750		(250)	2,500	250
Accrued wages and benefits	59,818	18,912	(17,577)	61,153	26,338
Police and fire overtime	59,900	2,070	(3,109)	58,861	544
Fire deferred vacation	1,748	97	(70)	1,775	48
Estimated claims payable	<u>3,272</u>	<u>4,425</u>	<u>(3,272)</u>	<u>4,425</u>	<u>3,275</u>
	785,161	25,504	(61,926)	748,739	74,467
Less: Unamortized loss on debt refunding	(5,705)		496	(5,209)	
Plus: Unamortized (discount) premium - net	<u>16,330</u>		<u>(1,595)</u>	<u>14,735</u>	
Total Governmental Activities, Net	<u>795,786</u>	<u>25,504</u>	<u>(63,025)</u>	<u>758,265</u>	<u>74,467</u>
<b>Business-Type Activities (Enterprise Funds)</b>					
Airport System Revenue Bonds:					
Series 1990 due through 2006, 7.20%	2,625		(2,625)		
Series 1997 due through 2027, 2.96% to 7.00%	241,000		(17,390)	223,610	7,435
Series 2000 due through 2031, 2.90% to 5.50%	573,190	149,000	(260,435)	461,755	7,665
Series 2003 due through 2033, Auction Rate	140,600		(1,350)	139,250	2,675
Series 2006 due through 2024, 5.00% to 5.25%		118,760		118,760	
Public Power System Revenue Bonds:					
Series 1994 due through 2013, 6.50% to 7.00%	48,335		(14,460)	33,875	965
Series 1996 due through 2011, 5.25% to 6.00%	120,190		(115,460)	4,730	850
Series 1998 due through 2017, 4.00% to 5.25%	38,655		(7,510)	31,145	3,430
Series 2001 due through 2016, 3.55% to 5.50%	33,465		(2,710)	30,755	2,800
Series 2006 due through 2024, 4.25% to 5.02%		127,885		127,885	
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.40% to 5.50%	133,045		(11,770)	121,275	1,225
Series H 1996 due through 2026, 5.20% to 6.00%	18,190		(3,720)	14,470	190
Series I 1998 due through 2028, 4.30% to 5.25%	165,115		(3,240)	161,875	5,190
Series J 2001 due through 2016, 4.00% to 5.375%	70,110		(6,765)	63,345	7,105
Series K 2002 due through 2021, 3.50% to 5.25%	69,725			69,725	3,985
Series L 2002 due through 2033, Variable	90,000			90,000	
Series M 2004 due through 2033, 3.533%	174,095		(1,760)	172,335	
Series N 2005 due through 2023, 3.00% to 5.00%	64,480			64,480	
Ohio Water Development Authority and Public Works					
Commission Loans due through 2028, 0.00% to 4.18%	78,498	30,042	(5,125)	103,415	3,561
Parking Facilities Revenue Bonds					
Series 1996 due through 2009, 6.00%	67,000		(58,745)	8,255	2,590
Series 2006 due through 2022, 4.00% to 5.25%		57,520		57,520	205
Deferred Payment Obligation	20,306		(1,878)	18,428	2,032
Accrued wages and benefits	<u>11,638</u>	<u>720</u>	<u>(1,242)</u>	<u>11,116</u>	<u>6,580</u>
	2,160,262	483,927	(516,185)	2,128,004	58,483
Less: Unamortized (discount) premium-net	(19,496)	28,955	13,808	23,267	
Unamortized loss on debt refunding	<u>(61,522)</u>	<u>(33,058)</u>	<u>9,500</u>	<u>(85,080)</u>	
Total Business-Type Activities, Net	<u>2,079,244</u>	<u>479,824</u>	<u>(492,877)</u>	<u>2,066,191</u>	<u>58,483</u>
Total Debt and Other Long-Term Obligations	<u>\$ 2,875,030</u>	<u>\$ 505,328</u>	<u>\$ (555,902)</u>	<u>\$ 2,824,456</u>	<u>\$ 132,950</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, 2006, \$1,307,235 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, 2006, \$523,232 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 2006:

	<b>Original Issue Amount</b>	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance December 31, 2006</b>
			(Amounts in 000's)		
<b>Governmental Activities Obligations:</b>					
<b>General Obligation Bonds</b>					
Public Facilities	\$ 84,800	\$ 38,380	\$	\$ (2,635)	\$ 35,745
Convention Center	2,010	205		(100)	105
Residential Redevelopment	27,125	15,255		(980)	14,275
Bridges and Roadways	181,355	86,705		(7,860)	78,845
Public Safety	840	380		(90)	290
Parks & Recreation	62,500	28,555		(2,260)	26,295
Refunding Bonds	246,930	177,640		(15,505)	162,135
Judgments/Settlements	6,375	6,205		(100)	6,105
	<u>611,935</u>	<u>353,325</u>		<u>(29,530)</u>	<u>323,795</u>
Total Governmental Activities	<u>\$ 611,935</u>	<u>\$ 353,325</u>	<u>\$ -</u>	<u>\$ (29,530)</u>	<u>\$ 323,795</u>
<b>Business-Type Activities Obligations:</b>					
<b>Revenue Bonds</b>					
Airports	\$ 1,175,721	\$ 957,415	\$ 267,760	\$ (281,800)	\$ 943,375
Public Power	557,475	240,645	127,885	(140,140)	228,390
Waterworks	1,298,830	784,760		(27,255)	757,505
Parking Facilities	138,625	67,000	57,520	(58,745)	65,775
<b>Loans</b>					
Waterworks	121,438	73,002	30,042	(4,724)	98,320
Water Pollution Control	8,378	5,496		(401)	5,095
	<u>3,300,467</u>	<u>2,128,318</u>	<u>483,207</u>	<u>(513,065)</u>	<u>2,098,460</u>
Total Business-Type Activities	<u>\$ 3,300,467</u>	<u>\$ 2,128,318</u>	<u>\$ 483,207</u>	<u>\$ (513,065)</u>	<u>\$ 2,098,460</u>

The following is a summary of the City's future debt service requirements as of December 31, 2006:

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)					
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	25,825	10,415	530	344	2,400	2,657
2012-2016	95,275	35,504	3,220	1,117	14,500	11,194
2017-2021	64,015	13,642	1,615	111	20,100	6,742
2022-2026	16,720	2,063			15,600	1,208
2027-2031	960	50				
2032-2036						
	<u>\$ 323,795</u>	<u>\$ 117,369</u>	<u>\$ 7,170</u>	<u>\$ 3,266</u>	<u>\$ 60,700</u>	<u>\$ 33,554</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)					
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	3,204	2,797	11,310	7,689	1,720	56
2012-2016	14,538	12,374	34,762	25,168	926	11
2017-2021	17,035	8,586	22,835	13,294		
2022-2026	11,385	4,828	29,520	6,610		
2027-2031	9,288	2,483	6,865	360		
2032-2036	5,085	309				
	<u>\$ 69,353</u>	<u>\$ 43,594</u>	<u>\$ 143,950</u>	<u>\$ 86,084</u>	<u>\$ 15,057</u>	<u>\$ 1,183</u>

Year Ending December 31	Gateway Note Payable		Governmental Activities Total	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
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	250	-	45,239	23,958
2012-2016	1,250	-	164,471	85,368
2017-2021			125,600	42,375
2022-2026			73,225	14,709
2027-2031			17,113	2,893
2032-2036			5,085	309
	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 622,525</u>	<u>\$ 285,050</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>			
2007	\$ 46,310	\$ 89,906	\$ 3,561	\$ 3,055
2008	51,025	92,462	4,980	4,066
2009	72,255	89,367	5,158	3,887
2010	75,905	85,867	5,341	3,703
2011	81,720	82,414	5,532	3,515
2012-2016	418,640	353,709	30,609	14,461
2017-2021	442,265	249,378	33,116	8,843
2022-2026	409,370	143,708	30,680	2,972
2027-2031	362,285	52,183	2,377	52
2032-2036	35,270	1,350		
	<u>\$ 1,995,045</u>	<u>\$ 1,240,344</u>	<u>\$ 121,354</u>	<u>\$ 44,554</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>			
2007	\$ 2,032	\$ 1,357	\$ 51,903	\$ 94,318
2008	2,195	1,194	58,200	97,722
2009	2,371	1,018	79,784	94,272
2010	2,562	827	83,808	90,397
2011	2,768	621	90,020	86,550
2012-2016	6,500	560	455,749	368,730
2017-2021			475,381	258,221
2022-2026			440,050	146,680
2027-2031			364,662	52,235
2032-2036			35,270	1,350
	<u>\$ 18,428</u>	<u>\$ 5,577</u>	<u>\$ 2,134,827</u>	<u>\$ 1,290,475</u>

The schedule of minimum principal and interest payments for construction loans includes the amortization on eleven 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, 2006, 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 \$17,939,000.



## **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 \$326,683,768 of additional unvoted debt at December 31, 2006. The City issued no new general obligation bonds in 2006.

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 \$60,700,000 on December 31, 2006. The fair value of the swap at December 31, 2006, as reported by AMBAC Financial Services was \$5,592,478 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 \$60,700,000 at December 31, 2006, 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 swaption at December 31, 2006 as reported by JPM was \$589,748 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, 2006. 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 swaption 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 swaption at December 31, 2006, as reported by UBS was \$9,231,138 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, 2006:

	<u>Activities</u> (Amounts in 000's)
Furniture, fixtures and equipment	\$ 20,049
Less – accumulated depreciation	<u>(4,719)</u>
Net book value	<u>\$ 15,330</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, 2006, 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	1,853	\$ 53,020		\$
Fire	223	5,841	65	1,775
Total	<u>2,076</u>	<u>\$ 58,861</u>	<u>65</u>	<u>\$ 1,775</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.

**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 November 16, 2006, the City issued \$118,760,000 of Airport System Revenue Bonds, Series 2006 A-B. The \$107,750,000 Series 2006A Bonds were issued to advance refund \$111,435,000 of outstanding Series 2000A Airport System Revenue Bonds. The \$11,010,000 Series 2006B Bonds advance refunded \$10,470,000 of outstanding Series 1997B Airport System Revenue Bonds. Proceeds were used to fund an escrow deposit that will refund the bonds and pay costs of issuance. Net proceeds of \$129,128,226 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 City completed the refunding to reduce its total debt service payments over the next eighteen years by \$7.6 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$5.56 million or 4.56%.

Simultaneously with the issuance of the Series 2006 Bonds, the City also remarketed the \$149,000,000 Series 2000C Airport System Revenue Bonds. As a result of this remarketing, the Bonds were converted from variable rates of interest to fixed rates. This was done to take advantage of low long term fixed rates and to increase the capacity of the Airport System to issue variable rate debt in the future.

*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, 2006 as reported by JPMorgan Chase Bank and Bear Stearns collectively was \$941,244 for the Series 2003A and \$2,614,349 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 January 1, 2006, these bonds were retired.

**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.

On August 17, 2006, the City issued \$95,265,000 of Public Power System Refunding Revenue Bonds, Series 2006A-1, \$12,295,000 of Public Power System Refunding Revenue Bonds, Series 2006A-2 and \$20,325,000 Public Power System Refunding Revenue Variable Rate Bonds, Series 2006B. The Bonds were issued to refund \$114,655,000 of Public Power System First Mortgage Revenue Refunding Bonds, Series 1996, Sub-Series 1 and \$14,460,000 of Public Power System First Mortgage Revenue Bonds, Series 1994A. Net proceeds of the bonds in the total amount of \$131,109,631 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 City completed the refunding to reduce its debt service payments over the next ten years and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$5.4 million. The Series 2006B Bonds were issued as variable rate debt (auction rate securities). The City entered into a basis swap on a portion of the Series 2006A-1 Bonds at the time of issuance of the bonds.

*Interest Rate Swap Transactions:*

**Terms.** Simultaneously with the issuance of the City's \$95,265,000 Series 2006A-1 Public Power System Refunding Revenue Bonds on August 17, 2006, the City entered into a floating-to-floating rate basis swap agreement on an initial notional amount of \$70,455,000 which is equal to a portion of the total declining balance of the Series 2006A-1 Bonds. Lehman Brothers Special Financing, Inc. is the counterparty on the transaction. Under the swap agreement for the Series 2006A-1 Bonds, the City will pay the counterparty a floating rate based on the USD-BMA Municipal Swap Index. The counterparty is also a floating rate payor, paying the City 67% of one month LIBOR plus a spread of 46.25 basis points. Net payments are exchanged quarterly on each February 15, May 15, August 15 and November 15. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the net revenues of the Public Power System on a parity with the pledge and lien securing the payment of debt service on the bonds.

**Objective:** The City entered into the swap in order to maximize the savings associated with the refunding of the bonds. The actual overall savings to be realized by the Public Power System will depend upon the net payments received under the swap agreement.

**Basis Risk:** By entering into a swap 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. The payments received from the counterparty may be less than the amount owed to the counterparty resulting in an increase in debt service over the fixed rate on the bonds. A reduction in federal income tax rates might increase the percentage relationship between BMA and LIBOR and may potentially increase the cost of financing.

**Counterparty Risk:** The City selected a highly rated counterparty in order to minimize this risk. Lehman Brothers Special Financing, Inc. is rated A1 by Moody's Investors Service and A+ by Standard & Poors. However, over the long term it is possible that the credit strength of Lehman Brothers 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 Lehman Brothers or by Lehman Brothers 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, 2006 as reported by Lehman Brothers totaled \$538,708, which would be payable by Lehman Brothers to the City.

**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.

In December 2006, the Division of Water utilized cash on hand to defease outstanding Series G Bonds. The Division placed \$12,417,350 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 \$11,770,000.

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.

*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, 2006 as reported by Bear Stearns and Morgan Stanley totaled \$1,822,719, 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 2006, Water received an OWDA loan of \$11,612,382 out of an expected \$25,244,974 to fund the Morgan Water Treatment Plant Filter Rehabilitation. 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, the Nottingham Plant Improvements and the Baldwin Treatment Plant Improvements increased by \$888,927, \$2,634,196 and \$14,906,898 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.

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. UBS exercised its option under the Swaption Agreement. The City determined, instead of issuing variable rate bonds, to issue the Series 2006 Bonds as fixed rate obligations and to terminate the Swaption Agreement. The City paid the swap termination fee of \$4,452,000 from the proceeds of the Series 2006 Bonds and from an upfront payment of \$1,606,000 made by UBS to the City in consideration for the new basis swap transaction described below.

Effective August 15, 2006, the City issued \$57,520,000 of Parking Facilities Refunding Revenue Bonds, Series 2006. The bonds were issued to currently refund \$56,300,000 of the outstanding Series 1996 Parking Facilities Refunding Revenue Bonds. In addition, proceeds were also used to fund a portion of a payment owed by the City upon early termination under an interest rate swaption agreement entered into in 2003. Net proceeds of \$58,709,855 were placed in an irrevocable escrow account which was 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 City completed the refunding to reduce its total debt service payments by \$1.34 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$970,000. At the time of the issuance of the Series 2006 Bonds, the City entered into a basis swap agreement with UBS AG which is described below.

#### *Interest Rate Swap Transactions:*

**Terms:** Simultaneously with the issuance of the City's \$57,520,000 Series 2006 Parking Facilities Refunding Revenue Bonds on August 3, 2006, the City entered into a floating-to-floating rate basis swap agreement with a notional amount equal to the total declining balance of the Series 2006 Bonds. UBS AG is the counterparty on the transaction. Under the swap agreement for the Series 2006 Bonds, the City will be the floating rate payor, paying a floating rate based on the USD-BMA Municipal Swap Index. The counterparty is also a floating rate payor, paying the City 67% of one month LIBOR. The City also received an upfront payment in the amount of \$1,606,000. Net payments are exchanged semi-annually each March 15 and September 15. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the Parking Revenues and Additional Pledged Revenues as defined in the trust indenture securing the Parking Facilities Bonds on parity with the pledge and lien securing the payment of debt service on the bonds.



**Objective:** The City entered into the swap in order to maximize the savings associated with the refunding of the bonds and to reduce the City’s risk exposure. The actual overall savings to be realized by the City will depend upon the net payments received under the swap agreement.

**Basis Risk:** By entering into a swap 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. The payments received from the counterparty may be less than the amount owed to the counterparty resulting in a net increase in debt service. In addition, a reduction in federal income tax rates might increase the percentage relationship between BMA and LIBOR and may potentially increase the cost of financing.

**Counterparty Risk:** The City selected a highly rated counterparty in order to minimize this risk. However, over the long term it is possible that the credit strength of UBS AG 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 UBS AG or by UBS AG 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 29, 2006 as reported by UBS AG totaled \$1,506,364, 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 cash or 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.

The aggregate amount of defeased debt outstanding at December 31, 2006 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	\$ 21,770	Series 1997	\$ 3,775
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 System Revenue Bonds:		Public Power Bonds:	
Series 1997B	10,470	Series 1994A	14,460
Series 2000A	111,435		

**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 2006, of which \$1,508,000 was offset against interest expense and \$1,881,000 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, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
	(Amounts in 000's)	
Estimated claims payable, January 1	\$ 3,711	\$ 2,072
Current year claims (including IBNRs) and changes in estimates	2,275	3,365
Claim payments	<u>(1,522)</u>	<u>(1,726)</u>
Estimated claims payable, December 31	<u>\$ 4,464</u>	<u>\$ 3,711</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 2006. There was

no significant decrease in any insurance coverages in 2006. 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, 2006 was \$23,816,216. Of this amount, \$6,953,642 was recorded as a fund liability within each respective fund. The remaining \$16,862,574 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, 2006, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated \$1,000,000.

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, 2006, 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	\$ 18,471	\$	\$17,666	\$17,666	\$ 390	\$ 415
Other governmental	<u>24,194</u>	<u>125</u>	<u>24,062</u>	<u>24,187</u>		<u>7</u>
Total Governmental Funds	<u>42,665</u>	<u>125</u>	<u>41,728</u>	<u>41,853</u>	<u>390</u>	<u>422</u>
Total	<u>\$ 42,665</u>	<u>\$ 125</u>	<u>\$41,728</u>	<u>\$41,853</u>	<u>\$ 390</u>	<u>\$ 422</u>

**Interfund Balances:** Interfund balances at December 31, 2006 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, 2006 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	\$ 10,724	\$	\$ 4	\$ 4	\$ 287	\$ 1,347	\$ 81	\$ 382	\$ 2,097	\$ 8,623
Other governmental	<u>14,181</u>	7,360	5,136	12,496	387	5		104	496	1,189
Total governmental	<u>\$ 24,905</u>									
Enterprise Funds:										
Division of Water	\$ 2,614	5	5	10		947		32	979	1,625
Cleveland Public Power	1,064	5		5	90			14	104	955
Department of Port Control	714	201		201		21		81	102	411
Other Enterprise	<u>3,414</u>	57	3	60	2,531	111		13	2,655	699
Total enterprise	<u>7,806</u>									
Internal Service Funds	<u>1,395</u>	<u>311</u>	<u>10</u>	<u>321</u>	<u>268</u>	<u>101</u>	<u>468</u>	<u>33</u>	<u>870</u>	<u>204</u>
Total Due To/Due From	<u>\$ 34,106</u>	<u>\$ 7,939</u>	<u>\$ 5,158</u>	<u>\$ 13,097</u>	<u>\$ 3,563</u>	<u>\$ 2,532</u>	<u>\$ 549</u>	<u>\$ 659</u>	<u>\$ 7,303</u>	<u>\$ 13,706</u>

**NOTE 10 – INCOME TAXES**

During 2006, 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 2006 levy was based upon an assessed valuation of approximately \$5.940 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 2005. 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 2006, 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, 2006, 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	\$ 12,998	\$	\$ 12,998
Property taxes receivable	50,820		50,820
Local government receivable	18,951		18,951
Estate tax receivable	189		189
Homestead rollback	3,683		3,683
Emergency medical service receivable	480		480
Total General Fund	87,121	-	87,121
Other Governmental Funds:			
Income taxes receivable	1,625		1,625
Special assessments receivable	1,939		1,939
Property taxes receivable	26,475		26,475
Advances received under grants		3,454	3,454
Motor vehicle taxes receivable	1,734		1,734
Municipal gas tax receivable	1,207		1,207
State gasoline tax receivable	2,119		2,119
Homestead rollback	1,919		1,919
Grant receivable	506	1,054	1,560
Due from other governments	3,094		3,094
Total other governmental funds	40,618	4,508	45,126
Total Deferred and Unearned Revenue	\$ 127,739	\$ 4,508	\$ 132,247

**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) 222-5601 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 9.0% in 2006 and 8.5% in 2005 and 2004, and employer contribution rates were 13.70% of covered payroll in 2006 and 13.55% in 2005 and 2004. The City's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2006, 2005 and 2004 were approximately \$24,184,945, \$25,048,620 and \$25,006,023 each year, respectively. The required payments due in 2006, 2005 and 2004 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 \$11,123,471 and \$8,722,306 for the year ended December 31, 2006, \$10,799,670 and \$8,644,255 for the year ended December 31, 2005, and \$11,156,556 and \$8,568,857 for the year ended December 31, 2004, respectively. The required payments due in 2006, 2005, and 2004 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 post-employment 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 benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Post-employment 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 13.70% of covered payroll in 2006 and 13.55% in 2005 and 2004, and 4.50% was used to fund health care for the year in 2006 and 4.00% in 2005 and 2004. 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, 2005. The individual entry age 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, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.50%. 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 .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). OPEBs are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in December 31, 2005, actuarial valuation was 358,804. The employer contribution rate of 13.70% is the actuarially determined contribution requirements for OPERS. The City's actual contributions for 2006 which were to fund

post-employment benefits were approximately \$11,831,355. \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005. Based on the actuarial cost method used, the actuarial valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, 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 2006. 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 health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available, are 13,922 for Police and 10,537 for Firefighters. The City's actual contributions for 2006 that were used to fund post employment benefits were \$7,323,413 for police and \$4,161,454 for firefighters. OP&F total health care expense for the year ending December 31, 2005, the date of the last actuarial valuation available, was \$108,039,449 which was net of member contributions of \$55,271,881.

**NOTE 15 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2006</u>
	(Amount in 000's)			
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 61,612	\$ 907	\$ (4,108)	\$ 58,411
Construction in progress	71,841	43,239	(16,501)	98,579
Total capital assets, not being depreciated	<u>133,453</u>	<u>44,146</u>	<u>(20,609)</u>	<u>156,990</u>
Capital assets, being depreciated:				
Land improvements	112,304	1,003		113,307
Buildings, structures and improvements	584,675	6,772		591,447
Furniture, fixtures, equipment and vehicles	153,360	12,831	(5,018)	161,173
Infrastructure	345,247	9,998		355,245
Total capital assets, being depreciated	<u>1,195,586</u>	<u>30,604</u>	<u>(5,018)</u>	<u>1,221,172</u>
Less accumulated depreciation for:				
Land improvements	(66,713)	(4,573)		(71,286)
Buildings, structures and improvements	(194,148)	(14,523)		(208,671)
Furniture, fixtures, equipment and vehicles	(96,984)	(10,612)	4,781	(102,815)
Infrastructure	(127,488)	(12,817)		(140,305)
Total accumulated depreciation	<u>(485,333)</u>	<u>(42,525)</u>	<u>4,781</u>	<u>(523,077)</u>
Total capital assets being depreciated, net	<u>710,253</u>	<u>(11,921)</u>	<u>(237)</u>	<u>698,095</u>
Governmental activities capital assets, net	<u>\$ 843,706</u>	<u>\$ 32,225</u>	<u>\$ (20,846)</u>	<u>\$ 855,085</u>



	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2006</b>
		<b>(Amount in 000's)</b>		
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 179,712	\$ 10,044	\$	\$ 189,756
Construction in progress	337,498	210,205	(191,364)	356,339
Total capital assets, not being depreciated	<u>517,210</u>	<u>220,249</u>	<u>(191,364)</u>	<u>546,095</u>
Capital assets, being depreciated:				
Land improvements	689,814	91,299		781,113
Utility plant	1,522,137	66,562	(4,139)	1,584,560
Buildings, structures and improvements	802,513	5,358	(941)	806,930
Furniture, fixtures, equipment and vehicles	217,852	21,916	(3,350)	236,418
Total capital assets, being depreciated	<u>3,232,316</u>	<u>185,135</u>	<u>(8,430)</u>	<u>3,409,021</u>
Less accumulated depreciation for:				
Land improvements	(195,989)	(33,451)		(229,440)
Utility plant	(508,055)	(40,761)	3,040	(545,776)
Buildings, structures and improvements	(345,263)	(23,127)	941	(367,449)
Furniture, fixtures, equipment and vehicles	(122,407)	(14,633)	2,585	(134,455)
Total accumulated depreciation	<u>(1,171,714)</u>	<u>(111,972)</u>	<u>6,566</u>	<u>(1,277,120)</u>
Total capital assets being depreciated, net	<u>2,060,602</u>	<u>73,163</u>	<u>(1,864)</u>	<u>2,131,901</u>
Business-Type activities capital assets, net	<u>\$2,577,812</u>	<u>\$ 293,412</u>	<u>\$ (193,228)</u>	<u>\$2,677,996</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	\$ 8,262
Public service	17,635
Public safety	8,299
Building and housing	160
Community development	584
Public health	658
Parks, recreation and properties	6,099
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>329</u>
Total depreciation expense charged to governmental activities	<u>\$ 42,130</u>
<b>Business-Type Activities:</b>	
Division of Water	\$ 37,582
Cleveland Public Power	16,713
Department of Port Control	49,828
Nonmajor business-type activities	7,745
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>7</u>
Total depreciation expense charged to business-type activities	<u>\$ 111,875</u>

**Capital Commitments:** Significant commitments of the City as of December 31, 2006 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	<u>(Amounts in 000's)</u>	
Governmental Activities:		
Wade Park Station	\$ 415	\$ 1,433
Demo of Trinity Building	162	1,066
Police Vehicles	512	2,712
The Avenue	418	1,628
Flats East Bank		1,000
Midland Steel	840	4,143
2005 Vehicle Lease Acquisition	4,777	3,056
800 MHz Upgrade		2,000
Kamm's Corner	150	1,389

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	<u>(Amounts in 000's)</u>	
Business-Type Activities:		
PEP Program Mangement PH 2	\$ 15,095	\$ 11,691
Secondary Station Re-Chlorinate		4,400
Coordinated GIS System	32,257	3,515
Nottingham Admin Building	635	4,642
Baldwin Rapid Mix	14,804	12,681
Cleveland Water System Security Project	21,518	10,617
CIS Assessment / Design & Implementation	833	4,698
Watermain Rehabilitation	15	6,000
Plant Enhancement Program	45,210	20,876
Ridge Road Substation	7,801	3,010
Flats East Bank		3,400
Wetlands & Stream Mitigation	15,954	8,577
FAA Professional & Engineering	1,676	4,324
Environmental Requirements	14,000	16,441
Sound Insulation of Homes	72,407	18,280
Brookpark Settlement	34,471	5,784
Check Point C & Bag Make Up		4,500
Concourse "C" Overlay	29,189	3,453

**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, 2006, the State funded \$126,489,000 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 2006, interest expense incurred for the Enterprise Funds was \$98,847,000 of which \$8,936,000 was capitalized net of \$8,347,000 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	\$ 84,839	\$ 1,320
Restricted assets	413	18,970
Other noncurrent assets		4,162
Capital assets	<u>68,192</u>	<u>58,950</u>
Total assets	<u>\$ 153,444</u>	<u>\$ 83,402</u>
Liabilities:		
Current liabilities	\$ 63,708	\$ 4,186
Long-term liabilities	<u>4,880</u>	<u>59,188</u>
Total liabilities	<u>68,588</u>	<u>63,374</u>
Net Assets:		
Invested in capital assets, net of related debt	63,097	(2,994)
Restricted for capital projects		4,651
Restricted for debt service		8,115
Unrestricted	<u>21,759</u>	<u>10,256</u>
Total net assets	<u>84,856</u>	<u>20,028</u>
Total liabilities and net assets	<u>\$ 153,444</u>	<u>\$ 83,402</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	\$ 19,614	\$ 8,460
Depreciation (expense)	(4,815)	(1,726)
Other operating (expenses)	<u>(16,008)</u>	<u>(2,739)</u>
Operating income (loss)	(1,209)	3,995
Nonoperating revenues (expenses):		
Investment income	1,497	901
Interest expense	(206)	(2,846)
Other revenue (expenses)	<u>28</u>	<u>(228)</u>
Change in net assets	110	1,822
Net assets at beginning of year	<u>84,746</u>	<u>18,206</u>
Net assets at end of year	<u>\$ 84,856</u>	<u>\$ 20,028</u>

Condensed Statement of Cash Flows Information

	<b>Water Pollution Control</b>	<b>Municipal Parking Lots</b>
	<b>(Amounts in 000's)</b>	
Net cash provided by (used for):		
Operating activities	\$ 1,240	\$ 5,777
Noncapital financing activities	2	
Capital and related financing activities	(6,904)	(6,127)
Investing activities	<u>8,810</u>	<u>1,058</u>
Net increase (decrease) in cash and cash equivalents	3,148	708
Beginning cash and cash equivalents	<u>13,883</u>	<u>19,186</u>
Ending cash and cash equivalents	<u>\$ 17,031</u>	<u>\$ 19,894</u>

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

<b>Purpose</b>	<b>Division of Water</b>	<b>Cleveland Public Power</b>	<b>Department of Port Control</b>	<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Water Pollution Control</b>
	<b>(Amounts in 000's)</b>					
Construction activities	\$ 141,994	\$ 19,077	\$ 116,677	\$ 4,651	\$	\$
Debt retirement	83,734	2,958	116,020	8,115		
Accrued passenger facility charges			36,975			
Other	<u>9,993</u>	<u>316</u>	<u>72,876</u>	<u>6,204</u>	<u>6,167</u>	<u>413</u>
Total	<u>\$ 235,721</u>	<u>\$ 22,351</u>	<u>\$ 342,548</u>	<u>\$ 18,970</u>	<u>\$ 6,167</u>	<u>\$ 413</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 8%. For the year ended December 31, 2006, the City pledged \$3,292,000.

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. In 2006, the Division issued \$57,520,000 Parking Facilities Refunding Revenue Bonds to refund \$56,300,000 of the outstanding Series 1996 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 2006, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$1,286,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$32,024,000 at December 31, 2006. 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, 2006, the following funds had fund balance/net asset deficiencies:

<u>Fund Name</u>	<u>Total Deficiency</u> (Amounts in 000's)
Division of Streets	\$ 1,158
Telephone Exchange	72
Utilities Administration	192

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 and Utilities Administration will be eliminated by future billings to other City Divisions that utilize these services.

**NOTE 19 – SUBSEQUENT EVENTS**

On January 29, 2007, legislation was passed authorizing the issuance of not to exceed \$43,700,000 of Various Purpose General Obligation Bonds and \$2,050,000 of Final Judgment General Obligation Bonds. Effective April 18, 2007, the City issued \$42,900,000 Various Purpose General Obligation Bonds, Series 2007A, to finance a portion of the costs of permanent improvements and \$2,050,000 Final Judgment General Obligation Bonds Series 2007B, to pay for final judgments and court ordered settlements.

On February 1, 2007, the City entered into a forward starting BMA swap in order to maximize the savings on the refunding of the Series 1997A Airport System Revenue Bonds. The counterparties to this agreement are Goldman Sachs Capital Markets, L.P., Morgan Stanley Capital Services Inc. and RFPC Capital Services, LLC. Variable rate bonds will be issued on October 3, 2007 which will refund \$118,495,000 of outstanding Series 1997A Bonds. These bonds will be swapped to a fixed rate of 4.037%. Over the life of this transaction, the City is expected to save \$9.7 million in total debt service payments.

On February 5, 2007, legislation was passed by City Council authorizing the issuance of not to exceed \$185,000,000 of Water Revenue Bonds. Effective June 28, 2007, the City issued \$143,570,000 Water Revenue Bonds, Series O, 2007. The proceeds of these bonds will be used to pay for improvements to the Waterworks System.

Under the authority of legislation passed in April 2006, the City issued \$28,080,000 Various Purpose General Obligation Refunding Bonds, Series 2007C, which were effective May 7, 2007. These bonds refunded \$28,245,000 of outstanding General Obligation Bonds and resulted in present value savings in debt service costs of \$1.04 million or 3.69%.

# **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, 2006**

(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	\$ 269,235	\$ 269,235	\$ 271,120	\$ 1,885
Property taxes	42,534	42,534	43,911	1,377
State local government funds	55,848	55,848	55,922	74
Other shared revenues	38,878	38,878	39,144	266
Licenses and permits	11,800	11,800	11,785	(15)
Charges for services	19,919	19,919	19,978	59
Fines, forfeits and settlements	23,735	23,735	20,838	(2,897)
Investment earnings	2,126	2,126	3,350	1,224
Grants			1,187	1,187
Miscellaneous	<u>22,048</u>	<u>22,048</u>	<u>23,692</u>	<u>1,644</u>
Total revenues	<u>486,123</u>	<u>486,123</u>	<u>490,927</u>	<u>4,804</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council and clerk of council:				
Personnel	4,579	4,364	4,221	143
Other	<u>1,327</u>	<u>1,542</u>	<u>1,402</u>	<u>140</u>
Total council and clerk of council	<u>5,906</u>	<u>5,906</u>	<u>5,623</u>	<u>283</u>
Office of the mayor:				
Personnel	2,141	2,131	1,785	346
Other	<u>274</u>	<u>284</u>	<u>162</u>	<u>122</u>
Total office of the mayor	<u>2,415</u>	<u>2,415</u>	<u>1,947</u>	<u>468</u>
Office of consumer affairs:				
Personnel	296	296	201	95
Other	<u>56</u>	<u>56</u>	<u>45</u>	<u>11</u>
Total office of consumer affairs	<u>352</u>	<u>352</u>	<u>246</u>	<u>106</u>
Office of personnel:				
Personnel	1,373	1,273	1,174	99
Other	<u>423</u>	<u>741</u>	<u>720</u>	<u>21</u>
Total office of personnel	<u>1,796</u>	<u>2,014</u>	<u>1,894</u>	<u>120</u>
Landmarks commission:				
Personnel	169	169	158	11
Other	<u>11</u>	<u>11</u>	<u>8</u>	<u>3</u>
Total landmarks commission	<u>180</u>	<u>180</u>	<u>166</u>	<u>14</u>
Board of building standards and appeals:				
Personnel	94	94	89	5
Other	<u>14</u>	<u>14</u>	<u>8</u>	<u>6</u>
Total board of building standards and appeals	<u>108</u>	<u>108</u>	<u>97</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, 2006  
(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	\$ 3	\$ 3	\$ -	\$ 3
Total fair campaign finance commission	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>
Board of zoning appeals:				
Personnel	199	199	177	22
Other	<u>22</u>	<u>22</u>	<u>22</u>	<u>-</u>
Total board of zoning appeals	<u>221</u>	<u>221</u>	<u>199</u>	<u>22</u>
Civil service commission:				
Personnel	650	650	514	136
Other	<u>1,235</u>	<u>1,235</u>	<u>1,201</u>	<u>34</u>
Total civil service commission	<u>1,885</u>	<u>1,885</u>	<u>1,715</u>	<u>170</u>
Community relations board:				
Personnel	1,161	1,161	974	187
Other	<u>97</u>	<u>97</u>	<u>90</u>	<u>7</u>
Total community relations board	<u>1,258</u>	<u>1,258</u>	<u>1,064</u>	<u>194</u>
City planning commission:				
Personnel	1,532	1,532	1,391	141
Other	<u>121</u>	<u>121</u>	<u>121</u>	<u>-</u>
Total city planning commission	<u>1,653</u>	<u>1,653</u>	<u>1,512</u>	<u>141</u>
Office of equal opportunity:				
Personnel	811	811	674	137
Other	<u>45</u>	<u>45</u>	<u>44</u>	<u>1</u>
Total office of equal opportunity	<u>856</u>	<u>856</u>	<u>718</u>	<u>138</u>
Municipal court-judicial division:				
Personnel	19,270	19,270	18,626	644
Other	<u>2,491</u>	<u>2,491</u>	<u>2,327</u>	<u>164</u>
Total municipal court-judicial division	<u>21,761</u>	<u>21,761</u>	<u>20,953</u>	<u>808</u>
Municipal court-housing division:				
Personnel	2,964	2,954	2,760	194
Other	<u>158</u>	<u>168</u>	<u>156</u>	<u>12</u>
Total municipal court-housing division	<u>3,122</u>	<u>3,122</u>	<u>2,916</u>	<u>206</u>
Municipal court-clerks division:				
Personnel	8,600	8,600	8,023	577
Other	<u>2,137</u>	<u>2,137</u>	<u>2,084</u>	<u>53</u>
Total municipal court-clerks division	<u>10,737</u>	<u>10,737</u>	<u>10,107</u>	<u>630</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, 2006**

(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	\$ 648	\$ 648	\$ 572	\$ 76
Other	<u>34</u>	<u>34</u>	<u>17</u>	<u>17</u>
Total office of budget and management	<u>682</u>	<u>682</u>	<u>589</u>	<u>93</u>
Department of aging:				
Personnel	527	527	441	86
Other	<u>105</u>	<u>105</u>	<u>99</u>	<u>6</u>
Total department of aging	<u>632</u>	<u>632</u>	<u>540</u>	<u>92</u>
Department of law:				
Personnel	6,498	6,230	5,963	267
Other	<u>2,021</u>	<u>2,171</u>	<u>1,993</u>	<u>178</u>
Total department of law	<u>8,519</u>	<u>8,401</u>	<u>7,956</u>	<u>445</u>
Finance administration:				
Personnel	757	757	565	192
Other	<u>68</u>	<u>68</u>	<u>52</u>	<u>16</u>
Total finance administration	<u>825</u>	<u>825</u>	<u>617</u>	<u>208</u>
Division of accounts:				
Personnel	1,203	1,203	1,089	114
Other	<u>651</u>	<u>651</u>	<u>651</u>	<u>-</u>
Total division of accounts	<u>1,854</u>	<u>1,854</u>	<u>1,740</u>	<u>114</u>
Division of assessments and licenses:				
Personnel	1,505	1,505	1,404	101
Other	<u>227</u>	<u>227</u>	<u>220</u>	<u>7</u>
Total division of assessments and licenses	<u>1,732</u>	<u>1,732</u>	<u>1,624</u>	<u>108</u>
Division of treasury:				
Personnel	491	491	478	13
Other	<u>79</u>	<u>79</u>	<u>64</u>	<u>15</u>
Total division of treasury	<u>570</u>	<u>570</u>	<u>542</u>	<u>28</u>
Division of purchases and supplies:				
Personnel	540	540	450	90
Other	<u>80</u>	<u>80</u>	<u>65</u>	<u>15</u>
Total division of purchases and supplies	<u>620</u>	<u>620</u>	<u>515</u>	<u>105</u>
Bureau of internal audit:				
Personnel	422	422	383	39
Other	<u>300</u>	<u>300</u>	<u>235</u>	<u>65</u>
Total bureau of internal audit	<u>722</u>	<u>722</u>	<u>618</u>	<u>104</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, 2006**

(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	\$ 1,125	\$ 1,125	\$ 923	\$ 202
Other	<u>157</u>	<u>157</u>	<u>43</u>	<u>114</u>
Total division of financial reporting and control	<u>1,282</u>	<u>1,282</u>	<u>966</u>	<u>316</u>
Office of information and technology planning:				
Personnel	291	291	253	38
Other	<u>12</u>	<u>12</u>	<u>          </u>	<u>12</u>
Total office of information and technology planning:	<u>303</u>	<u>303</u>	<u>253</u>	<u>50</u>
Division of information system services				
Personnel	2,395	2,395	1,958	437
Other	<u>851</u>	<u>851</u>	<u>655</u>	<u>196</u>
Total division of information system service:	<u>3,246</u>	<u>3,246</u>	<u>2,613</u>	<u>633</u>
TOTAL GENERAL GOVERNMENT	<u>73,240</u>	<u>73,340</u>	<u>67,730</u>	<u>5,610</u>
Public Service:				
Public service administration:				
Personnel	506	506	406	100
Other	<u>17</u>	<u>17</u>	<u>16</u>	<u>1</u>
Total public service administration	<u>523</u>	<u>523</u>	<u>422</u>	<u>101</u>
Division of architecture:				
Personnel	661	664	662	2
Other	<u>37</u>	<u>37</u>	<u>32</u>	<u>5</u>
Total division of architecture	<u>698</u>	<u>701</u>	<u>694</u>	<u>7</u>
Division of waste collection and disposal:				
Personnel	14,798	14,798	14,463	335
Other	<u>13,540</u>	<u>13,540</u>	<u>12,776</u>	<u>764</u>
Total division of waste collection and disposal	<u>28,338</u>	<u>28,338</u>	<u>27,239</u>	<u>1,099</u>
Division of engineering and construction:				
Personnel	4,654	4,654	4,397	257
Other	<u>413</u>	<u>413</u>	<u>358</u>	<u>55</u>
Total division of engineering and construction:	<u>5,067</u>	<u>5,067</u>	<u>4,755</u>	<u>312</u>
Division of traffic engineering:				
Personnel	3,191	3,191	3,106	85
Other	<u>1,291</u>	<u>1,291</u>	<u>1,167</u>	<u>124</u>
Total division of traffic engineering	<u>4,482</u>	<u>4,482</u>	<u>4,273</u>	<u>209</u>
TOTAL PUBLIC SERVICE	<u>39,108</u>	<u>39,111</u>	<u>37,383</u>	<u>1,728</u>
Public Safety:				
Public safety administration:				
Personnel	2,537	2,537	2,331	206
Other	<u>364</u>	<u>364</u>	<u>333</u>	<u>31</u>
Total public safety administration	<u>2,901</u>	<u>2,901</u>	<u>2,664</u>	<u>237</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, 2006**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of police:				
Personnel	\$ 162,216	\$ 162,086	\$ 160,893	\$ 1,193
Other	<u>11,316</u>	<u>11,316</u>	<u>10,382</u>	<u>934</u>
Total division of police	<u>173,532</u>	<u>173,402</u>	<u>171,275</u>	<u>2,127</u>
Division of fire:				
Personnel	81,886	81,686	80,053	1,633
Other	<u>3,605</u>	<u>3,605</u>	<u>3,227</u>	<u>378</u>
Total division of fire	<u>85,491</u>	<u>85,291</u>	<u>83,280</u>	<u>2,011</u>
Division of emergency medical services:				
Personnel	20,853	20,983	20,770	213
Other	<u>2,261</u>	<u>2,261</u>	<u>2,034</u>	<u>227</u>
Total division of emergency medical services	<u>23,114</u>	<u>23,244</u>	<u>22,804</u>	<u>440</u>
Division of dog pound:				
Personnel	812	812	731	81
Other	<u>176</u>	<u>176</u>	<u>145</u>	<u>31</u>
Total division of dog pound	<u>988</u>	<u>988</u>	<u>876</u>	<u>112</u>
TOTAL PUBLIC SAFETY	<u>286,026</u>	<u>285,826</u>	<u>280,899</u>	<u>4,927</u>
Community Development:				
Division of administration services:				
Personnel	658	658	577	81
Other	<u>104</u>	<u>104</u>	<u>104</u>	<u>-</u>
Total division of administration services	<u>762</u>	<u>762</u>	<u>681</u>	<u>81</u>
Division of neighborhood services:				
Personnel	<u>354</u>	<u>354</u>	<u>352</u>	<u>2</u>
Total division of neighborhood services	<u>354</u>	<u>354</u>	<u>352</u>	<u>2</u>
Division of neighborhood development:				
Personnel	786	586	584	2
Other	<u>220</u>	<u>220</u>	<u>198</u>	<u>22</u>
Total division of neighborhood development	<u>1,006</u>	<u>806</u>	<u>782</u>	<u>24</u>
Director's office:				
Personnel	<u>200</u>	<u>200</u>	<u>170</u>	<u>30</u>
Total director's office	<u>200</u>	<u>200</u>	<u>170</u>	<u>30</u>
TOTAL COMMUNITY DEVELOPMENT	<u>2,322</u>	<u>2,122</u>	<u>1,985</u>	<u>137</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, 2006**

(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	\$ 1,677	\$ 1,668	\$ 1,545	\$ 123
Other	542	551	424	127
Total director's office	<u>2,219</u>	<u>2,219</u>	<u>1,969</u>	<u>250</u>
Division of code enforcement:				
Personnel	6,860	6,838	6,299	539
Other	182	204	197	7
Total division of code enforcement	<u>7,042</u>	<u>7,042</u>	<u>6,496</u>	<u>546</u>
Division of construction permitting:				
Personnel	1,560	1,560	1,485	75
Other	16	16	15	1
Total division of construction permitting	<u>1,576</u>	<u>1,576</u>	<u>1,500</u>	<u>76</u>
TOTAL BUILDING AND HOUSING	<u>10,837</u>	<u>10,837</u>	<u>9,965</u>	<u>872</u>
Public Health:				
Public health administration:				
Personnel	676	676	611	65
Other	75	75	73	2
Total public health administration	<u>751</u>	<u>751</u>	<u>684</u>	<u>67</u>
Division of correction:				
Personnel	5,191	5,401	5,326	75
Other	1,635	1,585	1,354	231
Total division of correction	<u>6,826</u>	<u>6,986</u>	<u>6,680</u>	<u>306</u>
Division of health:				
Personnel	2,311	2,136	2,060	76
Other	1,185	1,360	1,171	189
Total division of health	<u>3,496</u>	<u>3,496</u>	<u>3,231</u>	<u>265</u>
Division of environment:				
Personnel	942	1,092	1,004	88
Other	269	269	257	12
Total division of environment	<u>1,211</u>	<u>1,361</u>	<u>1,261</u>	<u>100</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, 2006**

(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	\$ 111	\$ 121	\$ 98	\$ 23
Other	<u>318</u>	<u>308</u>	<u>305</u>	<u>3</u>
Total division of air quality	<u>429</u>	<u>429</u>	<u>403</u>	<u>26</u>
TOTAL PUBLIC HEALTH	<u>12,713</u>	<u>13,023</u>	<u>12,259</u>	<u>764</u>
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	570	570	523	47
Other	<u>168</u>	<u>168</u>	<u>144</u>	<u>24</u>
Total parks, recreation and properties administration	<u>738</u>	<u>738</u>	<u>667</u>	<u>71</u>
Division of research, planning and development:				
Personnel	689	689	624	65
Other	<u>83</u>	<u>83</u>	<u>74</u>	<u>9</u>
Total division of research, planning and development	<u>772</u>	<u>772</u>	<u>698</u>	<u>74</u>
Division of recreation:				
Personnel	9,044	8,531	8,190	341
Other	<u>4,109</u>	<u>4,109</u>	<u>3,936</u>	<u>173</u>
Total division of recreation	<u>13,153</u>	<u>12,640</u>	<u>12,126</u>	<u>514</u>
Division of parking facilities:				
Personnel	1,171	1,161	1,067	94
Other	<u>57</u>	<u>67</u>	<u>66</u>	<u>1</u>
Total division of parking facilities	<u>1,228</u>	<u>1,228</u>	<u>1,133</u>	<u>95</u>
Division of park maintenance and properties:				
Personnel	8,665	8,615	8,398	217
Other	<u>5,161</u>	<u>5,211</u>	<u>5,188</u>	<u>23</u>
Total division of park maintenance and properties	<u>13,826</u>	<u>13,826</u>	<u>13,586</u>	<u>240</u>
Division of property management:				
Personnel	6,353	6,338	5,736	602
Other	<u>2,679</u>	<u>2,694</u>	<u>2,693</u>	<u>1</u>
Total division of property management	<u>9,032</u>	<u>9,032</u>	<u>8,429</u>	<u>603</u>
TOTAL PARKS, RECREATION AND PROPERTIES	<u>38,749</u>	<u>38,236</u>	<u>36,639</u>	<u>1,597</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, 2006**

(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	\$ 969	\$ 969	\$ 865	\$ 104
Other	<u>73</u>	<u>73</u>	<u>56</u>	<u>17</u>
Total economic development administration	<u>1,042</u>	<u>1,042</u>	<u>921</u>	<u>121</u>
TOTAL ECONOMIC DEVELOPMENT	<u>1,042</u>	<u>1,042</u>	<u>921</u>	<u>121</u>
Non-Departmental Expenditures:				
Other	<u>17,479</u>	<u>17,979</u>	<u>17,381</u>	<u>598</u>
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>17,479</u>	<u>17,979</u>	<u>17,381</u>	<u>598</u>
TOTAL EXPENDITURES	<u>481,516</u>	<u>481,516</u>	<u>465,162</u>	<u>16,354</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,607	4,607	25,765	21,158
OTHER FINANCING SOURCES (USES):				
Transfers in	3,576	3,576	125	(3,451)
Transfers out	<u>(22,088)</u>	<u>(22,088)</u>	<u>(22,071)</u>	<u>17</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,512)</u>	<u>(18,512)</u>	<u>(21,946)</u>	<u>(3,434)</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u>          </u>	<u>          </u>	<u>2,524</u>	<u>2,524</u>
NET CHANGE IN FUND BALANCES	(13,905)	(13,905)	6,343	20,248
FUND BALANCES AT BEGINNING OF YEAR	<u>13,924</u>	<u>13,924</u>	<u>13,924</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 19</u>	<u>\$ 19</u>	<u>\$ 20,267</u>	<u>\$ 20,248</u>

(Concluded)

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# 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, 2006**

**(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	\$ 198	\$ 9,984	\$ 5,927	\$ 4	\$ 16,388	\$ 32,501
Investments						-
Receivables:						
Taxes		5,532				5,532
Accounts	16					16
Grants						-
Loans						-
Accrued interest		61	26		52	139
Assessments						-
Less: Allowance for doubtful accounts						-
Receivables, net	<u>16</u>	<u>5,593</u>	<u>26</u>	<u>-</u>	<u>52</u>	<u>5,687</u>
Due from other funds	3	4,241				4,244
Due from other governments	7,183					7,183
Inventory of supplies	<u>978</u>					<u>978</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,378</u>	<u>\$ 19,818</u>	<u>\$ 5,953</u>	<u>\$ 4</u>	<u>\$ 16,440</u>	<u>\$ 50,593</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 988	\$ 1,405	\$	\$	\$ 6	\$ 2,399
Accrued wages and benefits	1,871					1,871
Due to other governments					224	224
Deferred revenue	5,060	1,625				6,685
Unearned revenue		34				34
Due to other funds	<u>1,617</u>		<u>5,953</u>			<u>7,570</u>
Total liabilities	<u>9,536</u>	<u>3,064</u>	<u>5,953</u>	<u>-</u>	<u>230</u>	<u>18,783</u>
<b>FUND BALANCES</b>						
Reserves for:						
Loans						-
Inventory	978					978
Debt service					14,465	14,465
Encumbrances	104	8,566				8,670
Unreserved:						
Designated for future capital improvements		3,674				3,674
Undesignated	<u>(2,240)</u>	<u>4,514</u>		<u>4</u>	<u>1,745</u>	<u>4,023</u>
Total fund balances	<u>(1,158)</u>	<u>16,754</u>	<u>-</u>	<u>4</u>	<u>16,210</u>	<u>31,810</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,378</u>	<u>\$ 19,818</u>	<u>\$ 5,953</u>	<u>\$ 4</u>	<u>\$ 16,440</u>	<u>\$ 50,593</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>
\$ 2,059	\$ 1,162	\$	\$ 19,099	\$ 14,892 4,996	\$	\$	\$ 16,886
		386	4	16			268
27,050	13,910		93,815	14,494			68
2,861			95	103			
<u>29,911</u>	<u>13,910</u>	<u>386</u>	<u>93,914</u>	<u>14,613</u>	<u>-</u>	<u>-</u>	<u>336</u>
4		513				1	36
3,386	1,911	25		271	794	3,566	232
<u>\$ 35,360</u>	<u>\$ 16,983</u>	<u>\$ 924</u>	<u>\$ 113,013</u>	<u>\$ 34,772</u>	<u>\$ 794</u>	<u>\$ 3,567</u>	<u>\$ 17,490</u>
\$ 2,104	\$ 1,186	\$ 387	\$ 41	\$ 498	\$ 432	\$ 467	\$ 135
409	5			1		329	79
18,793	6,826		12	4,237			104
4,770				15			70
	892			100			369
917		537			362	2,771	4
<u>26,993</u>	<u>8,909</u>	<u>924</u>	<u>53</u>	<u>4,851</u>	<u>794</u>	<u>3,567</u>	<u>761</u>
8,367	7,075		93,815	10,257			
			1,559				
			7,693	9,754			3,491
			344	199			586
	999		9,549	9,711			12,652
<u>8,367</u>	<u>8,074</u>	<u>-</u>	<u>112,960</u>	<u>29,921</u>	<u>-</u>	<u>-</u>	<u>16,729</u>
<u>\$ 35,360</u>	<u>\$ 16,983</u>	<u>\$ 924</u>	<u>\$ 113,013</u>	<u>\$ 34,772</u>	<u>\$ 794</u>	<u>\$ 3,567</u>	<u>\$ 17,490</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2006**

**(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	\$ 1,540	\$ 2,664	\$ 774	\$ 2,204	\$ 3,169
Investments		948			
Receivables:					
Taxes					
Accounts	2	294	419	9	
Grants					
Loans				164	
Accrued interest	6	16	2	8	
Assessments					
Less: Allowance for doubtful accounts					
Receivables, net	<u>8</u>	<u>310</u>	<u>421</u>	<u>181</u>	<u>-</u>
Due from other funds			358	2	
Due from other governments		2,851	2,542	1	374
Inventory of supplies					
<b>TOTAL ASSETS</b>	<u>\$ 1,548</u>	<u>\$ 6,773</u>	<u>\$ 4,095</u>	<u>\$ 2,388</u>	<u>\$ 3,543</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 9	\$ 812	\$ 989	\$ 440	\$
Accrued wages and benefits		50	476		
Due to other governments	37	1,230	1,401	88	1,638
Deferred revenue					178
Unearned revenue	105	1,327	392	77	158
Due to other funds		<u>1</u>	<u>35</u>		<u>1,569</u>
Total liabilities	<u>151</u>	<u>3,420</u>	<u>3,293</u>	<u>605</u>	<u>3,543</u>
<b>FUND BALANCE</b>					
Reserves for:					
Loans				164	
Inventory					
Debt service					
Encumbrances	20	775	24	281	
Unreserved:					
Designated for future capital improvements				26	
Undesignated	<u>1,377</u>	<u>2,578</u>	<u>778</u>	<u>1,312</u>	
Total fund balances	<u>1,397</u>	<u>3,353</u>	<u>802</u>	<u>1,783</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,548</u>	<u>\$ 6,773</u>	<u>\$ 4,095</u>	<u>\$ 2,388</u>	<u>\$ 3,543</u>

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted				
Neighborhood Development Investment Fund	Core City 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	
\$ 9,294	\$ 42,080	\$ 2,254	\$ 118,077	\$ 150,578	\$ 3,519	\$ 154	\$ 1,476	\$	
			5,944	5,944					
			-	5,532	26,475				
	5		1,403	1,419					
			-	-	506				
27,771	10,738	44,888	232,830	232,830					
21	196	2	517	656	11	1	5		
			2,861	2,861					
			-	-					
<u>27,792</u>	<u>10,939</u>	<u>44,890</u>	<u>237,611</u>	<u>243,298</u>	<u>26,992</u>	<u>1</u>	<u>5</u>	<u>-</u>	
			914	5,158					
		1,390	17,343	24,526	1,919				
			-	978					
<u>\$ 37,086</u>	<u>\$ 53,019</u>	<u>\$ 48,534</u>	<u>\$ 379,889</u>	<u>\$ 430,482</u>	<u>\$ 32,430</u>	<u>\$ 155</u>	<u>\$ 1,481</u>	<u>\$ -</u>	
\$	\$ 545	\$ 92	\$ 8,137	\$ 10,536	\$	\$	\$	\$	
		64	1,413	3,284					
		43,836	78,202	78,426					
			5,033	11,718	28,900				
			3,420	3,454					
		2	6,198	13,768					
<u>-</u>	<u>545</u>	<u>43,994</u>	<u>102,403</u>	<u>121,186</u>	<u>28,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	
27,771	10,738		158,187	158,187					
			-	978					
	8,855		10,414	24,879	3,530	155	1,481		
4,163	13,094		39,295	47,965					
			2,444	6,118					
355	934		67,146	71,169					
<u>4,797</u>	<u>18,853</u>	<u>4,540</u>	<u>277,486</u>	<u>309,296</u>	<u>3,530</u>	<u>155</u>	<u>1,481</u>	<u>-</u>	
<u>37,086</u>	<u>52,474</u>	<u>4,540</u>							
<u>\$ 37,086</u>	<u>\$ 53,019</u>	<u>\$ 48,534</u>	<u>\$ 379,889</u>	<u>\$ 430,482</u>	<u>\$ 32,430</u>	<u>\$ 155</u>	<u>\$ 1,481</u>	<u>\$ -</u>	

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2006  
(Amounts in 000's)**

	Debt Service Funds				Debt Service Funds			
	Budgeted				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	\$	\$ 15	\$ 965	\$ 6,129	\$ 2	\$	\$ 2	\$ 6,131
Investments			129	129	974	1,991	2,965	3,094
Receivables:								
Taxes				26,475			-	26,475
Accounts				-			-	-
Grants				506			-	506
Loans				-			-	-
Accrued interest			5	22	12	26	38	60
Assessments				-			-	-
Less: Allowance for doubtful accounts				-			-	-
Receivables, net	<u>-</u>	<u>-</u>	<u>5</u>	<u>27,003</u>	<u>12</u>	<u>26</u>	<u>38</u>	<u>27,041</u>
Due from other funds				-			-	-
Due from other governments				1,919			-	1,919
Inventory of supplies				-			-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 1,099</u>	<u>\$ 35,180</u>	<u>\$ 988</u>	<u>\$ 2,017</u>	<u>\$ 3,005</u>	<u>\$ 38,185</u>
<b>LIABILITIES</b>								
Accounts payable	\$	\$	\$ 4	\$ 4	\$	\$	\$ -	\$ 4
Accrued wages and benefits				-			-	-
Due to other governments				-			-	-
Deferred revenue				28,900			-	28,900
Unearned revenue				-			-	-
Due to other funds				-			-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>4</u>	<u>28,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,904</u>
<b>FUND BALANCE</b>								
Reserve for:								
Loans				-			-	-
Inventory				-			-	-
Debt service		15	1,095	6,276	988	2,017	3,005	9,281
Encumbrances				-			-	-
Unreserved:								
Designated for future capital improvements				-			-	-
Undesignated				-			-	-
Total fund balances	<u>-</u>	<u>15</u>	<u>1,095</u>	<u>6,276</u>	<u>988</u>	<u>2,017</u>	<u>3,005</u>	<u>9,281</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 1,099</u>	<u>\$ 35,180</u>	<u>\$ 988</u>	<u>\$ 2,017</u>	<u>\$ 3,005</u>	<u>\$ 38,185</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
\$ 54,236	\$	\$ 3,261	\$ 4,203	\$ 5,242	\$ 66,942	\$ 223,651
					-	9,038
					-	32,007
					-	1,419
					-	506
					-	232,830
244				6	250	966
					-	2,861
					-	-
<u>244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>250</u>	<u>270,589</u>
					-	5,158
	1,467	7			1,474	27,919
					-	978
<u>\$ 54,480</u>	<u>\$ 1,467</u>	<u>\$ 3,268</u>	<u>\$ 4,203</u>	<u>\$ 5,248</u>	<u>\$ 68,666</u>	<u>\$ 537,333</u>
\$ 2,055	\$	\$ 2,988	\$	\$	\$ 5,043	\$ 15,583
					-	3,284
4					4	78,430
					-	40,618
	1,054				1,054	4,508
	413				413	14,181
<u>2,059</u>	<u>1,467</u>	<u>2,988</u>	<u>-</u>	<u>-</u>	<u>6,514</u>	<u>156,604</u>
					-	158,187
					-	978
					-	34,160
34,122			2,637	935	37,694	85,659
13,514			986	350	14,850	20,968
4,785		280	580	3,963	9,608	80,777
<u>52,421</u>	<u>-</u>	<u>280</u>	<u>4,203</u>	<u>5,248</u>	<u>62,152</u>	<u>380,729</u>
<u>\$ 54,480</u>	<u>\$ 1,467</u>	<u>\$ 3,268</u>	<u>\$ 4,203</u>	<u>\$ 5,248</u>	<u>\$ 68,666</u>	<u>\$ 537,333</u>

(Concluded)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2006**

(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	\$	\$ 33,716	\$	\$	\$	\$ 33,716
Property taxes						-
Other shared revenues	13,960				14,465	28,425
Licenses and permits	1,645					1,645
Charges for services					250	250
Fines, forfeits and settlements						-
Investment earnings	4	589			524	1,117
Grants						-
Contributions						-
Miscellaneous	209				1	210
Total revenues	<u>15,818</u>	<u>34,305</u>	<u>-</u>	<u>-</u>	<u>15,240</u>	<u>65,363</u>
<b>EXPENDITURES:</b>						
Current:						
General government						-
Public service	21,026			2,000		23,026
Public safety						-
Community development						-
Building and housing						-
Public health						-
Parks, recreation and properties					594	594
Economic development						-
Capital outlay		13,691				13,691
Inception of capital lease						-
Debt service:						
Principal retirement		3,026			2,275	5,301
Interest		529			6,712	7,241
Other						-
Total expenditures	<u>21,026</u>	<u>17,246</u>	<u>-</u>	<u>2,000</u>	<u>9,581</u>	<u>49,853</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,208)</u>	<u>17,059</u>	<u>-</u>	<u>(2,000)</u>	<u>5,659</u>	<u>15,510</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	5,040			2,000	9,148	16,188
Transfers out		(21,350)				(21,350)
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>5,040</u>	<u>(21,350)</u>	<u>-</u>	<u>2,000</u>	<u>9,148</u>	<u>(5,162)</u>
NET CHANGE IN FUND BALANCES	(168)	(4,291)	-	-	14,807	10,348
FUND BALANCES AT BEGINNING OF YEAR	<u>(990)</u>	<u>21,045</u>	<u></u>	<u>4</u>	<u>1,403</u>	<u>21,462</u>
FUND BALANCES AT END OF YEAR	<u>\$ (1,158)</u>	<u>\$ 16,754</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 16,210</u>	<u>\$ 31,810</u>

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
\$	\$	\$	\$	\$	\$	\$	\$
				1,802			38
			95				1,625
							2,915
17	5		822	1,145			558
40,287	10,444	3,407		1,845	3,588	11,953	668
	2,641						58
	1,259		1,603	503		48	15
<u>40,304</u>	<u>14,349</u>	<u>3,407</u>	<u>2,520</u>	<u>5,295</u>	<u>3,588</u>	<u>12,001</u>	<u>5,877</u>
							2,881
40,024	16,474				3,588		
		3,407					
			4,453	3,611		12,001	
246			700	517			1,075
<u>40,270</u>	<u>16,474</u>	<u>3,407</u>	<u>5,153</u>	<u>4,128</u>	<u>3,588</u>	<u>12,001</u>	<u>3,956</u>
34	(2,125)	-	(2,633)	1,167	-	-	1,921
	38		50	(46)			16
			(1,659)				(89)
<u>-</u>	<u>38</u>	<u>-</u>	<u>(1,609)</u>	<u>(46)</u>	<u>-</u>	<u>-</u>	<u>(73)</u>
34	(2,087)	-	(4,242)	1,121	-	-	1,848
<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>\$ 8,367</u>	<u>\$ 8,074</u>	<u>\$ -</u>	<u>\$ 112,960</u>	<u>\$ 29,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,729</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2006**

(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					1,637
Licenses and permits			1,131	10	
Charges for services	407		138	21	
Fines, forfeits and settlements		1,498			
Investment earnings	51	111	17	73	
Grants	13	8,073	13,821	1,100	
Contributions				70	
Miscellaneous					
Total revenues	<u>471</u>	<u>9,682</u>	<u>15,107</u>	<u>1,274</u>	<u>1,637</u>
EXPENDITURES:					
Current:					
General government					1,637
Public service	62				
Public safety		8,836			
Community development					
Building and housing					
Public health			14,993		
Parks, recreation and properties				1,778	
Economic development					
Capital outlay	291			105	
Inception of capital lease					
Debt service:					
Principal retirement					
Interest					
Other					
Total expenditures	<u>353</u>	<u>8,836</u>	<u>14,993</u>	<u>1,883</u>	<u>1,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>118</u>	<u>846</u>	<u>114</u>	<u>(609)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in					
Transfers out				(25)	
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>(25)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	118	846	114	(634)	-
FUND BALANCES AT BEGINNING OF YEAR	<u>1,279</u>	<u>2,507</u>	<u>688</u>	<u>2,417</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 1,397</u>	<u>\$ 3,353</u>	<u>\$ 802</u>	<u>\$ 1,783</u>	<u>\$ -</u>

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted			
Neighborhood Development Investment Fund	Core City 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
\$	\$	\$	\$	\$	\$	\$	\$	\$
			-	33,716				
			-	-	22,876			
367			3,844	32,269	2,452			
			1,141	2,786				
	56		2,342	2,592				
			4,413	4,413				
364	1,997	4	5,164	6,281	592	25	44	
		22,207	117,406	117,406	365			
			2,769	2,769				
1,661			5,089	5,299		89		
<u>2,392</u>	<u>2,053</u>	<u>22,211</u>	<u>142,168</u>	<u>207,531</u>	<u>26,285</u>	<u>114</u>	<u>44</u>	<u>-</u>
			4,518	4,518				
			62	23,088				
			8,836	8,836				
			60,086	60,086				
			3,407	3,407				
			14,993	14,993				
			1,778	2,372				
4,519	1,160	17,949	43,693	43,693				
39	466		3,439	17,130				
			-	-				
			-	5,301	29,530		1,700	
			-	7,241	17,436	648	3,019	
			-	-				
<u>4,558</u>	<u>1,626</u>	<u>17,949</u>	<u>140,812</u>	<u>190,665</u>	<u>46,966</u>	<u>648</u>	<u>4,719</u>	<u>-</u>
(2,166)	427	4,262	1,356	16,866	(20,681)	(534)	(4,675)	-
			104	16,292	18,768		4,761	
	(80)		(1,899)	(23,249)				(2)
			-	-				
			-	-				
			-	-				
	8,289		8,289	8,289	122			
			-	-				
-	<u>8,209</u>	<u>-</u>	<u>6,494</u>	<u>1,332</u>	<u>18,890</u>	<u>-</u>	<u>4,761</u>	<u>(2)</u>
(2,166)	8,636	4,262	7,850	18,198	(1,791)	(534)	86	(2)
<u>39,252</u>	<u>43,838</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>
\$ 37,086	\$ 52,474	\$ 4,540	\$ 277,486	\$ 309,296	\$ 3,530	\$ 155	\$ 1,481	\$ -

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2006**

(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				22,876			-	22,876
Other shared revenues				2,452			-	2,452
Licenses and permits				-			-	-
Charges for services				-			-	-
Fines, forfeits and settlements				-			-	-
Investment earnings			95	756	34	91	125	881
Grants				365			-	365
Contributions				-			-	-
Miscellaneous		221		310	1,541		1,541	1,851
Total revenues	<u>-</u>	<u>221</u>	<u>95</u>	<u>26,759</u>	<u>1,575</u>	<u>91</u>	<u>1,666</u>	<u>28,425</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		77	655	31,962	385		385	32,347
Interest		387	2,237	23,727	494		494	24,221
Other			82	82	580		580	662
Total expenditures	<u>-</u>	<u>464</u>	<u>2,974</u>	<u>55,771</u>	<u>1,459</u>	<u>-</u>	<u>1,459</u>	<u>57,230</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(243)</u>	<u>(2,879)</u>	<u>(29,012)</u>	<u>116</u>	<u>91</u>	<u>207</u>	<u>(28,805)</u>
OTHER FINANCING SOURCES (USES):								
Transfers in		241	1,639	25,409		27	27	25,436
Transfers out	(6)			(8)	(27)		(27)	(35)
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				122			-	122
Proceeds from capital lease				-			-	-
Total other financing sources (uses)	<u>(6)</u>	<u>241</u>	<u>1,639</u>	<u>25,523</u>	<u>(27)</u>	<u>27</u>	<u>-</u>	<u>25,523</u>
NET CHANGE IN FUND BALANCES	<u>(6)</u>	<u>(2)</u>	<u>(1,240)</u>	<u>(3,489)</u>	<u>89</u>	<u>118</u>	<u>207</u>	<u>(3,282)</u>
FUND BALANCES AT BEGINNING 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>
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 1,095</u>	<u>\$ 6,276</u>	<u>\$ 988</u>	<u>\$ 2,017</u>	<u>\$ 3,005</u>	<u>\$ 9,281</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
\$	\$	\$	\$	\$	\$ -	\$ 33,716
					-	22,876
					-	34,721
					-	2,786
					-	2,592
					-	4,413
3,162			250	227	3,639	10,801
	18,327				18,327	136,098
		344			344	3,113
				223	223	7,373
<u>3,162</u>	<u>18,327</u>	<u>344</u>	<u>250</u>	<u>450</u>	<u>22,533</u>	<u>258,489</u>
					-	4,518
					-	23,088
					-	8,836
					-	60,086
					-	3,407
					-	14,993
					-	2,372
					-	43,693
29,695	18,327	64	3,302		48,086	65,216
					3,302	3,302
					-	37,648
					-	31,462
					-	662
<u>29,695</u>	<u>18,327</u>	<u>64</u>	<u>3,302</u>	<u>-</u>	<u>51,388</u>	<u>299,283</u>
<u>(26,533)</u>	<u>-</u>	<u>280</u>	<u>(3,052)</u>	<u>450</u>	<u>(28,855)</u>	<u>(40,794)</u>
					-	41,728
(18)				(892)	(910)	(24,194)
					-	-
					-	-
					-	-
					-	8,411
					-	-
<u>(18)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(892)</u>	<u>(910)</u>	<u>25,945</u>
(26,551)	-	280	(3,052)	(442)	(29,765)	(14,849)
<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>\$ 52,421</u>	<u>\$ -</u>	<u>\$ 280</u>	<u>\$ 4,203</u>	<u>\$ 5,248</u>	<u>\$ 62,152</u>	<u>\$ 380,729</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, 2006**

(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	\$	\$	\$	\$ -	\$ 33,648	\$ 33,648	\$ 33,890	\$ 242
Other shared revenues	14,305	14,305	14,392	87				-
Licenses and permits	1,626	1,626	1,689	63				-
Charges for services				-				-
Investment earnings			3	3	300	300	528	228
Miscellaneous	281	281	273	(8)				-
Total revenues	<u>16,212</u>	<u>16,212</u>	<u>16,357</u>	<u>145</u>	<u>33,948</u>	<u>33,948</u>	<u>34,418</u>	<u>470</u>
EXPENDITURES:								
Public Service:								
Personnel	14,919	15,419	15,040	379				-
Other	6,716	6,716	6,419	297				-
Parks, Recreation and Properties								
Other				-				-
Capital outlay				-	13,254	13,754	10,199	3,555
Principal retirement				-			3,026	(3,026)
Interest				-			529	(529)
Total expenditures	<u>21,635</u>	<u>22,135</u>	<u>21,459</u>	<u>676</u>	<u>13,254</u>	<u>13,754</u>	<u>13,754</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,423)</u>	<u>(5,923)</u>	<u>(5,102)</u>	<u>821</u>	<u>20,694</u>	<u>20,194</u>	<u>20,664</u>	<u>470</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	5,373	5,873	5,040	(833)				-
Transfers out	-	-	-	-	(21,850)	(21,350)	(21,350)	-
Total other financing sources (uses)	<u>5,373</u>	<u>5,873</u>	<u>5,040</u>	<u>(833)</u>	<u>(21,850)</u>	<u>(21,350)</u>	<u>(21,350)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(50)</u>	<u>(50)</u>	<u>(62)</u>	<u>(12)</u>	<u>(1,156)</u>	<u>(1,156)</u>	<u>(686)</u>	<u>470</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			22	22			42	42
FUND BALANCES AT BEGINNING OF YEAR	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>	<u>1,156</u>	<u>1,156</u>	<u>1,156</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 512</u>	<u>\$ 512</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)
\$	\$	\$	\$ -	\$	\$	\$	\$ -
			-				-
			-				-
			-				-
		76	76				-
			-				-
<u>-</u>	<u>-</u>	<u>76</u>	<u>76</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>
		76	76	(2,000)	(2,000)	(2,000)	-
1,000	1,000	3,600	2,600	2,000	2,000	2,000	-
			-				-
<u>1,000</u>	<u>1,000</u>	<u>3,600</u>	<u>2,600</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
1,000	1,000	3,676	2,676	-	-	-	-
			-				-
			-				-
<u>2,251</u>	<u>2,251</u>	<u>2,251</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
\$ <u>3,251</u>	\$ <u>3,251</u>	\$ <u>5,927</u>	\$ <u>2,676</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, 2006**

(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	\$	\$	\$	\$ -	\$ 33,648	\$ 33,648	\$ 33,890	\$ 242
Other shared revenues			14,465	14,465	14,305	14,305	28,857	14,552
Licenses and permits				-	1,626	1,626	1,689	63
Charges for services	250	250	250	-	250	250	250	-
Investment earnings			475	475	300	300	1,082	782
Miscellaneous			1	1	281	281	274	(7)
Total revenues	<u>250</u>	<u>250</u>	<u>15,191</u>	<u>14,941</u>	<u>50,410</u>	<u>50,410</u>	<u>66,042</u>	<u>15,632</u>
EXPENDITURES:								
Public Service:								
Personnel				-	14,919	15,419	15,040	379
Other	608	608	608	-	7,324	7,324	7,027	297
Parks, Recreation and Properties								
Other				-	2,000	2,000	2,000	-
Capital outlay				-	13,254	13,754	10,199	3,555
Principal retirement	2,275	2,275	2,275	-	2,275	2,275	5,301	(3,026)
Interest	6,694	6,482	6,482	-	6,694	6,482	7,011	(529)
Total expenditures	<u>9,577</u>	<u>9,365</u>	<u>9,365</u>	<u>-</u>	<u>46,466</u>	<u>47,254</u>	<u>46,578</u>	<u>676</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,327)</u>	<u>(9,115)</u>	<u>5,826</u>	<u>14,941</u>	<u>3,944</u>	<u>3,156</u>	<u>19,464</u>	<u>16,308</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	9,159	9,159	9,148	(11)	17,532	18,032	19,788	1,756
Transfers out				-	(21,850)	(21,350)	(21,350)	-
Total other financing sources (uses)	<u>9,159</u>	<u>9,159</u>	<u>9,148</u>	<u>(11)</u>	<u>(4,318)</u>	<u>(3,318)</u>	<u>(1,562)</u>	<u>1,756</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(168)</u>	<u>44</u>	<u>14,974</u>	<u>14,930</u>	<u>(374)</u>	<u>(162)</u>	<u>17,902</u>	<u>18,064</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES				-			64	64
FUND BALANCES AT BEGINNING OF YEAR	<u>1,644</u>	<u>1,644</u>	<u>1,644</u>	<u>-</u>	<u>5,105</u>	<u>5,105</u>	<u>5,105</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,476</u>	<u>\$ 1,688</u>	<u>\$ 16,618</u>	<u>\$ 14,930</u>	<u>\$ 4,731</u>	<u>\$ 4,943</u>	<u>\$ 23,071</u>	<u>\$ 18,128</u>

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**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, 2006**

(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	\$ 21,641	\$ 21,641	\$ 22,876	\$ 1,235	\$	\$	\$	\$ -
Other shared revenue	2,675	2,675	2,452	(223)				-
Investment earnings	375	375	603	228	27	27	26	(1)
Grants	324	324	365	41				-
Miscellaneous				-			89	89
Total revenues	<u>25,015</u>	<u>25,015</u>	<u>26,296</u>	<u>1,281</u>	<u>27</u>	<u>27</u>	<u>115</u>	<u>88</u>
EXPENDITURES:								
General government				-				-
Principal retirement	29,530	29,530	29,530	-				-
Interest	17,936	17,682	17,436	246	648	648	648	-
Total expenditures	<u>47,466</u>	<u>47,212</u>	<u>46,966</u>	<u>246</u>	<u>648</u>	<u>648</u>	<u>648</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,451)</u>	<u>(22,197)</u>	<u>(20,670)</u>	<u>1,527</u>	<u>(621)</u>	<u>(621)</u>	<u>(533)</u>	<u>88</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds			18	18				-
Restricted income tax fund	19,250	19,250	18,750	(500)				-
Transfers out:								
To other subfunds				-				-
Proceeds from the sale of land			122	122				-
Total other financing sources	<u>19,250</u>	<u>19,250</u>	<u>18,890</u>	<u>(360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(3,201)</u>	<u>(2,947)</u>	<u>(1,780)</u>	<u>1,167</u>	<u>(621)</u>	<u>(621)</u>	<u>(533)</u>	<u>88</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>5,299</u>	<u>5,299</u>	<u>5,299</u>	<u>-</u>	<u>687</u>	<u>687</u>	<u>687</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,098</u>	<u>\$ 2,352</u>	<u>\$ 3,519</u>	<u>\$ 1,167</u>	<u>\$ 66</u>	<u>\$ 66</u>	<u>\$ 154</u>	<u>\$ 88</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)
\$	\$	\$	\$ -	\$	\$	\$	\$ -	\$	\$	\$	\$ -
19	19	43	24				-	3	3	-	(3)
<u>19</u>	<u>19</u>	<u>43</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>(3)</u>
1,700	1,700	1,700	-				-				-
3,000	3,024	3,019	5				-				-
<u>4,700</u>	<u>4,724</u>	<u>4,719</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(4,681)</u>	<u>(4,705)</u>	<u>(4,676)</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>(3)</u>
4,759	4,759	4,761	2				-				-
			-		(2)	(2)	-		(7)	(6)	1
<u>4,759</u>	<u>4,759</u>	<u>4,761</u>	<u>2</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(6)</u>	<u>1</u>
78	54	85	31	-	(2)	(2)	-	3	(4)	(6)	(2)
<u>1,391</u>	<u>1,391</u>	<u>1,391</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>-</u>
<u>\$ 1,469</u>	<u>\$ 1,445</u>	<u>\$ 1,476</u>	<u>\$ 31</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (2)</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, 2006**

(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				-	76	76	98	22
Grants				-				-
Miscellaneous			221	221				-
Total revenues	<u>-</u>	<u>-</u>	<u>221</u>	<u>221</u>	<u>76</u>	<u>76</u>	<u>98</u>	<u>22</u>
EXPENDITURES:								
General government				-	75	79	79	-
Principal retirement	77	77	77	-	655	655	655	-
Interest	<u>387</u>	<u>387</u>	<u>387</u>	<u>-</u>	<u>2,021</u>	<u>2,238</u>	<u>2,237</u>	<u>1</u>
Total expenditures	<u>464</u>	<u>464</u>	<u>464</u>	<u>-</u>	<u>2,751</u>	<u>2,972</u>	<u>2,971</u>	<u>1</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(464)</u>	<u>(464)</u>	<u>(243)</u>	<u>221</u>	<u>(2,675)</u>	<u>(2,896)</u>	<u>(2,873)</u>	<u>23</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	464	464	241	(223)	1,559	1,559	1,639	80
Restricted income tax fund				-				-
Transfers out:								
To other subfunds				-				-
Proceeds from the sale of land				-				-
Total other financing sources	<u>464</u>	<u>464</u>	<u>241</u>	<u>(223)</u>	<u>1,559</u>	<u>1,559</u>	<u>1,639</u>	<u>80</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>	<u>(1,116)</u>	<u>(1,337)</u>	<u>(1,234)</u>	<u>103</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>17</u>	<u>17</u>	<u>17</u>	<u>-</u>	<u>2,328</u>	<u>2,328</u>	<u>2,328</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 17</u>	<u>\$ 17</u>	<u>\$ 15</u>	<u>\$ (2)</u>	<u>\$ 1,212</u>	<u>\$ 991</u>	<u>\$ 1,094</u>	<u>\$ 103</u>

Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
\$ 21,641	\$ 21,641	\$ 22,876	\$ 1,235
2,675	2,675	2,452	(223)
500	500	770	270
324	324	365	41
		310	310
<u>25,140</u>	<u>25,140</u>	<u>26,773</u>	<u>1,633</u>
75	79	79	-
31,962	31,962	31,962	-
<u>23,992</u>	<u>23,979</u>	<u>23,727</u>	<u>252</u>
<u>56,029</u>	<u>56,020</u>	<u>55,768</u>	<u>252</u>
<u>(30,889)</u>	<u>(30,880)</u>	<u>(28,995)</u>	<u>1,885</u>
6,782	6,782	6,659	(123)
<u>19,250</u>	<u>19,250</u>	<u>18,750</u>	<u>(500)</u>
	(9)	(8)	1
		122	122
<u>26,032</u>	<u>26,023</u>	<u>25,523</u>	<u>(500)</u>
(4,857)	(4,857)	(3,472)	1,385
<u>9,730</u>	<u>9,730</u>	<u>9,730</u>	<u>-</u>
<u>\$ 4,873</u>	<u>\$ 4,873</u>	<u>\$ 6,258</u>	<u>\$ 1,385</u>

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# 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, 2006**

**(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	\$ 16,618	\$ 1,124	\$ 248	\$ 242
Investments	11,936			
Receivables:				
Accounts	53,809	349		
Unbilled revenue	2,151			
Accrued interest	97	5	1	1
Less: Allowance for doubtful accounts	<u>(627)</u>	<u>(206)</u>		
Receivables, net	<u>55,430</u>	<u>148</u>	<u>1</u>	<u>1</u>
Due from other funds	588	9	3	
Inventory of supplies	<u>267</u>			
Total current assets	<u>84,839</u>	<u>1,281</u>	<u>252</u>	<u>243</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	413			
Investments				
Accrued interest receivable				
Total restricted assets	<u>413</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unamortized bond issuance costs				
Capital assets:				
Land	297	4,261	198	413
Land improvements				484
Utility plant	119,735			
Buildings, structures and improvements	2,658	59,149	6,890	2,400
Furniture, fixtures, equipment and vehicles	10,854	1,513	29	450
Construction in progress	4,615		5,245	
Less: Accumulated depreciation	<u>(69,967)</u>	<u>(58,840)</u>	<u>(4,259)</u>	<u>(2,035)</u>
Total capital assets, net	<u>68,192</u>	<u>6,083</u>	<u>8,103</u>	<u>1,712</u>
Total noncurrent assets	<u>68,605</u>	<u>6,083</u>	<u>8,103</u>	<u>1,712</u>
<b>TOTAL ASSETS</b>	<u>\$ 153,444</u>	<u>\$ 7,364</u>	<u>\$ 8,355</u>	<u>\$ 1,955</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 976	\$ 66	\$ 1,517	\$ 20,791
			11,936
127	10		54,295
			2,151
			104
	(4)		(837)
<u>127</u>	<u>6</u>	<u>-</u>	<u>55,713</u>
59			659
<u>158</u>	<u>2</u>	<u>79</u>	<u>506</u>
<u>1,320</u>	<u>74</u>	<u>1,596</u>	<u>89,605</u>
18,918	675		20,006
	5,431		5,431
<u>52</u>	<u>61</u>		<u>113</u>
<u>18,970</u>	<u>6,167</u>	<u>-</u>	<u>25,550</u>
4,162			4,162
12,929	252	208	18,558
1,256	399	3,303	5,442
			119,735
65,200	6,096	1,816	144,209
534	985	1,191	15,556
			9,860
<u>(20,969)</u>	<u>(2,679)</u>	<u>(4,305)</u>	<u>(163,054)</u>
<u>58,950</u>	<u>5,053</u>	<u>2,213</u>	<u>150,306</u>
<u>82,082</u>	<u>11,220</u>	<u>2,213</u>	<u>180,018</u>
<u>\$ 83,402</u>	<u>\$ 11,294</u>	<u>\$ 3,809</u>	<u>\$ 269,623</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS**

**DECEMBER 31, 2006**

**(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	\$ 1,859	\$ 222	\$ 128	\$
Accrued wages and benefits	1,394	380	66	6
Due to other funds	3,092	171	1	3
Due to other governments	56,947			
Accrued interest payable				
Current portion of long-term obligations	<u>416</u>			
Total current liabilities	63,708	<u>773</u>	<u>195</u>	<u>9</u>
Long-term liabilities:				
Accrued wages and benefits	202	115	27	3
Construction loans payable	4,678			
Revenue bonds payable				
Total liabilities	<u>68,588</u>	<u>888</u>	<u>222</u>	<u>12</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	63,097	6,083	8,103	1,712
Restricted for capital projects				
Restricted for debt service				
Unrestricted	<u>21,759</u>	<u>393</u>	<u>30</u>	<u>231</u>
Total net assets	<u>84,856</u>	<u>6,476</u>	<u>8,133</u>	<u>1,943</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 153,444</u>	<u>\$ 7,364</u>	<u>\$ 8,355</u>	<u>\$ 1,955</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 117	\$ 32	\$ 52	\$ 2,410
146	201	109	2,302
71	62	14	3,414
92			57,039
965			965
<u>2,795</u>			<u>3,211</u>
4,186	<u>295</u>	<u>175</u>	<u>69,341</u>
42	40	46	475
			4,678
<u>59,146</u>			<u>59,146</u>
<u>63,374</u>	<u>335</u>	<u>221</u>	<u>133,640</u>
(2,994)	5,053	2,213	83,267
4,651			4,651
8,115			8,115
<u>10,256</u>	<u>5,906</u>	<u>1,375</u>	<u>39,950</u>
<u>20,028</u>	<u>10,959</u>	<u>3,588</u>	<u>135,983</u>
<u>\$ 83,402</u>	<u>\$ 11,294</u>	<u>\$ 3,809</u>	<u>\$ 269,623</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, 2006**

(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	\$ 19,614	\$ 1,904	\$ 1,047	\$ 46
Total operating revenue	<u>19,614</u>	<u>1,904</u>	<u>1,047</u>	<u>46</u>
<b>OPERATING EXPENSES:</b>				
Operations	8,201	6,948	1,213	62
Maintenance	7,807	66	31	19
Depreciation	4,815	466	220	84
Total operating expenses	<u>20,823</u>	<u>7,480</u>	<u>1,464</u>	<u>165</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,209)</u>	<u>(5,576)</u>	<u>(417)</u>	<u>(119)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Investment income	1,497	31	14	10
Interest expense	(206)			
Hotel tax		4,272		
Other revenues (expenses)	28			
Total non-operating revenues (expenses)	<u>1,319</u>	<u>4,303</u>	<u>14</u>	<u>10</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	110	(1,273)	(403)	(109)
Capital contributions		14	171	
Transfers in				
<b>CHANGE IN NET ASSETS</b>	110	(1,259)	(232)	(109)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>84,746</u>	<u>7,735</u>	<u>8,365</u>	<u>2,052</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 84,856</u>	<u>\$ 6,476</u>	<u>\$ 8,133</u>	<u>\$ 1,943</u>

<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Golf Courses</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 8,460	\$ 1,449	\$ 1,346	\$ 33,866
<u>8,460</u>	<u>1,449</u>	<u>1,346</u>	<u>33,866</u>
2,691	2,284	1,856	23,255
48	40	64	8,075
<u>1,726</u>	<u>216</u>	<u>218</u>	<u>7,745</u>
<u>4,465</u>	<u>2,540</u>	<u>2,138</u>	<u>39,075</u>
<u>3,995</u>	<u>(1,091)</u>	<u>(792)</u>	<u>(5,209)</u>
901	353	68	2,874
(2,846)			(3,052)
			4,272
<u>(228)</u>	<u>75</u>	<u>587</u>	<u>462</u>
<u>(2,173)</u>	<u>428</u>	<u>655</u>	<u>4,556</u>
1,822	(663)	(137)	(653)
	24		209
	<u>390</u>		<u>390</u>
1,822	(249)	(137)	(54)
<u>18,206</u>	<u>11,208</u>	<u>3,725</u>	<u>136,037</u>
<u>\$ 20,028</u>	<u>\$ 10,959</u>	<u>\$ 3,588</u>	<u>\$ 135,983</u>

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(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	\$ 18,889	\$ 2,597	\$ 1,050	\$ 46
Cash payments to suppliers for goods or services	(6,822)	(3,201)	(665)	(20)
Cash payments to employees for services	(9,114)	(3,796)	(583)	(57)
Agency activity on behalf of NEORS	(1,713)			
Net cash provided by (used for) operating activities	<u>1,240</u>	<u>(4,400)</u>	<u>(198)</u>	<u>(31)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash received through transfers from other funds				
Cash received from hotel tax		4,351		
Cash receipts (payments) from/ to other governments	2			
Proceeds from lease				
Net cash provided by (used for) noncapital financing activities	<u>2</u>	<u>4,351</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of revenue bonds, loans and notes				
Acquisition and construction of capital assets	(6,297)			
Principal paid on long-term debt	(401)			
Interest paid on long-term debt	(206)			
Cash paid to escrow agent for refunding				
Net cash provided by (used for) capital and related financing activities	<u>(6,904)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investment securities	(405)			
Proceeds from sale and maturity of investment securities	7,695			
Interest received on investments	1,520	27	12	9
Net cash provided by (used for) investing activities	<u>8,810</u>	<u>27</u>	<u>12</u>	<u>9</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,148	(22)	(186)	(22)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>13,883</u>	<u>1,146</u>	<u>434</u>	<u>264</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 17,031</u>	<u>\$ 1,124</u>	<u>\$ 248</u>	<u>\$ 242</u>



<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Golf Courses</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 8,093	\$ 1,461	\$ 1,346	\$ 33,482
(1,283)	(529)	(906)	(13,426)
(1,033)	(1,532)	(986)	(17,101)
			(1,713)
<u>5,777</u>	<u>(600)</u>	<u>(546)</u>	<u>1,242</u>
	390		390
			4,351
	77		79
		587	587
<u>-</u>	<u>467</u>	<u>587</u>	<u>5,407</u>
57,512			57,512
(65)			(6,362)
(2,445)			(2,846)
(2,419)			(2,625)
<u>(58,710)</u>			<u>(58,710)</u>
<u>(6,127)</u>	<u>-</u>	<u>-</u>	<u>(13,031)</u>
	(6,519)		(6,924)
	6,896		14,591
1,058	326	67	3,019
<u>1,058</u>	<u>703</u>	<u>67</u>	<u>10,686</u>
708	570	108	4,304
<u>19,186</u>	<u>171</u>	<u>1,409</u>	<u>36,493</u>
<u>\$ 19,894</u>	<u>\$ 741</u>	<u>\$ 1,517</u>	<u>\$ 40,797</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(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)	\$ (1,209)	\$ (5,576)	\$ (417)	\$ (119)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	4,815	466	220	84
Changes in assets and liabilities:				
Receivables, net	(5,971)	500		
Due from other funds	14	102		
Inventory of supplies	8			
Accounts payable	248	180	19	
Accrued wages and benefits	(140)	(49)	(15)	1
Due to other funds	(518)	(23)	(5)	3
Due to other governments	3,993			
Total adjustments	<u>2,449</u>	<u>1,176</u>	<u>219</u>	<u>88</u>
NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES	<u>\$ 1,240</u>	<u>\$ (4,400)</u>	<u>\$ (198)</u>	<u>\$ (31)</u>

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<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>
\$ 3,995	\$ (1,091)	\$ (792)	\$ (5,209)
1,726	216	218	7,745
(48)	13		(5,506)
11		(1)	126
(43)	213	(21)	157
107	31	38	623
23	(1)	7	(174)
8	19	5	(511)
(2)			3,991
<u>1,782</u>	<u>491</u>	<u>246</u>	<u>6,451</u>
<u>\$ 5,777</u>	<u>\$ (600)</u>	<u>\$ (546)</u>	<u>\$ 1,242</u>

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## 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, 2006**

(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	\$ 1,431	\$ 705	\$ 7	\$ 715
Receivables:				
Accounts	2	1		3
Accrued interest	6	3		3
Receivables, net	<u>8</u>	<u>4</u>	-	<u>6</u>
Due from other funds	1,093	125	53	2
Inventory of supplies	<u>1,079</u>	<u>122</u>		
Total current assets	<u>3,611</u>	<u>956</u>	<u>60</u>	<u>723</u>
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	2,673			
Furniture, fixtures, equipment and vehicles	3,718	787		75
Construction in progress		24		
Less: Accumulated depreciation	<u>(4,280)</u>	<u>(485)</u>		<u>(64)</u>
Total capital assets, net	<u>2,920</u>	<u>326</u>	-	<u>11</u>
Total noncurrent assets	<u>2,920</u>	<u>326</u>	-	<u>11</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,531</u>	<u>\$ 1,282</u>	<u>\$ 60</u>	<u>\$ 734</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>
\$ 104	\$ 2,850	\$ 782	\$ 1,169	\$ 5,470	\$ 13,233
			8		14
	9	4	5		30
-	9	4	13	-	44
		252	148	12,033	13,706
					1,201
<u>104</u>	<u>2,859</u>	<u>1,038</u>	<u>1,330</u>	<u>17,503</u>	<u>28,184</u>
					663
					146
					2,673
		137	21		4,738
					24
		(126)	(21)		(4,976)
-	-	11	-	-	3,268
-	-	11	-	-	3,268
<u>\$ 104</u>	<u>\$ 2,859</u>	<u>\$ 1,049</u>	<u>\$ 1,330</u>	<u>\$ 17,503</u>	<u>\$ 31,452</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

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

**DECEMBER 31, 2006**

(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	\$ 780	\$ 102	\$	\$ 38
Accrued wages and benefits	914	106	10	635
Due to other funds	147	68	2	5
Due to other governments				
Total current liabilities	<u>1,841</u>	<u>276</u>	<u>12</u>	<u>678</u>
Long-term liabilities				
Accrued wages and benefits	<u>309</u>	<u>30</u>	<u>1</u>	<u>248</u>
Total liabilities	<u>2,150</u>	<u>306</u>	<u>13</u>	<u>926</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,920	326		11
Unrestricted	<u>1,461</u>	<u>650</u>	<u>47</u>	<u>(203)</u>
Total net assets	<u>4,381</u>	<u>976</u>	<u>47</u>	<u>(192)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,531</u>	<u>\$ 1,282</u>	<u>\$ 60</u>	<u>\$ 734</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>
\$	\$ 87	\$ 449	\$ 218	\$	\$ 1,674
32	847	150	36	5,427	8,157
	65	457	10	641	1,395
	<u>1,860</u>				<u>1,860</u>
<u>32</u>	<u>2,859</u>	<u>1,056</u>	<u>264</u>	<u>6,068</u>	<u>13,086</u>
<u>30</u>		<u>65</u>	<u>25</u>	<u>11,435</u>	<u>12,143</u>
<u>62</u>	<u>2,859</u>	<u>1,121</u>	<u>289</u>	<u>17,503</u>	<u>25,229</u>
		11			3,268
<u>42</u>		<u>(83)</u>	<u>1,041</u>		<u>2,955</u>
<u>42</u>	<u>-</u>	<u>(72)</u>	<u>1,041</u>	<u>-</u>	<u>6,223</u>
<u>\$ 104</u>	<u>\$ 2,859</u>	<u>\$ 1,049</u>	<u>\$ 1,330</u>	<u>\$ 17,503</u>	<u>\$ 31,452</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, 2006**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
OPERATING REVENUES:			
Charges for services	\$ 16,207	\$ 2,243	\$ 964
Total operating revenue	<u>16,207</u>	<u>2,243</u>	<u>964</u>
OPERATING EXPENSES:			
Operations	15,864	2,034	959
Maintenance	927	36	2
Depreciation	251	54	
Total operating expenses	<u>17,042</u>	<u>2,124</u>	<u>961</u>
OPERATING INCOME (LOSS)	<u>(835)</u>	<u>119</u>	<u>3</u>
NON-OPERATING REVENUES:			
Investment income	<u>42</u>	<u>20</u>	<u>2</u>
Total non-operating revenues	<u>42</u>	<u>20</u>	<u>2</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(793)	139	5
Capital contributions	670	36	
Transfers in			
Transfers out			
CHANGE IN NET ASSETS	(123)	175	5
NET ASSETS AT BEGINNING OF YEAR	<u>4,504</u>	<u>801</u>	<u>42</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,381</u>	<u>\$ 976</u>	<u>\$ 47</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>
\$ 4,688	\$ 71	\$ 7,878	\$ 6,017	\$ 2,185	\$ 3,229	\$ 43,482
<u>4,688</u>	<u>71</u>	<u>7,878</u>	<u>6,017</u>	<u>2,185</u>	<u>3,229</u>	<u>43,482</u>
4,898	597	8,610	5,827	948	3,229	42,966
67		54	191	896		2,173
7			22	2		336
<u>4,972</u>	<u>597</u>	<u>8,664</u>	<u>6,040</u>	<u>1,846</u>	<u>3,229</u>	<u>45,475</u>
(284)	(526)	(786)	(23)	339	-	(1,993)
17		786	6	44		917
17	-	786	6	44	-	917
(267)	(526)	-	(17)	383	-	(1,076)
	422					706
						422
(267)	(104)		(17)	383		52
75	146		(55)	658		6,171
<u>\$ (192)</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ (72)</u>	<u>\$ 1,041</u>	<u>\$ -</u>	<u>\$ 6,223</u>

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(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	\$ 16,529	\$ 2,189	\$ 860
Cash payments to suppliers for goods or services	(9,998)	(1,196)	(897)
Cash payments to employees for services	<u>(6,308)</u>	<u>(749)</u>	<u>(57)</u>
Net cash provided by (used for) operating activities	<u>223</u>	<u>244</u>	<u>(94)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance (repayment) from/to General Fund			
Cash received through transfers from other funds			
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>35</u>	<u>17</u>	<u>2</u>
Net cash provided by investing activities	<u>35</u>	<u>17</u>	<u>2</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>	258	261	(92)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,173</u>	<u>444</u>	<u>99</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,431</u>	<u>\$ 705</u>	<u>\$ 7</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (835)	\$ 119	\$ 3
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	251	54	
Change in assets and liabilities:			
Receivables, net	(1)	4	
Due from other funds	324	(57)	3
Due from other governments			
Inventory of supplies	233	(4)	
Accounts payable	178	41	(1)
Accrued wages and benefits	39	28	6
Due to other funds	34	59	(105)
Due to other governments			
Total adjustments	<u>1,058</u>	<u>125</u>	<u>(97)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 223</u>	<u>\$ 244</u>	<u>\$ (94)</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>
\$ 4,863	\$ 185	\$ 8,384	\$ 6,346	\$ 1,617	\$	\$ 40,973
(585)	(431)	(3,074)	(4,735)	(1,393)		(22,309)
(4,238)	(164)	(5,424)	(945)	(229)		(18,114)
<u>40</u>	<u>(410)</u>	<u>(114)</u>	<u>666</u>	<u>(5)</u>	<u>-</u>	<u>550</u>
	422					422
<u>-</u>	<u>422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422</u>
14		823	2	39		932
<u>14</u>	<u>-</u>	<u>823</u>	<u>2</u>	<u>39</u>	<u>-</u>	<u>932</u>
54	12	709	668	34		1,904
<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>
<u>\$ 715</u>	<u>\$ 104</u>	<u>\$ 2,850</u>	<u>\$ 782</u>	<u>\$ 1,169</u>	<u>\$ 5,470</u>	<u>\$ 13,233</u>
\$ (284)	\$ (526)	\$ (786)	\$ (23)	\$ 339	\$	\$ (1,993)
7			22	2		336
(3)				(8)		(8)
178	114		329	(15)	(2,939)	(2,063)
22		(12)	313	187		229
118	2	126	25	37	3,228	728
2		52		(547)	(289)	3,609
		<u>506</u>				(794)
<u>324</u>	<u>116</u>	<u>672</u>	<u>689</u>	<u>(344)</u>	<u>-</u>	<u>506</u>
<u>\$ 40</u>	<u>\$ (410)</u>	<u>\$ (114)</u>	<u>\$ 666</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ 550</u>

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# 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, 2006**

(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	\$ 8,064	\$ 82,526	\$ 81,783	\$ 8,807
Total assets	<u>\$ 8,064</u>	<u>\$ 82,526</u>	<u>\$ 81,783</u>	<u>\$ 8,807</u>
<b>LIABILITIES</b>				
Due to others	\$ 8,064	\$ 82,526	\$ 81,783	\$ 8,807
Total liabilities	<u>\$ 8,064</u>	<u>\$ 82,526</u>	<u>\$ 81,783</u>	<u>\$ 8,807</u>
<b>CENTRAL COLLECTION AGENCY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,630	\$ 6,526	\$ 8,630	\$ 6,526
Taxes receivable	33,917	31,196	33,917	31,196
Due from other governments	<u>1,744</u>	<u>2,261</u>	<u>1,744</u>	<u>2,261</u>
Total assets	<u>\$ 44,291</u>	<u>\$ 39,983</u>	<u>\$ 44,291</u>	<u>\$ 39,983</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 44,291	\$ 39,983	\$ 44,291	\$ 39,983
Total liabilities	<u>\$ 44,291</u>	<u>\$ 39,983</u>	<u>\$ 44,291</u>	<u>\$ 39,983</u>

(Continued)



**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(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	\$ 13,161	\$ 243,134	\$ 241,259	\$ 15,036
Total assets	<u>\$ 13,161</u>	<u>\$ 243,134</u>	<u>\$ 241,259</u>	<u>\$ 15,036</u>
<b>LIABILITIES</b>				
Due to others	\$ 13,161	\$ 243,134	\$ 241,259	\$ 15,036
Total liabilities	<u>\$ 13,161</u>	<u>\$ 243,134</u>	<u>\$ 241,259</u>	<u>\$ 15,036</u>
 <b>TOTALS-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,855	\$ 332,186	\$ 331,672	\$ 30,369
Taxes receivable	33,917	31,196	33,917	31,196
Due from other governments	<u>1,744</u>	<u>2,261</u>	<u>1,744</u>	<u>2,261</u>
Total assets	<u>\$ 65,516</u>	<u>\$ 365,643</u>	<u>\$ 367,333</u>	<u>\$ 63,826</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 44,291	\$ 39,983	\$ 44,291	\$ 39,983
Due to others	<u>21,225</u>	<u>325,660</u>	<u>323,042</u>	<u>23,843</u>
Total liabilities	<u>\$ 65,516</u>	<u>\$ 365,643</u>	<u>\$ 367,333</u>	<u>\$ 63,826</u>

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**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, 2006 (Amounts in 000's)

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Governmental Funds Capital Assets:	
Land	\$ 57,748
Land improvements	113,161
Buildings, structures and improvements	588,774
Furniture, fixtures, equipment and vehicles	156,509
Infrastructure	355,245
Construction in progress	<u>98,555</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,369,992</u>
 Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	\$ 619,343
General Fund and other revenues	339,947
Special Revenue Fund revenues:	
Restricted income taxes	142,304
Federal grants	222,218
Certificates of participation	22,899
Gifts	<u>23,281</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,369,992</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, 2006**

**(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	\$ 326,085	\$ 208	\$	\$ 303,007	\$ 14,706	\$ 3,745	\$ 4,419
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>376,635</u>	<u>1,085</u>	<u>15</u>	<u>351,819</u>	<u>15,552</u>	<u>3,745</u>	<u>4,419</u>
<b>Public Service:</b>							
Waste collection	27,529	499		8,259	17,219	1,460	92
Engineering and construction	330,580		18,679		2,576	255,109	54,216
Streets	121,625	1,540	11,495	14,393	20,343	73,854	
Traffic engineering	4,853			813	1,836	1,145	1,059
Other	46,505	2,669		31,468	324		12,044
Total public service	<u>531,092</u>	<u>4,708</u>	<u>30,174</u>	<u>54,933</u>	<u>42,298</u>	<u>331,568</u>	<u>67,411</u>
<b>Public Safety:</b>							
Police	99,091	4,805	317	57,851	35,426		692
Fire	62,169	1,670		28,885	31,614		
Emergency medical service	14,982			784	8,299	5,614	285
Dog pound	713			662	51		
Total public safety	<u>176,955</u>	<u>6,475</u>	<u>317</u>	<u>88,182</u>	<u>75,390</u>	<u>5,614</u>	<u>977</u>
<b>Public Health:</b>							
Correction	7,394	272		6,554	568		
Health and environment	11,769	1,112	36	9,290	1,331		
Total public health	<u>19,163</u>	<u>1,384</u>	<u>36</u>	<u>15,844</u>	<u>1,899</u>	<u>-</u>	<u>-</u>
<b>Parks, Recreation and Properties:</b>							
Park maintenance and properties	95,892	37,388	22,484	13,369	17,597	234	4,820
Research, planning and development	46,810	881	26,958	3,162	91	2,997	12,721
Recreation	85,944	976	31,371	51,481	2,116		
Total parks, recreation and properties	<u>228,646</u>	<u>39,245</u>	<u>80,813</u>	<u>68,012</u>	<u>19,804</u>	<u>3,231</u>	<u>17,541</u>
<b>Community Development:</b>							
Community development	30,556	4,109	1,531	8,463	1,093	7,177	8,183
Total community development	<u>30,556</u>	<u>4,109</u>	<u>1,531</u>	<u>8,463</u>	<u>1,093</u>	<u>7,177</u>	<u>8,183</u>
<b>Economic Development:</b>							
Economic development	2,930	742	275	1,521	39	329	24
Total economic development	<u>2,930</u>	<u>742</u>	<u>275</u>	<u>1,521</u>	<u>39</u>	<u>329</u>	<u>24</u>
<b>Building &amp; Housing:</b>							
Building & Housing	4,015				434	3,581	
Total building & housing	<u>4,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>434</u>	<u>3,581</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$ 1,369,992</u>	<u>\$ 57,748</u>	<u>\$ 113,161</u>	<u>\$ 588,774</u>	<u>\$ 156,509</u>	<u>\$ 355,245</u>	<u>\$ 98,555</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, 2006

(Amounts in 000's)

	<u>Balance</u> <u>January 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>December 31,</u> <u>2006</u>
<b>General Government:</b>					
General government	\$ 325,735	\$ 3,101	\$	\$ (2,751)	\$ 326,085
City Hall	20,135				20,135
Justice Center	29,768				29,768
Charles V. Carr Municipal Center	647				647
Total general government	<u>376,285</u>	<u>3,101</u>	<u>-</u>	<u>(2,751)</u>	<u>376,635</u>
<b>Public Service:</b>					
Waste collection	28,271	461	(1,229)	26	27,529
Engineering and construction	303,065	33,919		(6,404)	330,580
Streets	120,468	1,485	(538)	210	121,625
Traffic engineering	4,062	2,174	(15)	(1,368)	4,853
Other	40,834	6,678	(12)	(995)	46,505
Total public service	<u>496,700</u>	<u>44,717</u>	<u>(1,794)</u>	<u>(8,531)</u>	<u>531,092</u>
<b>Public Safety:</b>					
Police	96,782	3,565	(1,195)	(61)	99,091
Fire	60,414	2,787	(1,085)	53	62,169
Emergency medical service	13,822	1,386	(179)	(47)	14,982
Dog pound	693			20	713
Total public safety	<u>171,711</u>	<u>7,738</u>	<u>(2,459)</u>	<u>(35)</u>	<u>176,955</u>
<b>Public Health:</b>					
Correction	7,465		(53)	(18)	7,394
Health and environment	11,732	72	(35)		11,769
Total public health	<u>19,197</u>	<u>72</u>	<u>(88)</u>	<u>(18)</u>	<u>19,163</u>
<b>Parks, Recreation and Properties:</b>					
Park maintenance and properties	93,703	2,352	(302)	139	95,892
Research, planning and development	41,885	5,842		(917)	46,810
Recreation	85,283	5,020	(150)	(4,209)	85,944
Total parks, recreation and properties	<u>220,871</u>	<u>13,214</u>	<u>(452)</u>	<u>(4,987)</u>	<u>228,646</u>
<b>Community Development:</b>					
Community development	30,551	4,092	(4,100)	13	30,556
Total community development	<u>30,551</u>	<u>4,092</u>	<u>(4,100)</u>	<u>13</u>	<u>30,556</u>
<b>Economic Development:</b>					
Economic development	2,284	666		(20)	2,930
Total economic development	<u>2,284</u>	<u>666</u>	<u>-</u>	<u>(20)</u>	<u>2,930</u>
<b>Building &amp; Housing:</b>					
Building & Housing	4,013			2	4,015
Total building & housing	<u>4,013</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>4,015</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>					
CAPITAL ASSETS	<u>\$ 1,321,612</u>	<u>\$ 73,600</u>	<u>\$ (8,893)</u>	<u>\$ (16,327)</u>	<u>\$ 1,369,992</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**

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**CITY OF CLEVELAND, OHIO**  
**Statistical Section**  
**December 31, 2006**

This part of the City of Cleveland’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	<b>S3-S6</b>
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the municipal income tax.	<b>S7-S11</b>
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	<b>S12-S18</b>
<b>Economic and Demographic Information</b>	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.	<b>S19-S21</b>
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	<b>S22-S23</b>
<b>Schedule of Statistics – General Fund</b>	<b>S24</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

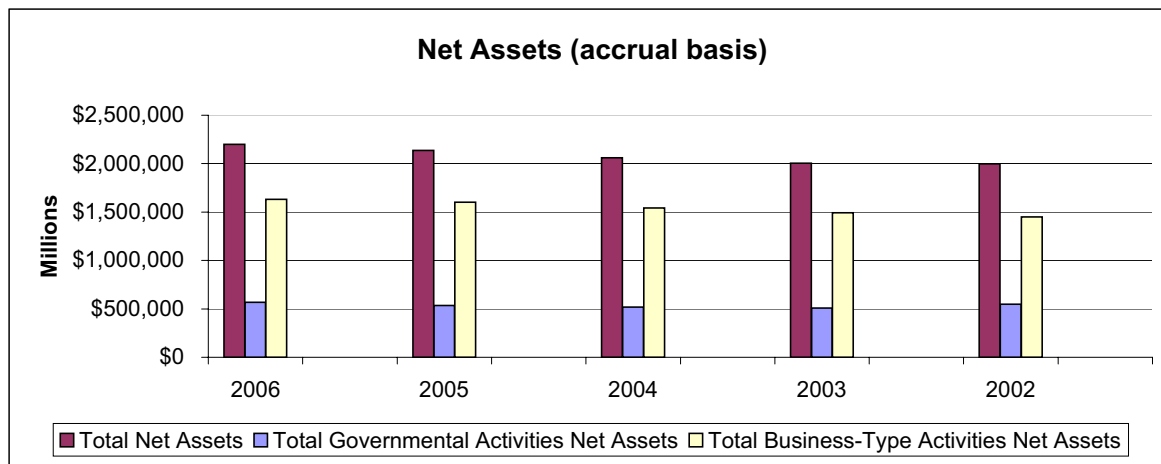
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**City of Cleveland, Ohio**  
*Net Assets By Component*  
*Last Five Years*  
*(Accrual Basis of Accounting)*  
*(Amounts in 000's)*

	2006	2005	2004	2003	2002
<b>Governmental Activities</b>					
Invested in Capital Assets,					
Net of Related Debt	\$350,278	\$303,683	\$274,854	\$355,409	\$364,042
Restricted:					
Capital Projects	62,152	91,917	96,747	10,537	9,660
Debt Service	26,838	1,381	5,003	3,079	2,023
Other Purposes	184,523	192,148	194,035	190,793	183,738
Unrestricted	(56,318)	(52,676)	(53,281)	(50,673)	(11,246)
<b>Total Governmental Activities Net Assets</b>	<b>\$567,473</b>	<b>\$536,453</b>	<b>\$517,358</b>	<b>\$509,145</b>	<b>\$548,217</b>
<b>Business Type - Activities</b>					
Invested in Capital Assets,					
Net of Related Debt	\$622,195	\$510,205	\$385,563	\$706,207	\$677,907
Restricted	512,585	614,998	680,129	298,663	291,732
Unrestricted	496,624	474,875	478,229	489,211	481,714
<b>Total Business-Type Activities Net Assets</b>	<b>\$1,631,404</b>	<b>\$1,600,078</b>	<b>\$1,543,921</b>	<b>\$1,494,081</b>	<b>\$1,451,353</b>
<b>Primary Government</b>					
Invested in Capital Assets,					
Net of Related Debt	\$972,473	\$813,888	\$660,417	\$1,061,616	\$1,041,949
Restricted	786,098	900,444	975,914	503,072	487,153
Unrestricted	440,306	422,199	424,948	438,538	470,468
<b>Total Primary Government Net Assets</b>	<b>\$2,198,877</b>	<b>\$2,136,531</b>	<b>\$2,061,279</b>	<b>\$2,003,226</b>	<b>\$1,999,570</b>

**Note:**

**Data not available prior to fiscal 2002 implementation of Governmental Accounting Standard Board Statement No. 34,**  
*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*



**City of Cleveland, Ohio**  
*Changes in Net Assets*  
*Last Five Years*  
*(Accrual Basis of Accounting)*  
*(Amounts in 000's)*

	2006	2005	2004	2003	2002
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Services:					
General Government	\$31,896	\$21,697	\$21,656	\$32,332	\$26,194
Public Service	5,158	6,208	5,030	4,802	4,259
Public Safety	12,773	15,953	16,046	18,822	11,273
Community Development	2				7,081
Building & Housing	10,701	10,871	11,948	9,673	
Public Health	2,898	2,918	2,262	2,861	2,504
Parks, recreation and properties	746	913	692	1,228	896
Economic Development	4,496	46	118	2,269	107
Other	415	477	487	546	590
Subtotal - Charges for Services	<u>69,085</u>	<u>59,083</u>	<u>58,239</u>	<u>72,533</u>	<u>52,904</u>
Operating Grants and Contributions:					
General Government	1,508	1,876	1,865	2,588	1,060
Public Service	14,230	14,234	13,798	12,873	14,832
Public Safety	9,364	9,153	7,561	9,677	7,718
Human Resources	56,882				21,545
Community Development	3,407	51,848	59,734	63,295	75,083
Public Health	13,838	10,963	8,778	7,357	8,323
Parks, recreation and properties	16,232	354	2,427	343	222
Economic Development	40,397	42,164	30,704	30,551	20,629
Other					
Subtotal - Operating Grants and Contributions	<u>155,858</u>	<u>130,592</u>	<u>124,867</u>	<u>126,684</u>	<u>149,412</u>
Capital Grants and Contributions:					
General Government	23,839	26,899	14,745	13,203	9,369
Public Service					2
Public Safety					
Community Development					
Building & Housing					
Public Health					
Parks, recreation and properties		89	125	66	543
Economic Development					
Other					
Subtotal - Capital Grants and Contributions	<u>23,839</u>	<u>26,988</u>	<u>14,870</u>	<u>13,269</u>	<u>9,914</u>
<i>Total Governmental Activities Program Revenues</i>	<u>248,782</u>	<u>216,663</u>	<u>197,976</u>	<u>212,486</u>	<u>212,230</u>
<b>Business-Type Activities:</b>					
Charges for Services:					
Water	209,694	222,635	209,622	203,748	215,709
Electricity	146,293	150,263	141,143	139,660	141,690
Airport facilities	105,711	111,087	110,882	89,958	86,277
Non-major activities	33,821	33,843	35,079	33,628	33,201
Operating Grants and Contributions:					
Water	8,242				10,465
Electricity	1,796				1,034
Airport facilities	2,944	7,726			4,200
Non-major activities	1,616	100	48	790	76
Capital Grants and Contributions:					
Water	6,817	12,408	5,448	6,687	241
Electricity	1,135	2,285	1,079	1,585	8,633
Airport facilities	53,280	40,975	50,377	51,211	51,990
Non-major activities	6,201	5,505	4,698	7,317	4,891
<i>Total Business-Type Activities Program Revenues</i>	<u>577,550</u>	<u>586,827</u>	<u>558,376</u>	<u>534,584</u>	<u>558,407</u>
<i>Total Primary Government Program Revenues</i>	<u>\$826,332</u>	<u>\$803,490</u>	<u>\$756,352</u>	<u>\$747,070</u>	<u>\$770,637</u>

**City of Cleveland, Ohio**

*Changes in Net Assets*

*Last Five Years*

*(Amounts in 000's)*

	2006	2005	2004	2003	2002
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$89,269	\$86,332	\$77,077	\$82,560	\$81,356
Public Service	81,248	80,888	78,634	80,698	76,100
Public Safety	301,208	293,242	281,140	315,811	305,289
Human Resources					21,545
Community Development	62,701	56,413	65,603	62,543	87,478
Building & Housing	13,832	10,650	10,703	12,932	
Public Health	27,674	24,950	22,537	22,750	22,137
Parks, recreation and properties	45,546	44,840	42,734	47,725	45,365
Economic Development	44,739	41,030	49,372	38,850	28,468
Other	9,918	11,212	11,510	14,197	12,973
Interest on debt	32,162	27,557	30,815	29,065	28,535
<i>Total Governmental Activities Expenses</i>	<u>708,297</u>	<u>677,114</u>	<u>670,125</u>	<u>707,131</u>	<u>709,246</u>
<b>Business-Type Activities</b>					
Water	204,994	192,187	188,118	173,179	170,009
Electricity	141,546	153,676	136,927	134,120	133,182
Airport facilities	157,976	146,807	145,749	143,147	131,683
Non-major activities	42,112	41,526	41,333	42,606	42,091
<i>Total Business-Type Activities Expenses</i>	<u>546,628</u>	<u>534,196</u>	<u>512,127</u>	<u>493,052</u>	<u>476,965</u>
<i>Total Primary Government Program Expenses</i>	<u>1,254,925</u>	<u>1,211,310</u>	<u>1,182,252</u>	<u>1,200,183</u>	<u>1,186,211</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	(459,515)	(460,451)	(472,149)	(494,645)	(497,016)
Business-Type Activities	30,922	52,631	46,249	41,532	81,442
<i>Total Primary Government Net Expense</i>	<u>(428,593)</u>	<u>(407,820)</u>	<u>(425,900)</u>	<u>(453,113)</u>	<u>(415,574)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental Activities</b>					
Taxes:					
Municipal Income Taxes	302,084	288,191	293,387	277,086	275,321
Property Taxes	66,762	64,390	69,483	63,498	74,229
Other Taxes	26,492	25,051	22,011	23,266	25,720
Shared Revenue	16,949	22,468	20,470	20,799	7,707
Grants and Entitlements not Restricted to Specific Programs		1	94	101	2,501
State and Local Government Funds	55,905	55,696	57,072	56,792	54,809
Unrestricted Investment Earnings	4,273	2,989	1,273	1,443	1,207
Other	18,460	21,135	18,855	8,855	22,874
Transfers	(390)	(375)	(2,283)	3,733	(502)
<i>Total Governmental Activities</i>	<u>490,535</u>	<u>479,546</u>	<u>480,362</u>	<u>455,573</u>	<u>463,866</u>
<b>Business-Type Activities</b>					
Grants and Entitlements not Restricted to Specific Programs					2,122
Unrestricted Investment Earnings	14	2,205	1,215	717	14
Other		946	93	4,212	1,194
Transfers	390	375	2,283	(3,733)	502
<i>Total Business-Type Activities Expenses</i>	<u>404</u>	<u>3,526</u>	<u>3,591</u>	<u>1,196</u>	<u>3,832</u>
<i>Total Primary Government General Revenues and Other Changes in Net Assets</i>	<u>490,939</u>	<u>483,072</u>	<u>483,953</u>	<u>456,769</u>	<u>467,698</u>
<b>Change in Net Assets</b>					
Governmental Activities	31,020	19,095	8,213	(39,072)	(33,150)
Business-Type Activities	31,326	56,157	49,840	42,728	85,274
<i>Total Primary Government Change in Net Assets</i>	<u>\$62,346</u>	<u>\$75,252</u>	<u>\$58,053</u>	<u>\$3,656</u>	<u>\$52,124</u>

**Note:**

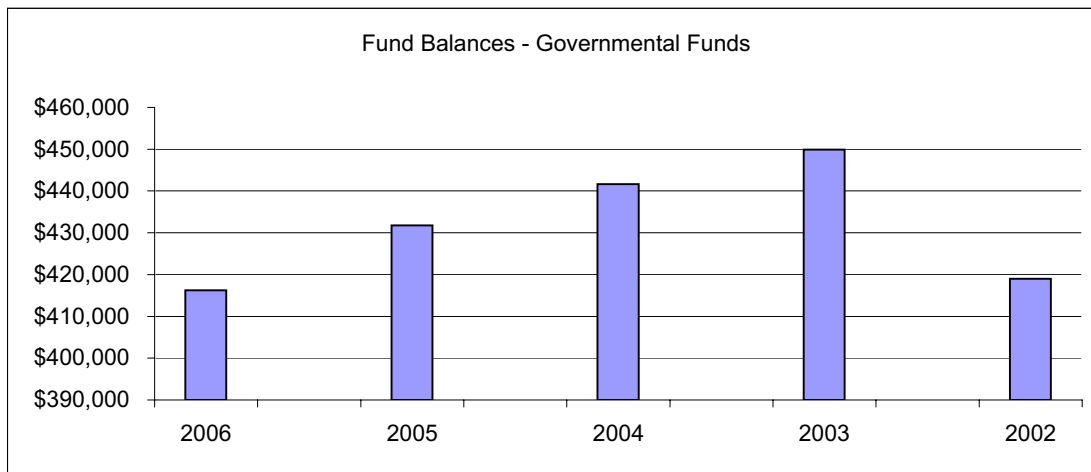
Data not available prior to fiscal 2002 implementation of Governmental Accounting Standard Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

**City of Cleveland, Ohio**  
*Fund Balances, Governmental Funds*  
*Last Five Years*  
*(Modified Accrual Basis of Accounting)*  
*(Amounts in 000's)*

	2006	2005	2004	2003	2002
<b>General Fund</b>					
Reserved	\$13,029	\$11,520	\$13,258	\$9,719	\$17,800
Unreserved	22,502	24,693	21,376	14,932	32,037
<b>Total General Fund</b>	<u>35,531</u>	<u>36,213</u>	<u>34,634</u>	<u>24,651</u>	<u>49,837</u>
<b>All Other Governmental Funds</b>					
Reserved	278,984	280,042	272,122	276,518	258,546
Unreserved, Undesignated, Reported in:					
Special Revenue funds	77,287	65,786	89,325	88,251	53,221
Capital Projects funds	24,458	49,750	45,522	60,462	57,375
<b>Total All Other Governmental Funds</b>	<u>380,729</u>	<u>395,578</u>	<u>406,969</u>	<u>425,231</u>	<u>369,142</u>
<b>Total Governmental Funds</b>	<u>\$416,260</u>	<u>\$431,791</u>	<u>\$441,603</u>	<u>\$449,882</u>	<u>\$418,979</u>

**Note:**

**Data not available prior to fiscal 2002 implementation of Governmental Accounting Standard Board Statement No. 34,**  
*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*



**City of Cleveland, Ohio**  
*Changes in Fund Balances, Governmental Funds*  
*Last Five Years*  
*(Modified Accrual Basis of Accounting)*  
*(Amounts in 000's)*

	2006	2005	2004	2003	2002
<b>Revenues</b>					
Municipal Income Taxes	\$303,446	\$292,193	\$294,200	\$278,719	\$279,186
Property and Other Taxes	66,787	66,055	67,999	63,353	72,683
State and Local Government	55,908	55,899	55,808	55,462	56,436
Other Shared Revenue	73,810	59,576	57,213	55,030	44,664
Licenses and Permits	14,520	14,806	16,033	13,727	10,656
Charges for Services	20,973	23,182	18,707	21,345	21,672
Fines and Forfeitures	27,877	19,985	19,611	25,689	24,946
Investment Earnings	13,809	8,774	3,758	3,634	4,762
Grants	137,278	126,139	118,228	120,379	139,953
Contributions	3,113	3,650	6,131	101	2,500
Other	18,683	14,394	21,462	17,013	19,099
<i>Total Revenues</i>	<u>736,204</u>	<u>684,653</u>	<u>679,150</u>	<u>654,452</u>	<u>676,557</u>
<b>Expenditures</b>					
Current:					
General Government	74,905	71,107	71,291	74,128	71,551
Public Service	58,739	60,049	56,044	56,761	55,939
Public Safety	293,093	282,684	272,752	302,707	283,172
Human Resources	62,031	55,688	65,034	61,227	21,545
Community Development	13,668	10,472	10,497	11,935	86,641
Public Health	26,903	24,121	21,862	21,870	21,176
Parks, Recreation and Properties	37,817	35,503	32,934	37,829	36,088
Economic Development	44,632	40,446	46,966	33,728	27,245
Other	9,256	11,212	11,510	14,197	12,973
Capital Outlay	65,216	84,438	82,780	64,738	63,171
Inception of capital lease	3,302	4,130	9,271		
Debt Issuance Cost				818	
Interest Expense				228	
Debt Service:					
Principal Retirement	37,648	39,384	40,865	32,949	62,347
Interest	31,462	29,822	32,002	27,400	26,748
Other	662	2,338	1,778	719	922
<i>Total Expenditures</i>	<u>759,334</u>	<u>751,394</u>	<u>755,586</u>	<u>741,234</u>	<u>769,518</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(23,130)</u>	<u>(66,741)</u>	<u>(76,436)</u>	<u>(86,782)</u>	<u>(92,961)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	41,853	43,245	47,256	59,368	96,056
Transfers Out	(42,665)	(43,697)	(50,271)	(59,773)	(100,365)
Debt Issuance Cost					(740)
Proceeds from the sale of debt		121,395	35,115	7,585	
Premium on bonds and notes		13,306	1,504	3,156	2,648
Discount on bonds and notes		(54)	(200)		
Payments to refund bonds and notes		(94,145)			
Proceeds from sale of general obligation bonds and notes			16,760	64,100	76,675
Sale of development bonds				32,315	
Loan proceeds			11,365		
Proceeds from sale of land	8,411	8,454			
Proceeds from capital lease		8,425	6,628	6,254	
Inception of capital lease				(419)	
Premium on interest rate swap agreement				5,100	
<i>Total Other Financing Sources (Uses)</i>	<u>7,599</u>	<u>56,929</u>	<u>68,157</u>	<u>117,686</u>	<u>74,274</u>
<i>Net Change in Fund Balances</i>	<u>(\$15,531)</u>	<u>(\$9,812)</u>	<u>(\$8,279)</u>	<u>\$30,904</u>	<u>(\$18,687)</u>
Debt Service as a Percentage of Noncapital Expenditures	11.4%	12.3%	12.9%	10.2%	14.9%

**City of Cleveland, Ohio**  
*Assessed Valuation and Estimated Actual Values of Taxable Property*  
*Last Ten Years*  
*(Amounts in 000's)*

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU		Assessed Value	Estimated Actual Value
2006	\$2,662,461	\$2,285,525	\$14,137,102	\$314,385	\$357,256
2005	2,665,935	2,319,194	14,243,255	350,690	398,511
2004	2,666,178	2,232,575	13,996,437	355,889	404,419
2003	2,348,384	2,244,238	13,121,777	358,143	406,981
2002	2,354,757	2,318,510	13,352,191	377,364	428,823
2001	2,362,425	2,255,914	13,195,254	451,775	513,381
2000	2,015,095	2,085,641	11,716,388	444,315	504,903
1999	2,015,165	2,070,172	11,672,391	478,752	544,036
1998	2,020,084	1,995,730	11,473,754	474,182	538,843
1997	1,824,527	1,942,485	10,762,891	476,677	541,678

Source: Cuyahoga County Auditor's Office

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.

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.

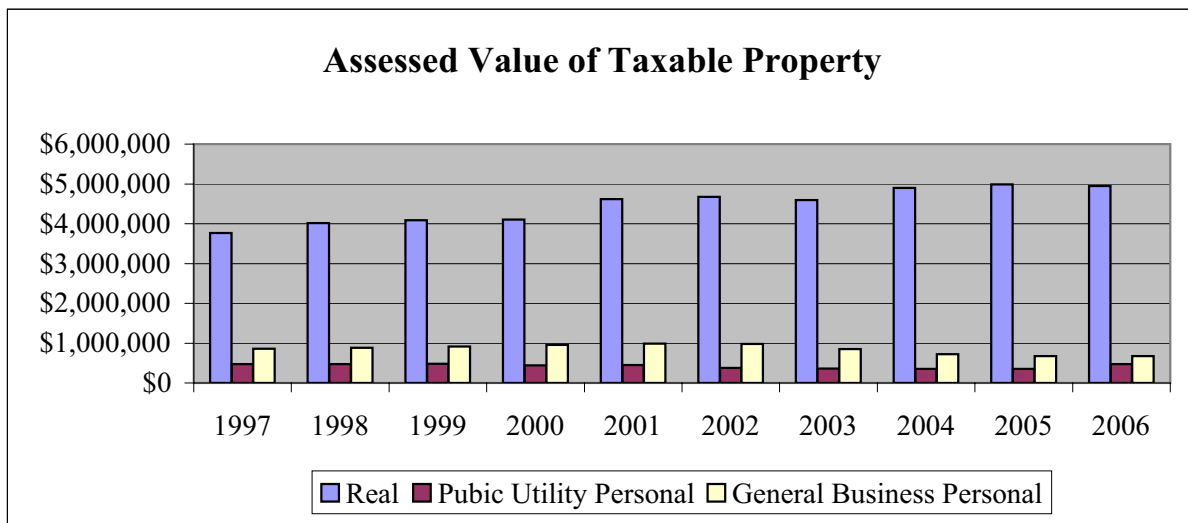
Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment 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.





Tangible Personal Property

General Business		Total		
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio
\$677,333	\$2,944,926	\$5,939,704	\$17,439,284	34.1 %
671,795	2,920,848	6,007,614	17,562,614	34.2
722,499	3,141,300	5,977,141	17,542,156	34.1
853,282	3,709,922	5,804,047	17,238,680	33.7
980,928	4,087,200	6,031,559	17,868,214	33.8
988,532	3,954,128	6,058,646	17,662,763	34.3
952,829	3,811,316	5,497,880	16,032,607	34.3
913,154	3,652,616	5,477,243	15,869,044	34.5
885,245	3,540,980	5,375,241	15,553,577	34.6
856,832	3,427,328	5,100,521	14,731,898	34.6



**City of Cleveland, Ohio**  
*Property Tax Rates - Direct and Overlapping Governments*  
*(Per \$1,000 of Assessed Valuation)*  
*Last Ten Years*

	2006	2005	2004	2003
<b>Unvoted Millage</b>				
Debt	4.350000	4.350000	4.350000	4.350000
Fire Pension	0.050000	0.050000	0.050000	0.050000
<i>Total Unvoted Millage</i>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>
<b>Charter Millage</b>				
Operating	7.750000	7.750000	7.750000	7.750000
Fire Pension	0.250000	0.250000	0.250000	0.250000
Police Pension	0.300000	0.300000	0.300000	0.300000
<i>Total Charter Millage</i>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>
<b>Total Millage</b>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>

**Overlapping Rates by Taxing District**

City School District				
Residential/Agricultural Real	29.002818	31.588821	31.586780	31.559197
Commerical/Industrial and Public Utility Real	44.858685	48.826505	48.636211	48.764909
General Business and Public Utility Personal	64.800000	64.800000	64.800000	64.800000
County				
Residential/Agricultural Real	11.865485	11.722742	10.975355	10.989859
Commerical/Industrial and Public Utility Real	12.494099	12.588063	11.984633	12.043316
General Business and Public Utility Personal	13.420000	13.520000	13.520000	13.520000
Special Taxing Districts (1)				
Residential/Agricultural Real	9.045800	9.853500	9.851200	9.168300
Commerical/Industrial and Public Utility Real	10.252900	11.084900	11.011300	10.525300
General Business and Public Utility Personal	11.580000	11.580000	11.580000	11.280000

Source: Cuyahoga County Auditor's Office

Notes: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year. The City's basic property tax rate may be increased only by a majority vote of the City's residents.

Charter millage is consistently applied to all types of property.

The real property tax rates for the voted levies of the overlapping taxing districts are reduced so that inflationary increases in value do not generate additional revenue.

Overlapping rates are those of local and county governments that apply to property owners within the City.

- (1) Cleveland Metropolitan Parks District, Cleveland-Cuyahoga Port Authority, Cleveland Library and Cuyahoga Community College. Prior to 2003 Cleveland Metropolitan Parks District and Cleveland Library only.

2002	2001	2000	1999	1998	1997
4.350000	4.350000	4.350000	4.350000	4.350000	4.350000
0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
4.400000	4.400000	4.400000	4.400000	4.400000	4.400000
7.750000	7.750000	7.750000	7.750000	7.750000	7.750000
0.250000	0.250000	0.250000	0.250000	0.250000	0.250000
0.300000	0.300000	0.300000	0.300000	0.300000	0.300000
8.300000	8.300000	8.300000	8.300000	8.300000	8.300000
12.700000	12.700000	12.700000	12.700000	12.700000	12.700000

34.359166	34.356020	30.160715	34.477041	34.668574	34.651911
48.821444	48.257023	43.006176	47.312181	47.454944	47.452872
64.800000	64.800000	60.600000	64.800000	61.000000	61.000000

12.460892	11.381449	11.396642	11.411285	11.423010	9.659682
12.876350	12.002276	11.929733	12.373539	12.406460	11.700078
14.650000	14.650000	14.650000	13.750000	13.750000	15.050000

4.306000	4.307000	4.311600	4.982100	4.984700	3.609400
4.886300	4.822800	4.716700	5.276300	5.279700	4.220500
5.550000	5.550000	5.550000	5.550000	5.550000	4.550000

**City of Cleveland, Ohio**  
*Property Tax Levies And Collections*  
*Last Ten Years*

Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections	Total Tax Collections
2006	\$100,453,000	\$65,617,000	65.32 %	\$5,524,000	\$71,141,000
2005	100,842,630	67,759,024	67.19	5,428,007	73,187,031
2004	102,396,067	67,571,431	65.99	7,055,068	74,626,499
2003	95,920,068	65,058,362	67.83	5,052,595	70,110,957
2002	96,449,699	64,376,023	66.75	6,680,368	71,056,391
2001	93,753,498	66,447,200	70.87	4,253,228	70,700,428
2000	84,432,235	62,471,564	73.99	4,214,775	66,686,339
1999	83,655,993	63,427,067	75.82	4,219,704	67,646,771
1998	82,315,018	62,883,792	76.39	2,785,155	65,668,947
1997	80,046,876	59,733,751	74.62	3,023,595	62,757,346

Source: Cuyahoga County Auditor's Office

(1) State reimbursement of rollback and homestead exemptions are included.

Note: The County does not identify delinquent collections by the year for which the tax was levied.

<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes to Total Tax Levy</u>
70.82 %	\$21,063,000	20.97 %
72.58	26,330,702	26.11
72.88	24,928,208	24.34
73.09	25,151,032	26.22
73.67	21,966,674	22.78
75.41	21,498,001	22.93
78.98	16,484,006	19.52
80.86	13,869,371	16.58
79.78	14,128,110	17.16
78.40	14,222,919	17.77

**City of Cleveland, Ohio**  
*Principal Taxpayers - Real Estate Tax*  
 2006 and 1997

<i>2006</i>		
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	\$133,384,540	2.70 %
Cleveland Financial Associates	49,232,020	0.99
Cleveland Clinic Foundation	35,386,420	0.72
NPW LTD Partnership	35,062,590	0.71
ISG Cleveland Inc.	27,201,480	0.55
National City Center LLC	27,949,990	0.56
TIC OCC Ainley	22,177,160	0.45
Bishop James Hickey	19,752,400	0.40
Behringer Harvard	19,376,700	0.39
Chester Union Associates	18,352,960	0.37
<b>Total</b>	<b>\$387,876,260</b>	<b>7.84 %</b>
<b>Total Assessed Valuation</b>	<b>\$4,947,986,000</b>	

<i>1997</i>		
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
ZML-Cleve Public Sq LLC	\$61,705,000	1.64 %
MET Life International	45,482,740	1.21
Ohio Bell Telephone Company	34,224,370	0.91
Lakeside Associates	32,994,860	0.88
LTV Steel Company, Incorporated	32,508,490	0.86
Euclid-Ninth Community	26,656,500	0.71
Tower City	25,576,120	0.68
600 Superior Place	24,850,000	0.66
Erievue Joint Venture	22,470,000	0.60
Ninth Street Superior	20,132,010	0.52
<b>Total</b>	<b>\$326,600,090</b>	<b>8.67 %</b>
<b>Total Assessed Valuation</b>	<b>\$3,767,013,000</b>	

Source: County Auditor

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

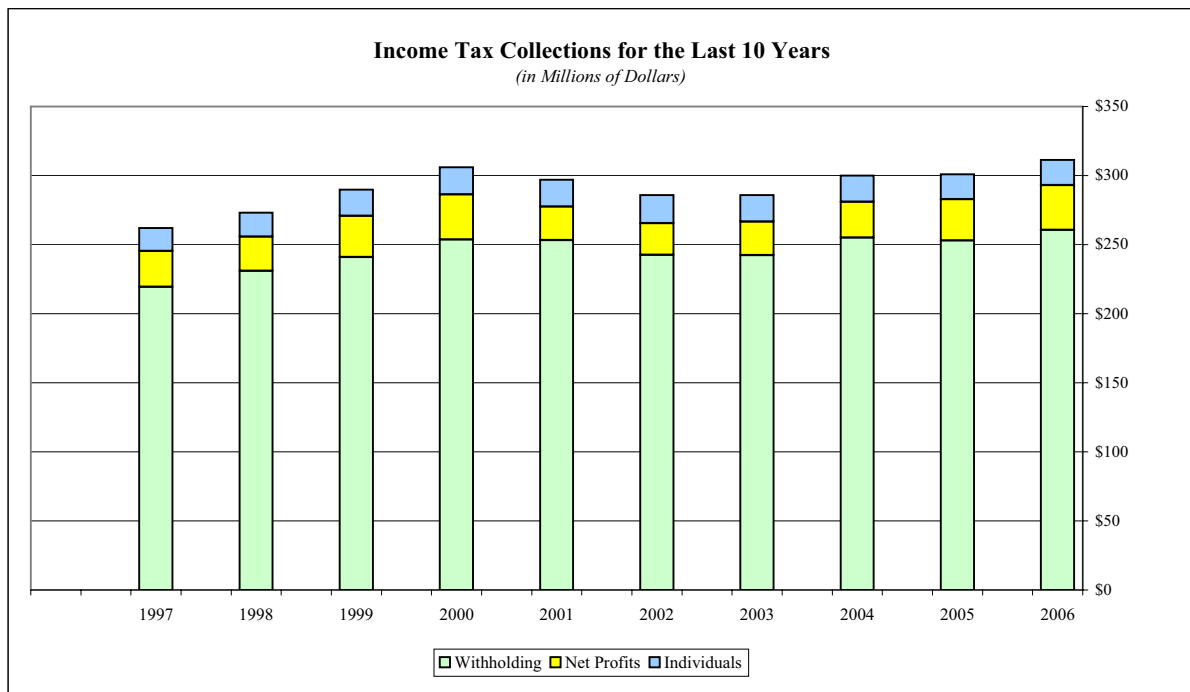
**City of Cleveland, Ohio**  
*Income Tax Revenue Base and Collections*  
*Last Ten Years*

Tax Year (1)	Tax Rate	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individuals	Percentage of Taxes from Individuals
2006	2.00%	\$311,254,815	\$260,697,679	83.76%	\$32,469,591	10.43%	\$18,087,545	5.81%
2005	2.00	300,836,796	253,082,844	84.13	29,796,387	9.90	17,957,565	5.97
2004	2.00	300,041,379	255,039,437	85.00	25,919,958	8.64	19,081,984	6.36
2003	2.00	285,904,337	242,321,319	84.76	24,334,618	8.51	19,248,400	6.73
2002	2.00	285,825,834	242,681,101	84.91	22,938,922	8.03	20,205,811	7.07
2001	2.00	296,875,935	253,237,238	85.30	24,313,604	8.19	19,325,093	6.51
2000	2.00	305,917,114	253,730,942	82.94	32,600,247	10.66	19,585,925	6.40
1999	2.00	289,787,744	240,955,591	83.15	29,901,253	10.32	18,930,900	6.53
1998	2.00	273,249,724	231,045,398	84.55	24,630,640	9.01	17,573,686	6.43
1997	2.00	262,052,349	219,370,316	83.71	25,916,564	9.89	16,765,469	6.40

Source: Central Collection Agency

(1) 2002 through 2006 are on an Accrual Basis and 1997 through 2001 are on a Modified Accrual Basis

Note: The City is prohibited by statute from presenting information regarding individual taxpayers.



**City of Cleveland, Ohio**  
*Ratio of Outstanding Debt to  
Total Personal Income and Debt Per Capita  
Last Ten Years*

Year	Governmental Activities					
	General Obligation Bonds	Urban Renewal Bonds/Notes	Non-Tax Revenue Bonds/Notes	Capital Leases	Subordinated Income Tax Refunding Bonds	Certificates of Participation
2006	\$323,795,000	\$7,170,000	\$69,353,000	\$15,057,000	\$60,700,000	\$143,950,000
2005	353,325,000	7,555,000	70,085,000	18,083,000	62,400,000	146,225,000
2004	346,700,000	12,215,000	70,715,000	11,750,000	64,000,000	148,485,000
2003	356,900,000	12,555,000	45,600,000	6,254,000	65,500,000	150,550,000
2002	319,085,000	8,575,000	10,000,000	238,000	66,900,000	155,494,000
2001	293,380,000	13,075,000	10,000,000	812,000	68,200,000	161,071,000
2000	316,950,000	9,160,000	10,000,000	1,350,000	69,500,000	167,379,000
1999	312,225,000	9,430,000	10,000,000	1,859,000	70,700,000	174,485,000
1998	306,165,000	9,685,000	20,000,000	2,341,000	71,800,000	160,757,000
1997	299,100,000	9,930,000	20,000,000	2,799,000	72,800,000	166,723,000

Note: Population and Personal Income data are presented on page S20.



**Business-Type Activities**

Revenue Bonds	Capital Lease	OWDA/ OPWC Loans	Total Debt	Percentage of Personal Income	Per Capita
\$1,995,045,000	\$	\$121,354,000	\$2,736,424,000	40.02%	\$5,720
2,049,820,000		124,134,000	2,831,627,000	41.42	5,919
2,102,986,000		80,770,000	2,837,621,000	41.50	5,931
2,160,842,000		55,958,000	2,854,159,000	41.75	5,966
2,181,898,000		24,615,000	2,766,805,000	40.47	5,783
2,018,731,000		13,117,000	2,578,386,000	37.71	5,390
1,482,976,000		7,412,000	2,064,727,000	30.20	4,316
1,521,601,000		8,175,000	2,108,475,000	45.04	4,170
1,514,294,000	1,539,000	8,922,000	2,095,503,000	44.77	4,144
1,425,501,000		8,761,000	2,005,614,000	42.85	3,967



**City of Cleveland, Ohio**  
*Ratio of General Obligation Bonded Debt to Assessed  
Value and Bonded Debt Per Capita  
Last Ten Years*

Year	Population (1)		Estimated Actual Value of Taxable Property (2) (Amount in 000's)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property	Net Bonded Debt Per Capital
2006	478,403	b	\$5,939,704	\$320,265,000	5.39 %	\$669.45
2005	478,403	b	6,007,616	348,004,000	5.79	727.43
2004	478,403	b	5,977,142	339,209,000	5.68	709.04
2003	478,403	b	5,804,048	352,569,000	6.07	736.97
2002	478,403	b	6,031,560	316,220,000	5.24	660.99
2001	478,403	b	6,058,647	292,608,000	4.83	611.63
2000	478,403	a	5,497,881	310,370,000	5.65	648.76
1999	505,616	a	5,447,244	304,650,000	5.59	602.53
1998	505,616	a	5,375,242	300,082,000	5.58	593.50
1997	505,616	a	5,100,522	293,692,000	5.76	580.86

Sources:

(1) U. S. Bureau of Census, Census of Population.

(a) 1990 Federal Census

(b) 2000 Federal Census

(2) County Auditor

(3) Includes all general obligation bonded debt less balance in debt service fund.

**City of Cleveland, Ohio**  
*Computation of Direct and Overlapping Governmental Activities Debt*  
 December 31, 2006

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
<b>Direct - City of Cleveland</b>			
General Obligation Bonds	\$323,795,000	100.00 %	\$323,795,000
Revenue Notes/Bonds	1,995,045,000	100.00	1,995,045,000
OWDA/OPWC Loans	103,415,000	100.00	103,415,000
Capital Leases	15,057,000	100.00	15,057,000
Urban Renewal Bonds/Notes	7,170,000	100.00	7,170,000
Subordinated Income Tax Refunding Bonds	60,700,000	100.00	60,700,000
Non-tax Revenue Bonds	69,353,000	100.00	69,353,000
<i>Total Direct Debt</i>	<u>2,574,535,000</u>		<u>2,574,535,000</u>
<b>Overlapping</b>			
Cleveland Municipal School District			
General Obligation Bonds	168,765,000	97.89	165,204,059
Cuyahoga County			
General Obligation Bonds	214,338,691	19.47	41,731,743
Regional			
Transit Authority	156,500,000	19.47	30,470,550
<i>Total Overlapping Debt</i>	<u>539,603,691</u>		<u>237,406,352</u>
<b>Total</b>	<u><u>\$3,114,138,691</u></u>		<u><u>\$2,811,941,352</u></u>

Source: County Auditor

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.

**City of Cleveland, Ohio**

*Legal Debt Margin*

*Last Ten Years*

	2006	2005	2004	2003
Total Assessed Property Value	<u>\$5,939,704,867</u>	<u>\$6,007,616,318</u>	<u>\$5,977,142,243</u>	<u>\$5,804,048,750</u>
Overall Legal Debt Limit (10 ½ % of Assessed Valuation)	<u>623,669,011</u>	<u>630,799,713</u>	<u>627,599,936</u>	<u>609,425,119</u>
Debt Outstanding:				
General Obligation Bonds	323,795,000	353,325,000	346,700,000	356,900,000
Revenue Notes/Bonds	1,995,045,000	2,049,820,000	2,102,986,000	2,160,842,000
Urban Renewal Bonds/Notes	7,170,000	7,555,000	12,215,000	12,555,000
Subordinated Income Tax Refunding Bonds	60,700,000	62,400,000	64,000,000	65,500,000
OWDA /OPWC Loans	103,415,000	78,498,000	52,616,000	33,045,000
Non-tax Revenue Bonds	<u>69,353,000</u>	<u>70,085,000</u>	<u>70,715,000</u>	<u>45,600,000</u>
Total Gross Indebtedness	2,559,478,000	2,621,683,000	2,649,232,000	2,674,442,000
Less:				
General Obligation Bonds	323,795,000	353,325,000	346,700,000	356,900,000
Revenue Notes/Bonds	1,995,045,000	2,049,820,000	2,102,986,000	2,160,842,000
Urban Renewal Bonds/Notes	7,170,000	7,555,000	12,215,000	12,555,000
Subordinated Income Tax Refunding Bonds	60,700,000	62,400,000	64,000,000	65,500,000
OWDA /OPWC Loans	103,415,000	78,498,000	52,616,000	33,045,000
Non-tax Revenue Bonds	69,353,000	70,085,000	70,715,000	45,600,000
General Obligation Bond Retirement Fund Balance	<u>3,530,000</u>	<u>5,321,000</u>	<u>7,491,000</u>	<u>4,331,000</u>
Total Net Debt Applicable to Debt Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin Within 10 ½ % Limitations	<u>\$623,669,011</u>	<u>\$630,799,713</u>	<u>\$627,599,936</u>	<u>\$609,425,119</u>
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation (5 ½ % of Assessed Valuation)	<u>\$326,683,768</u>	<u>\$330,418,898</u>	<u>\$328,742,823</u>	<u>\$319,222,681</u>
Total Gross Indebtedness	2,559,478,000	2,621,683,000	2,649,232,000	2,674,442,000
Less:				
General Obligation Bonds	323,795,000	353,325,000	346,700,000	356,900,000
Revenue Notes/Bonds	1,995,045,000	2,049,820,000	2,102,986,000	2,160,842,000
Urban Renewal Bonds/Notes	7,170,000	7,555,000	12,215,000	12,555,000
Subordinated Income Tax Refunding Bonds	60,700,000	62,400,000	64,000,000	65,500,000
OWDA /OPWC Loans	103,415,000	78,498,000	52,616,000	33,045,000
Non-tax Revenue Bonds	69,353,000	70,085,000	70,715,000	45,600,000
General Obligation Bond Retirement Fund Balance	<u>3,530,000</u>	<u>5,321,000</u>	<u>7,491,000</u>	<u>4,331,000</u>
Net Debt Within 5 ½ % Limitations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unvoted Legal Debt Margin Within 5 ½ % Limitations	<u>\$326,683,768</u>	<u>\$330,418,898</u>	<u>\$328,742,823</u>	<u>\$319,222,681</u>
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	100.00%	100.00%	100.00%	100.00%

Source: City Financial Records

2002	2001	2000	1999	1998	1997
<u>\$6,031,560,000</u>	<u>\$6,058,647,000</u>	<u>\$5,497,881,312</u>	<u>\$5,477,243,429</u>	<u>\$5,375,242,416</u>	<u>\$5,100,521,868</u>
633,313,800	636,157,935	577,277,538	575,110,560	564,400,454	535,554,796
319,085,000	293,380,000	316,950,000	312,225,000	306,165,000	299,100,000
2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000	1,511,216,000	1,425,501,000
12,825,000	13,075,000	9,160,000	9,430,000	9,685,000	9,930,000
66,900,000	68,200,000	69,500,000	70,700,000	71,800,000	72,800,000
16,746,000	13,117,000	7,412,000	8,175,000	8,922,000	8,761,000
10,000,000	10,000,000	10,000,000	10,000,000	20,000,000	20,000,000
2,607,454,000	2,416,503,000	1,895,998,000	1,923,131,000	1,927,788,000	1,836,092,000
318,340,000	291,210,000	313,355,000	312,225,000	299,480,000	289,700,000
2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000	1,511,216,000	1,425,501,000
12,825,000	13,075,000	9,160,000	9,430,000	9,685,000	9,930,000
66,900,000	68,200,000	69,500,000	70,700,000	71,800,000	72,800,000
16,746,000	13,117,000	7,412,000	8,175,000	8,922,000	8,761,000
10,000,000	10,000,000	10,000,000	10,000,000	20,000,000	20,000,000
2,865,000	772,000	6,580,000	7,575,000	6,083,000	5,408,000
-	1,398,000	-	-	602,000	3,992,000
<u>\$633,313,800</u>	<u>\$634,759,935</u>	<u>\$577,277,538</u>	<u>\$575,110,560</u>	<u>\$563,798,454</u>	<u>\$531,562,796</u>
100.00%	99.78%	100.00%	100.00%	99.89%	99.25%
<u>\$331,735,800</u>	<u>\$333,225,585</u>	<u>\$302,383,472</u>	<u>\$301,248,389</u>	<u>\$295,638,333</u>	<u>\$280,528,703</u>
2,607,454,000	2,416,503,000	1,895,998,000	1,923,131,000	1,927,788,000	1,836,092,000
318,340,000	291,210,000	313,355,000	312,225,000	299,480,000	289,700,000
2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000	1,511,216,000	1,425,501,000
12,825,000	13,075,000	9,160,000	9,430,000	9,685,000	9,930,000
66,900,000	68,200,000	69,500,000	70,700,000	71,800,000	72,800,000
16,746,000	13,117,000	7,412,000	8,175,000	8,922,000	8,761,000
10,000,000	10,000,000	10,000,000	10,000,000	20,000,000	20,000,000
2,865,000	772,000	6,580,000	7,575,000	6,083,000	5,408,000
-	1,398,000	-	-	602,000	3,992,000
<u>\$331,735,800</u>	<u>\$331,827,585</u>	<u>\$302,383,472</u>	<u>\$301,248,389</u>	<u>\$295,036,333</u>	<u>\$276,536,703</u>
100.00%	99.58%	100.00%	100.00%	99.80%	98.58%

**City of Cleveland, Ohio**  
*Pledged Revenue Coverage*  
*Airport Revenue Bonds*  
*Last Ten Years*

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2006	\$135,883,000	\$62,426,000	\$73,457,000	\$17,775,000	\$39,565,000	1.28
2005	140,157,000	66,957,000	73,200,000	10,895,000	43,026,000	1.36
2004	135,117,000	58,647,000	76,470,000	9,373,000	35,817,000	1.69
2003	107,758,000	57,845,000	49,913,000	11,104,000	25,128,000	1.38
2002	101,081,000	59,025,000	42,056,000	10,916,000	20,678,000	1.33
2001	103,498,000	56,795,000	46,703,000	10,783,000	21,751,400	1.44
2000	90,205,000	47,381,000	42,824,000	14,315,000	18,116,700	1.32
1999	77,943,000	40,252,000	37,691,000	12,100,000	15,027,792	1.39
1998	68,259,000	34,263,000	33,996,000	8,450,000	10,683,000	1.78
1997	56,335,000	31,864,000	24,471,000	8,385,000	8,026,660	1.49

(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.

**City of Cleveland, Ohio**  
*Pledged Revenue Coverage*  
*Power System Revenue Bonds*  
*Last Ten Years*

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2006	\$149,276,000	\$114,942,000	\$34,334,000	\$11,025,000	\$8,144,118	1.79
2005	152,146,000	125,924,000	26,222,000	4,920,000	9,813,126	1.78
2004	142,148,000	109,275,000	32,873,000	9,410,000	10,447,476	1.66
2003	141,190,000	104,940,000	36,250,000	7,865,000	10,886,836	1.93
2002	143,383,000	103,050,000	40,333,000	6,620,000	11,693,085	2.20
2001	134,632,000	97,834,000	36,798,000	6,855,000	11,190,161	2.04
2000	137,407,000	104,889,000	32,518,000	6,465,000	12,980,000	1.67
1999	132,651,000	99,436,000	33,215,000	6,210,000	13,030,000	1.73
1998	121,896,000	87,658,000	34,238,000	6,465,000	14,332,000	1.65
1997	111,663,000	77,015,000	34,648,000	6,190,000	14,371,000	1.69

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

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

**City of Cleveland, Ohio**  
*Pledged Revenue Coverage*  
*Water System Mortgage Revenue Bonds*  
*Last Ten Years*

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2006	\$223,903,000	\$132,879,000	\$91,024,000	\$17,695,000	\$35,300,322	1.72
2005	230,354,000	123,931,000	106,423,000	15,485,000	36,763,888	2.04
2004	215,012,000	127,021,000	87,991,000	20,748,333	30,184,582	1.73
2003	210,352,000	123,640,000	86,712,000	25,160,000	33,188,434	1.49
2002	226,394,000	119,736,000	106,658,000	23,990,000	33,500,816	1.86
2001	229,827,000	116,841,000	112,986,000	17,260,000	35,738,449	2.13
2000	225,060,000	109,159,000	115,901,000	20,605,000	38,526,675	1.96
1999	213,777,000	99,700,000	114,077,000	18,265,000	39,401,000	1.98
1998	204,021,000	102,462,000	101,559,000	17,180,000	32,616,000	2.04
1997	187,151,000	100,286,000	86,865,000	13,990,000	36,937,000	1.71

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

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



**City of Cleveland, Ohio**  
Principal Employers  
Current Year and Nine Years Ago

<b>2006</b>		
Employer	Employees	Percentage of Total County Employment
The Cleveland Clinic Foundation	27,755	4.43%
University Hospitals of Cleveland	16,611	2.65
U.S. Office of Personnel Management	9,916	1.58
Cuyahoga County	9,142	1.46
Progressive Corp.	9,017	1.44
City of Cleveland	8,136	1.30
Cleveland Municipal School District	7,472	1.19
KeyCorp	6,397	1.02
National City Corporation	6,051	0.96
The MetroHealth System	5,503	0.88
<b>Total</b>	<b>106,000</b>	<b>16.91%</b>
<b>Total Employment within the County</b>	<b>626,700</b>	

<b>1997</b>	
Employer	Employees
Cleveland Clinic Health Systems	19,135
United States of America	17,585
University Hospitals Health System	9,513
Cuyahoga County	9,463
City of Cleveland	8,643
Cleveland City School District	8,260
Ford Motor Co.	7,800
KeyCorp	7,403
LTV Corp.	5,800
MetroHealth System	4,786
<b>Total</b>	<b>98,388</b>
<b>Total Employment within the County</b>	<b>n/a</b>

Source: Number of employees from Crain's Cleveland  
Book of Lists 2007, Largest Cuyahoga County Employers  
Book of Lists 1997, Largest Cuyahoga County Employers

n/a - Information not available

**City of Cleveland, Ohio**  
*Demographic and Economic Statistics*  
 Last Ten Years

Year	Population (1)	Total Personal Income (5)	Personal Income Per Capita (1)	Median Household Income (1)	Median Age (1)
2006	478,403	\$6,836,857,273	\$14,291	\$25,928	33
2005	478,403	6,836,857,273	14,291	25,928	33
2004	478,403	6,836,857,273	14,291	25,928	33
2003	478,403	6,836,857,273	14,291	25,928	33
2002	478,403	6,836,857,273	14,291	25,928	33
2001	478,403	6,836,857,273	14,291	25,928	33
2000	478,403	6,836,857,273	14,291	25,928	33
1999	505,616	4,680,992,928	9,258	17,822	31.8
1998	505,616	4,680,992,928	9,258	17,822	31.8
1997	505,616	4,680,992,928	9,258	17,822	31.8

(1) Source: U. S. Census

(a) Years 2000 through 2006 - 2000 Federal Census

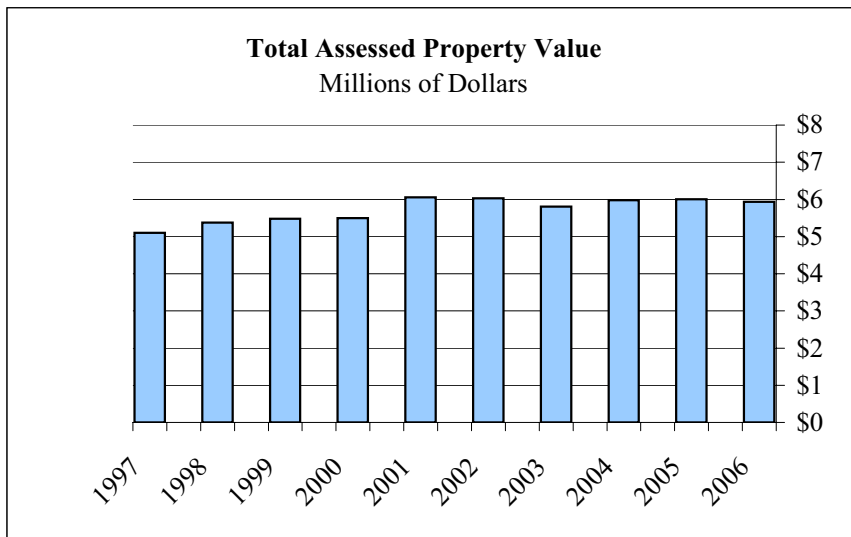
(b) Years 1997 through 1999 - 1990 Federal Census

(2) Source: Ohio Department of Education Website: "<http://www.ode.state.oh.us/data/>"

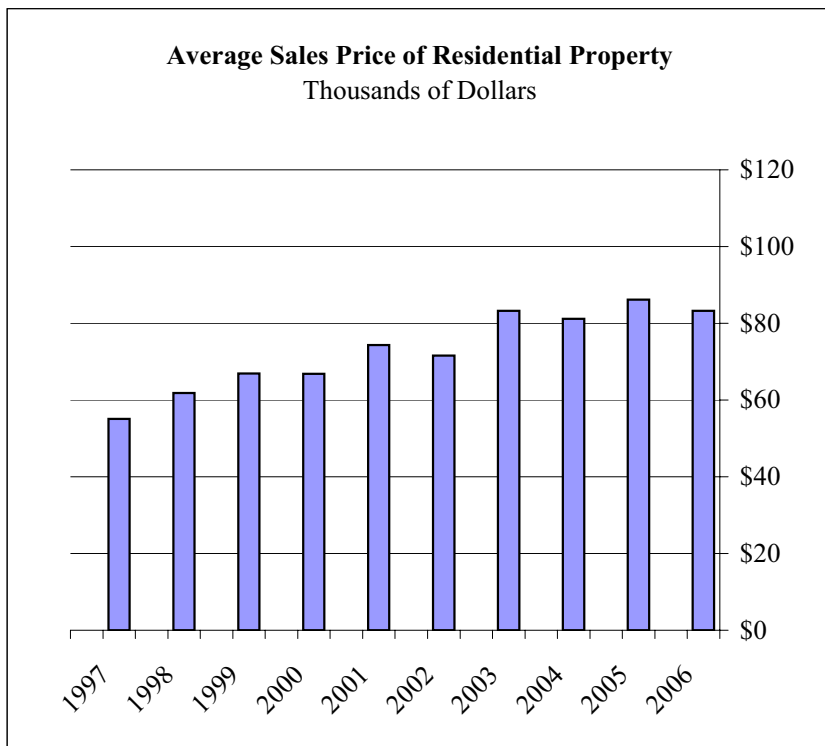
(3) Source: Ohio Labor Market Info, Website: "<http://lmi.state.oh.us/laus/LAUS.html>"

(4) Source: County Auditor

(5) Computation of per capita personal income multiplied by population



Educational Attainment: Bachelor's Degree or Higher (1)	School Enrollment (2)	Cuyahoga City Unemployment Rate (3)	Average Sales Price of Residential Property (4)	Total Assessed Property Value (4) (Amount in 000's)
11.4%	59,586	7.1%	\$83,237	\$5,939,704
0.1	65,079	7.7	86,142	6,007,616
0.1	69,655	8.3	81,185	5,977,142
0.1	71,616	8.3	83,216	5,804,048
0.1	73,001	10.2	71,562	6,031,560
0.1	74,226	8.2	74,346	6,058,647
0.1	76,367	7.4	66,800	5,497,881
8.1	76,574	8.4	66,892	5,477,244
8.1	76,581	8.3	61,800	5,375,242
8.1	74,026	8.9	55,053	5,100,522



**City of Cleveland, Ohio**  
*Full-Time Equivalent City Government Employees by Function/Program*  
*Last Three Years (1)*

Function/Program	2006	2005	2004
<b>General Government</b>			
Council	63.50	65.00	66.00
Mayor's Office	25.00	2.00	27.00
Landmarks Commission	5.00	4.50	4.50
Building Standards and Appeals	5.00	6.00	6.00
Board of Zoning Appeals	4.50	5.50	5.50
Civil Service Commission	10.00	10.50	12.50
Community Relations Board	28.50	23.50	24.50
City Planning Commission	23.00	26.00	27.00
Equal Employment Opportunity	13.00	14.00	12.00
Court	544.00	541.50	534.50
Office of Budget Administration	7.00	7.00	8.00
Aging	20.50	18.00	18.00
Personnel and Human Resources	19.00	18.00	91.50
Consumer Affairs	5.00	3.00	4.00
Law	88.50	89.00	93.00
Finance	255.00	255.50	245.50
<b>Security of Persons and Property</b>			
Administration	39.50	39.00	41.50
Police	2,176.50	2,179.00	2,145.50
Fire	915.00	916.00	913.00
EMS	292.00	297.00	298.00
Traffic Engineering	0.00	0.00	35.00
Dog Pound	14.50	13.00	13.00
<b>Public Health Services</b>	260.00	253.00	261.50
<b>Leisure Time Activities</b>			
Parks, Recreation and Property Administration	8.00	7.00	9.00
Research, Planning and Development	9.00	10.00	10.00
Recreation	165.00	170.50	176.00
Convention Center, Westside Market and Cleveland Stadium	49.50	54.00	49.50
Parking Facilities	46.50	47.50	56.00
Property Management	93.00	100.00	99.50
Parks Maintenance	161.00	170.00	167.00
<b>Community Development</b>	81.00	87.50	271.50 (2)
<b>Building and Housing</b>	165.00	170.00	0.00 (2)
<b>Economic Development</b>	94.00	98.00	29.00
<b>Public Service</b>			
Public Service Administration	5.00	5.00	6.00
Architecture	9.00	9.00	9.00
Waste Collection and Disposal	244.50	225.50	223.50
Engineering and Construction	65.50	69.50	70.00
Motor Vehicle Maintenance	102.00	100.00	102.00
Streets	288.50	303.00	287.00
Traffic Engineering	44.00	44.00	3.00
<b>Port Control</b>	369.50	377.50	367.00
<b>Basic Utility Services</b>			
Water	1,207.00	1,216.00	1,263.50
Cleveland Public Power	337.00	341.00	347.00
Water Pollution Control	144.00	147.00	147.00
Totals:	8,502.00	8,538.00	8,579.50

**Source:** City Payroll Department

**Method:** Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee at year end.

(1) Information prior to 2004 is not available

(2) Building and Housing was moved from Community Development to its own department in 2005

**City of Cleveland, Ohio**  
*Operating Indicators by Function/Program*  
*Last Five Years (1)*

Function/Program	2006	2005	2004	2003	2002
<b>General Government</b>					
<i>Council and Clerk</i>					
Number of Ordinances Passed	846	899	891	1,028	1,085
Number of Resolutions Passed	361	306	292	349	404
Number of Planning Commission docket items	768	725	669	538	535
Zoning Board of Appeals docket items	265	394	337	349	372
<i>Finance Department</i>					
Number of checks issued	49,533	50,541	48,808	51,922	51,756
Amount of checks written	\$1,284,108,296	\$1,266,586,217	\$1,211,743,500	\$1,211,440,564	\$1,271,734,980
Interest earnings for fiscal year (cash basis)	\$53,988,258	\$42,035,213	\$38,154,383	\$39,688,080	\$48,324,784
Number of Receiving Warrants	64,730	62,637	61,625	58,967	55,652
Number of Journal Entries issued	43,990	41,019	42,765	54,095	43,435
Number of Budget Adjustments issued	3	5	4	4	5
Agency Ratings - Standard & Poors (2)	A	A	A	A	A+
Agency Ratings - Moody's Financial Services (2)	A2	A2	A2	A2	A1
Health Insurance Costs vs General Fund Expenditures %	14.00%	14.00%	12.00%	12.00%	10.00%
General Fund Receipts (cash basis in thousands)	\$490,927	\$471,755	\$455,775	\$459,365	\$460,237
General Fund Expenditures (cash basis in thousands)	\$465,162	\$451,323	\$484,856	\$437,964	\$468,504
General Fund Cash Balances (in thousands)	\$30,957	\$29,738	\$24,058	\$17,676	\$27,222
<i>Income Tax Department</i>					
Number of Individual Returns	248,108	267,712	287,904	299,081	315,848
Number of Business Returns	30,567	25,763	30,584	29,825	27,677
Number of business withholding accounts	16,200	14,942	15,503	15,520	15,986
Amount of Penalties and Interest Collected	\$1,999,859	\$1,990,879	\$2,471,464	\$2,233,996	\$2,727,029
Annual number of Corporate withholding forms processed	169,933	136,931	148,779	147,478	148,702
Annual number of balance due statements forms processed	45,909	47,252	53,458	58,689	63,829
Annual number of estimated payment forms processed	56,163	55,036	62,115	64,780	64,709
Annual number of reconciliations of withholdings processed	18,929	9,075	14,723	13,000	11,737
<i>Engineer Contracted Services</i>					
Dollar amount of Construction overseen by Engineer (3)	\$141,733,000	\$52,741,000	\$78,562,000	\$49,716,000	\$45,905,000
<i>Municipal Court</i>					
Number of Civil Cases	22,909	21,567	22,418	23,133	19,591
Number of Criminal cases	121,676	121,791	113,822	151,395	166,288
<i>Vital Statistics</i>					
<i>Certificates Filed (6)</i>					
Number of Births	17,645	17,638	18,191	18,542	18,897
Number of Deaths	11,992	12,343	12,296	11,825	12,089
Number of Fetal Deaths	312	361	294	477	516
<i>Certificates Issued (6)</i>					
Number of Births (5)	98,545	101,284	58,452	N/A	N/A
Number of Deaths (5)	84,615	66,268	38,684	N/A	N/A
<i>Civil Service</i>					
Number of police entry tests administered	0	0	0	0	0
Number of fire entry tests administered	0	0	0	0	0
Number of police promotional tests administered	0	0	0	0	1
Number of fire promotional tests administered	0	0	0	0	1
Number of hires of Police Officers from certified lists	0	0	0	0	0
Number of hires of Fire/Medics from certified lists	0	0	0	0	0
Number of promotions from police certified lists	0	39	19	23	18
Number of promotions from fire certified lists	0	0	0	0	0

(continued)

**City of Cleveland, Ohio**  
*Operating Indicators by Function/Program*  
*Last Five Years (1)*

Function/Program	2006	2005	2004	2003	2002
<b>Building Department Indicators</b>					
Construction Permits Issued	9,163	9,699	10,020	9,471	10,427
Estimated Value of Construction	\$743,566,106	\$652,537,749	\$558,278,403	\$487,768,588	\$382,584,866
Number of other permits issued	9,157	9,272	9,489	9,767	10,260
Amount of Revenue generated from permits	\$7,399,513	\$7,504,979	\$8,661,198	\$6,353,990	\$4,611,214
Number of contract registrations issued	3,077	3,700	2,200	5,492	2,252
Number of rental inspections performed	868	1,680	1,735	12,670	2,255
Annual Apartment/Rooming House License Fees	\$1,290,830	\$1,367,157	\$1,433,689	\$1,399,415	\$1,155,597
<b>Security of Persons &amp; Property</b>					
<i>Police</i>					
Number of traffic citations issued	77,003	82,642	77,424	106,970	119,632
Number of parking citations issued	59,311	51,947	54,268	173,185	220,966
Number of criminal arrests	40,678	39,002	38,090	45,205	50,092
Number of accident reports completed	17,374	18,878	20,655	21,898	21,915
Part 1 Offenses (major offenses)	44,018	42,352	39,933	32,198	33,218
DUI Arrests	577	705	660	1,075	1,355
Prisoners	39,851	38,259	37,426	43,765	47,856
Motor Vehicle Accidents	17,374	18,878	20,655	21,898	21,915
Fatalities from Motor Vehicle Accidents	39	38	49	42	32
Community Diversion Program Youths	177	155	273	263	127
<i>Fire</i>					
Fire Calls	3,296	3,195	3,202	3,703	3,831
Fires with Loss	1,708	1,904	1,641	1,777	1,832
Fires with Losses exceeding \$10K	362	379	316	261	286
Fire Losses \$	\$21,567,578	\$18,292,877	\$18,140,355	\$12,179,966	\$13,819,600
Fire Safety Inspections	5,901	6,027	6,198	6,989	7,074
Number of times Mutual Aid given to Fire	N/A	87	39	92	72
Number of times Mutual Aid received for Fire	0	0	0	0	0
<i>EMS</i>					
EMS Calls - incoming for service (4)	86,010	91,161	87,009	89,380	87,085
Ambulance Billing Collections (net)	\$10,698,730	\$10,075,142	\$8,830,211	\$7,243,765	\$8,412,319
Number of times Mutual Aid given to EMS	0	0	0	0	0
Number of times Mutual Aid received for EMS	0	0	0	0	0
<b>Public Health and Welfare</b>					
Number of Health Inspections					
Barber Shops	251	237	230	199	195
Food	8,143	8,140	8,175	8,207	8,010
Hotels/Motels	31	27	29	24	21
Marinas	11	11	11	11	11
Mobile Home Parks	5	5	5	5	5
Laundries	68	59	46	46	42
Nuisance	20,057	18,317	18,299	17,539	16,512
Pools	129	146	129	129	129
Schools	235	376	225	225	225
Day Care Inspections	104	95	101	113	92
Maternity Inspections	3	4	4	4	4
Abortion Inspections	5	5	5	5	5
Cemetery burials	27	49	73	77	83
Cemetery cremations	83	45	32	19	10

**City of Cleveland, Ohio**  
*Operating Indicators by Function/Program*  
*Last Five Years (1)*

Function/Program	2006	2005	2004	2003	2002
<b>Leisure Time Activities</b>					
<i>Recreation</i>					
Recreation Mens & Womens Leagues receipts	\$5,730	\$7,140	\$10,455	\$20,720	\$31,290
<b>Economic Development</b>					
Grant amounts received	\$17,386	\$20,701	\$16,857	\$17,839	\$24,730
<b>Public Service</b>					
Street Improvements - asphalt overlay (linear feet)	40,000	162,800	101,000	135,100	127,500
Crackseal Coating Program (Miles)	15	60	40	50	48
Street Repair (Curbs, aprons, berms, asphalt) (hours)	95,000	95,000	95,000	95,000	95,000
Guardrail Repair (hours)	1,600	1,000	800	800	2,600
Paint Striping					
Lane line (miles)	650	650	633	630	600
Crosswalks (each)	6,000	6,000	5,900	5,800	5,800
Arrows (each)	3,000	3,000	2,800	2,500	2,500
Street Sweeper (hours)	30,000	30,000	15,000	12,000	12,000
Cold Patch (hours)	31,000	31,000	31,000	31,000	31,000
Snow & Ice Removal regular hours	132,000	132,000	132,000	132,000	132,000
Snow & Ice Removal overtime hours	8,000	30,000	23,000	17,000	16,000
Landscaping Stump-Chipper service (hours)	982	1,009	1,719	1,000	1,780
Leaf collection (hours)	17,000	17,000	17,000	17,000	17,000
Holiday lights setup (hours)	5	5	5	5	5
Equipment repair/body shop (hours)	1,066	1,179	1,664	1,811	2,606
Tons of snow melting salt purchased (Nov-Mar)	64,500	83,000	40,000	95,000	40,000
Cost of salt purchased	\$2,128,363	\$2,750,034	\$1,321,066	\$2,819,235	\$1,237,889
Refuse disposal per year (in tons) August through July	303,196	333,497	316,083	296,139	302,969
Refuse disposal costs per year August through July	\$8,662,913	\$7,761,318	\$7,461,798	\$7,135,942	\$7,628,883
Annual recycling tonnage (excluding leaf, and compost items)	16,435	16,088	12,825	14,500	11,176
Percentage of waste recycled	5.42%	4.82%	4.06%	4.90%	3.69%
<b>Port Control</b>					
Cleveland Hopkins Airport					
Landed Weight	7,467,746,000	7,910,706,000	8,074,843,000	7,827,776,000	8,193,727,000
Total Operations	249,967	258,926	263,561	258,460	262,108
Total Passengers	11,321,050	11,463,391	11,264,937	10,555,387	10,795,270
Total Enplaned Passengers	5,646,470	5,724,440	5,613,255	5,257,224	5,405,497
Burke Lakefront Airport					
Landed Weight	N/A	N/A	N/A	N/A	N/A
Total Operations	77,593	73,064	84,101	94,626	94,462
Total Passengers	214,947	188,381	199,194	215,601	216,406
Total Enplaned Passengers	107,786	93,941	99,563	107,931	108,940
<b>Water Department</b>					
Water Rates per 1st 300 Cu ft of water used	\$8.71	\$8.71	\$8.41	\$8.13	\$7.85
Avg. number of water accounts billed monthly (Cu. Ft.)	139,129	140,166	138,338	138,441	138,002
Total Water Collections Annually (Including P&I)	\$192,386,791	\$202,615,763	\$190,316,017	\$187,482,239	\$196,125,873
Payments to Cleveland for bulk water purchases	\$19,632,453	\$21,102,439	\$19,422,375	\$19,041,420	\$18,989,684
<b>Wastewater Department</b>					
Sewer and Sanitary calls for service	6,515	6,188	5,481	7,802	6,684
After hours Sewer Calls (hours)	448	526	437	N/A	N/A
N/A - Information not available					(concluded)

- (1) Information prior to 2002 is not available.
- (2) General Obligation Bond rating.
- (3) Amounts are new construction starts. Most of Eng & Const. projects are multi year projects.
- (4) Does not include incoming fire calls for 2005 and 2006. Fire calls for service, approximately 40,000 per year.
- (5) Statistics prior to August 2004 are not available.
- (6) Includes entire area serviced by the Division of Vital Statistics (i.e., Cleveland + suburbs).

**City of Cleveland, Ohio**  
*Capital Assets Statistics by Function/Program*  
*Last Ten Years*

Function/Program	2006	2005	2004	2003
<b>General Government</b>				
Square Footage Occupied	2,310,732	2,310,732	2,187,420	2,187,420
Administrative Vehicles	28	26	25	23
<b>Police</b>				
Stations	6	6	6	6
Square Footage of Buildings (2)	769,536	769,536	769,536	769,536
Vehicles	958	979	905	872
<b>Fire</b>				
Stations	26	26	26	26
Square Footage of Buildings	313,224	313,224	313,224	313,224
Vehicles	153	152	147	154
<b>EMS</b>				
Stations (Headquarters)	1	1	N/A	N/A
Square Footage of Buildings	33,000	33,000	N/A	N/A
Vehicles	57	53	47	46
<b>Recreation</b>				
Number of Parks	150	150	146	146
Number of Pools	40	40	40	39
Number of Ice Rinks	1	1	1	1
Number of Tennis Courts	120	120	131	134
Number of Skateboarding Areas	1	1	1	0
Number of Baseball Diamonds	140	140	141	141
Number of Playgrounds	111	112	111	109
Number of Soccer Fields	45	12	12	11
Vehicles	163	154	145	143



2002	2001	2000	1999	1998	1997
2,187,420	2,187,420	2,187,420	2,187,420	2,187,420	2,187,420
21	21	21	16	16	16
6	6	6	6	6	6
769,536	769,536	769,536	769,536	769,536	769,536
897	892	877	911	887	864
26	26	25	25	25	25
313,224	313,224	313,224	313,224	313,224	313,224
135	138	133	135	132	129
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
44	45	48	52	72	47
155	145	145	145	145	145
40	41	41	41	41	41
1	1	1	1	1	1
136	134	136	136	133	133
0	0	0	0	0	0
142	142	143	143	143	142
111	112	113	113	112	114
11	8	8	8	8	8
137	123	110	99	116	110

(continued)

**City of Cleveland, Ohio**  
*Capital Assets Statistics by Function/Program*  
*Last Ten Years*

Function/Program	2006	2005	2004	2003
<b>Other Public Works</b>				
Streets (miles)	1,280	1,280	1,240	1,210
Service Vehicles	828	842	859	857
<b>Port Control</b>				
Runways	4	4	4	4
Terminal Area (approximate square footage) (1)	935,000	935,000	935,000	935,000
Gates	96	96	96	96
Parking Spaces (approximately)				
Long Term	2,500	2,500	2,500	2,500
Short Term	4,200	4,200	4,200	4,200
Surface	500	0	0	0
Total Parking Spaces	7,200	6,700	6,700	6,700
Vehicles	362	345	321	314
<b>Wastewater</b>				
Sanitary Sewers (miles)	171	171	171	171
Storm Sewers (miles)	199	199	199	199
Combined Sewers (miles)	1,065	1,065	1,065	1,065
Vehicles	83	82	81	81
<b>Electric Power</b>				
Vehicles	306	287	269	276
<b>Water Department</b>				
Water Lines (miles)	2,172	2,168	2,042	2,040
Vehicles	832	827	814	801

N/A - Information not available

- (1) Concourse D is approximately 170,000 sq. ft. and has 33 gates and was opened in 1999.  
(2) Includes Dog Kennels, Inspection Garage and House of Corrections.

2002	2001	2000	1999	1998	1997
1,210 931	1,200 903	1,180 899	1,160 897	1,130 871	1,100 778
4	3	3	3	3	3
935,000 96	935,000 96	935,000 96	935,000 96	765,000 63	765,000 63
2,500 4,200 0	2,500 4,200 0	2,500 4,200 0	2,500 1,500 0	2,500 1,500 0	2,500 1,500 0
6,700 299	6,700 294	6,700 286	4,000 274	4,000 258	4,000 241
171 199	171 199	171 199	171 199	171 199	171 199
1,065 81	1,065 81	1,065 83	1,065 83	1,065 N/A	1,065 N/A
269	267	263	259	253	226
2,039 804	2,039 828	2,038 865	2,037 881	2,036 905	2,035 832

(concluded)

# CITY OF CLEVELAND, OHIO

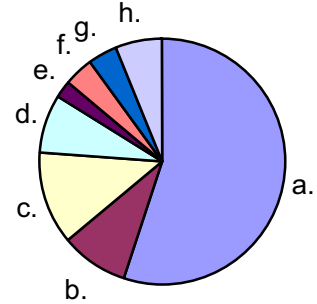
## SCHEDULE OF STATISTICS-GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2006

### OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

#### REVENUE DOLLAR BY SOURCE

Where the money came from

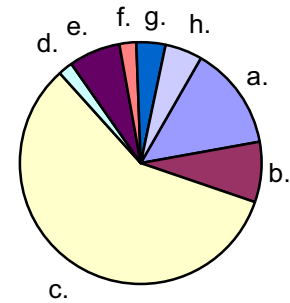
a. Income taxes		a. \$0.55
b. Property taxes		b. 0.09
c. State local government funds		c. 0.12
d. Other shared revenues		d. 0.08
e. Licenses and permits		e. 0.02
f. Charges for services		f. 0.04
g. Fines, forfeits and settlements		g. 0.04
h. Miscellaneous		h. 0.06
		\$1.00



#### EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

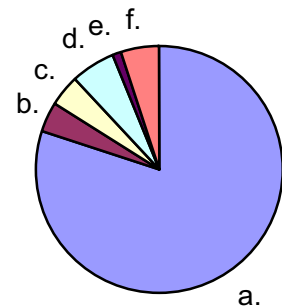
a. General government		a. \$0.14
b. Public service		b. 0.08
c. Public safety		c. 0.58
d. Public health		d. 0.02
e. Parks, recreation and properties		e. 0.07
f. Building and Housing		f. 0.02
g. Economic and Community Development and other		g. 0.04
h. Transfers out		h. 0.05
		\$1.00



#### EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages, and related benefits		a. \$0.80
b. Interdepartmental charges		b. 0.04
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  
Kay Cebron  
Celina Chaves  
Michael Gehlmann  
Michael Klein  
Karen Schuster

Va'Kedia Stiggers  
Sharon Teter  
Gary Walker  
Pandora Ward  
April Wilkerson

## **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





**Mary Taylor, CPA**  
Auditor of State

**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 30, 2007**